

## Nicklaus: How Trump's tariff threat could harm businesses and consumers

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For David Moons, a presidential tweet was an unwelcome reminder that his best-selling product could be imperiled by international politics.

Moons is president of [Anji Mountain](#), a Maryland Heights company that sells a bamboo floor mat made in China. It was among Chinese products hit with a 10 percent tariff last September, and Trump tweeted Sunday that he's raising that to 25 percent on Friday.

Trump's threat seems aimed at wringing concessions out of Chinese trade negotiators, who are due to meet Wednesday with U.S. officials. Whatever the intent, it came as a surprise to Moons.

"Being given four days' lead time on something that could have a significant impact on the overall financial strategy of the company is worrisome," Moons said. "This is not going to be good for us."

The mats use a type of bamboo that's only grown in China, so moving production to another country isn't an option. Moons says the company had to absorb "quite a bit" of the 10 percent tariff, and isn't sure whether it can sell the product profitably with a 25 percent tariff.

Besides raising the tariff to 25 percent Friday on Chinese goods worth about \$250 billion a year, Trump also vowed to tax about \$290 billion worth of goods that hadn't been part of the trade war.

If he follows through, the U.S. would be penalizing almost everything it imports from China.

The immediate tariff increase "would fall most heavily on certain industries like computer and electronic components and auto parts," says Mary Lovely, a senior fellow at the Peterson Institute for International Economics.

"This is really supply-chain trade," Lovely explained. "The trade is coming from multinationals that operate in China, and much of it is intra-firm trade."

Trump would have to go through a months long process to extend tariffs to more Chinese goods. If he does so, consumers are likely to see product shortages and price increases.

"It would hit a whole set of sectors — apparel, footwear, toys and home goods — that were spared before," Lovely said. "I call them Walmart goods, and it is a whole different ballgame politically."

Trump's tweets roiled global financial markets, sending the Shanghai stock index down 5.6 percent Monday. U.S. stocks opened sharply lower but recovered to lose just 0.4 percent.

Paul Christopher, head of global market strategy for Wells Fargo Investment Institute, views Trump's threat as a negotiating tactic. "This could be a sign that they're getting close and the president is trying to push them across the finish line faster," he said.

If the threat is carried out, Christopher adds, it would have far-reaching effects on the global economy. China's growth would slow, and emerging markets that depend on sales to China would suffer. The U.S. dollar could strengthen.

One number that seems resistant to tariffs is the U.S. trade deficit, a measure Trump has repeatedly used to justify his trade war. U.S. imports from China grew 7 percent last year and our bilateral trade deficit grew to \$419 billion from \$376 billion. The U.S. trade deficit with the world also widened.

### **U.S. Trade Deficit**

"You'd think there would be a lesson there," said Simon Lester, a trade expert at the Cato Institute. "Trade deficits are not the problem, and if they were, tariffs are not the solution."

Trump, a self-described "tariff man," hasn't learned that lesson. When the art of the deal becomes the art of the threat, it creates uncertainty that's bad for everyone.