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The Problem with Trump's Protectionist Tariffs

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Donald Trump has pitched himself to voters as a proud protectionist, intent on punishing the Chinese companies that he says are hurting American workers. In his January meeting with the editorial board of the *New York Times*, he said he would impose a 45 percent tariff on all products imported from China.

Luckily, we don't have to guess how such a tariff would impact the economy, because the Obama administration attempted a version of Trump's idea seven years ago. It did not go well.

"It's basically a real-world case study on what would happen if we imposed 35 percent tariffs on Chinese imports," says Scott Lincicome, an international trade attorney and adjunct fellow at the Cato Institute. "In this case, we saw huge costs for consumers, gains by other foreign competitors, and almost no gains for American workers, even under the most generous of assumptions."

By 2009, the United States was importing tires from China at a rate of about 50 million per year. The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers International Union complained to the Obama administration that there was a "large, rapid, and continuing" increase in the number of Chinese-made tires entering American markets. In September of that year, Obama approved relief for domestic producers by increasing tariffs on most new tire imports for three years.

 "The president decided to remedy the clear disruption to the U.S. tire industry based on the facts and the law in this case," then–White House press secretary Robert Gibbs said at the time.

Economists Gary Clyde Hufbauer and Sean Lowry note that the number of Americans employed in tire manufacturing increased from 50,800 in September 2009 to 52,000 in September 2011. If all 1,200 jobs were attributed to the tariff — an exceedingly generous assumption — they calculate that Obama's move could be credited with saving or creating $48 million of additional worker income and purchasing power.

But the tariff also forced consumers to spend $1.1 billion more on tires than they otherwise would have — or roughly $900,000 per U.S. tire industry job created. And retaliatory tariffs imposed by the Chinese further hurt our economy. In early 2010, China's Ministry of Commerce imposed tariffs ranging from 50.3 to 105.4 percent on American poultry imports, which "reduced

exports by $1 billion as U.S. poultry firms experienced a 90 percent collapse in their exports of chicken parts to China," according to Hufbauer and Lowry.

Trump's proposals would recreate the same results on a larger scale. His across-the-board tariff on Chinese goods would bring retaliatory tariffs on U.S. exports to China, the third-largest market for American companies behind Canada and Mexico. U.S. producers of soybeans, civilian aircraft, cotton, copper, corn, and recycled materials would all take a big hit.

Trump is touting his tariff idea as a way of boosting U.S. economic production, instead of increasing non-U.S. imports. He's pledging to bring back jobs lost to foreign competitors who undercut American companies. But protectionist tariffs can accomplish that only if they are uniformly applied. A tariff on Chinese products would immediately make Japanese, Mexican, and other foreign companies better able to compete in the American market, necessitating another round of tariffs on those countries. And it's safe to assume each new tariff would bring retaliatory tariffs against U.S. exports, until there was no one left with whom we could profitably trade.

Like Trump's underline pledge to build a border wall, the tariffs' intended effect sounds good, but there's no acknowledgement of their exorbitant costs. There's no doubt that many Trump supporters are hurting, and want desperately to gain a foothold in an economy they feel has passed them by. A unionized manufacturing job must sound nice to them. But it wouldn't be nearly as nice if their cost of living shot through the roof overnight.