



# The Berkshire Eagle

## Trump touts trade wins, but businesses still struggle

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WASHINGTON — President Donald Trump heads to Iowa on Tuesday praising his new trade agreement with Canada and Mexico as a win for farmers, saying the pact will send cash pouring into the United States and enrich America's agriculture and industrial workers.

"The farmers are so thrilled with the USMCA," Trump said Tuesday, referring to the new United States Mexico Canada Agreement. "We just opened up Mexico and Canada and it's great for our farmers," he said hours before a campaign rally in Council Bluffs, Iowa.

But many are not ready to cheer.

NAFTA, the North American Free Trade Agreement, could soon be on its way to becoming the USMCA, but U.S. businesses still face a cloud of trade uncertainty. The biggest concern: Lingering tariffs on foreign steel and aluminum that do not appear to be ending anytime soon.

The metal tariffs, combined with retaliatory taxes that foreign governments have placed on U.S. products, are undercutting the concessions that Trump won in the deal. While the new trade pact gives U.S. farmers greater access to Canada's dairy market and requires that a higher percentage of a car be produced in the United States, business and trade groups are raising questions about whether the agreement will actually deliver the economic boost the president promises.

"The celebration is muted because of the tariffs on steel and aluminum," said David Ahlem, chief executive of Hilmar Cheese Co., a California-based dairy business with 1,400 employees. "I think many people expected those tariffs would go away as part of the deal, but there's no clear path to that happening."

In response to Trump's metal levies, Mexico hit U.S. goods like cheese with 25 percent tariffs, stalling business in the industry's largest export market. As a result, Ahlem said that even if the USMCA is passed in Congress next year and opens access to Canada's dairy market, he will be worse off because of the new trade barrier with Mexico.

"The old NAFTA or the TPP would have been better," Ahlem added, referring to the Trans-Pacific Partnership agreement that Trump withdrew from last year. "It's not clear to me what the strategy is."

Trump has promoted his use of tariffs as a negotiating tool, criticizing those opposed to his approach as "babies" and suggesting he will continue to wield trade barriers as a cudgel to force concessions from other countries. He has continued to insist that his approach is helping, not hurting, U.S. manufacturers, like the steel industry.

"The steel industry in this country is back like nothing I've seen before," he said Tuesday.

But U.S. companies are beginning to feel the effects of a one-sided strategy, which aims to help domestic industries but ignores the globalized nature of U.S. businesses, which rely on supply chains and customers across borders.

Among the sectors hardest hit by Trump's approach are the beverage and auto industries, which rely heavily on foreign aluminum and steel to make cans and cars. PepsiCo, the drinks and snacks company, said this month that higher prices for aluminum imports from Canada were eating into quarterly profits and said it would raise prices as a result. The company lowered its profit forecast for the year and its stock slid. Coca-Cola, its biggest rival in the soda business, said over the summer that it would raise prices in response to the tariffs.

### **Missed opportunity**

The beer industry is feeling a similar pinch and called the new trade deal a "missed opportunity." The aluminum tariffs will raise the cost of beer production in the United States by \$348 million per year, according to the Beer Institute.

"These tariffs are hurting American companies while benefiting foreign-owned aluminum manufacturers," said Jim McGreevy, president of the Beer Institute.

The auto industry, arguably the biggest beneficiary of the 25-year-old North American trade pact, is also grappling with downsides from Trump's trade approach, including his ongoing threat of tariffs on cars and car parts.

The chief executive of Ford Motor Co. said last month that the additional costs from the metal tariffs alone would shave about \$1 billion off its annual profits.

The steel and aluminum tariffs were put in place earlier this year under the pretense of protecting national security. Trump took the rare step of invoking Section 232 of the 1962 Trade Expansion Act to impose tariffs on that basis, arguing that economic security is akin to national security.

"We need steel for defense," Trump said. "What are we going to do? Go and say, 'Oh, we'll get our steel from an — like another country?'"

Mexico and Canada, two of the United States' closest allies and big providers of metal to the U.S. military and other industries, fought to remove the tariffs as part of the USMCA. But the United States insisted that they remain in place, saying the tariffs would be dealt with on a separate track.

Modest changes to the text of the agreement could take place before it is signed in late November. Its fate in the United States could be in limbo if Democrats win control of the House in the November midterm elections and want to stop the trade treaty from passing.

Republican lawmakers have been pushing for the steel and aluminum tariffs to be lifted and industry lobbyists have predicted that it could happen sometime between now and when the three presidents sign the agreement.

It is unlikely that Trump will receive much praise from businesses until then.

"Until the 232s go away, major U.S. exporters, especially agriculture, are in the crosshairs — and they're getting hammered," said Scott Lincicome an international trade attorney and scholar at the Cato Institute, using the legal term for the metal tariffs.

The most significant victory for Trump, Lincicome added, was that he avoided making the situation with the United States' neighbors even worse.

"The biggest defense of the entire deal is that it removes the uncertainty that Trump himself inserted into the North American supply chain," he said.