



## World bracing for risk of Trump's trade war

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WASHINGTON — President Donald Trump's plan to slap taxes on steel and aluminum imports was branded Friday as "absolutely unacceptable" by Prime Minister Justin Trudeau of Canada, the United States' biggest foreign source of both metals.

Trump hasn't sparked a trade war — yet. But his provocative action has raised the risk of an all-out conflict that could pit the United States against its friends and the entire global financial system that it helped create after World War II.

When Trump announced Thursday he was imposing a 25 percent tariff on steel and 10 percent tariff on aluminum on national security grounds, he set into motion the possibility that trading partners would fight back with tariffs of their own.

The rebukes delivered on Friday suggested that some countries were prepared to retaliate if necessary.

Trudeau stressed in his comments he was prepared to "defend Canadian industry" and that the tariffs would also hurt U.S. consumers and businesses because prices could rise.

The 28 countries in the European Union could respond by taxing goods that are core to the American identity such as Bourbon whiskey, blue jeans and Harley Davidson motorcycles, said Jean-Claude Juncker, president of the European Commission.

"I don't like using the word trade war, but I can't see how this isn't part of warlike behavior," Juncker told German media.

Roberto Azevedo, the director-general of the World Trade Organization, warned that a "trade war is in no one's interests."

China — the world's largest steel producer and Trump's primary target — stayed quiet about how it would respond.

Trump's fellow Republicans urged caution. Doug Andres, an aide for House Speaker Paul Ryan, said that Ryan "is hoping the president will consider the unintended consequences of this idea."

But the U.S. president appears to be in battle mode.

He views the tariffs as a way to pressure trading partners into submission and wipe away the long-standing trade deficit.

"Trade wars are good, and easy to win," he said on Twitter.

Commerce Secretary Wilbur Ross downplayed the risk of rising prices from the steel and aluminum tariffs. He held up cans of Campbell's soup and Coca-Cola during a CNBC interview, noting that each would go up by less than a penny under the new taxes.

Even if Trump is itching for a trade war, it's not clear if one will materialize.

"It's too soon to tell for a whole host of reasons," said Scott Lincicome, a trade lawyer and adjunct scholar at the libertarian Cato Institute.

Because there are no formal declarations, Lincicome said the "imaginary threshold" for this kind of showdown would involve countries imposing a broad set of tariffs that choked off trade, rather than taxes on the two basic categories of steel and aluminum being proposed by Trump.

The battle would extend beyond the exchange of goods to include services and investments among nations.

For the time being, so much depends on a set of unknowns, such that the only sure thing is that the risks of a breakdown in trade have increased.

The White House has promised more details next week when the president signs the tariffs into law.

But questions linger.

Would Trump apply the tariffs to political and economic allies such as Canada, Japan and South Korea? Ross only suggested on CNBC that the tariffs would be broad.

Would any products get excluded? There's big differences among the types of steel and aluminum. A metal such as aluminum is used for the foil to wrap Hershey's Kisses chocolates as well as the frame for a Boeing 787 airliner.

The answers to these questions could determine how other countries respond.