

# The Gazette

## No path to victory in Trump's trade war with China

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May 20, 2019

Iowa's influential Republicans in Washington, D.C. have made clear they don't appreciate President Donald Trump escalating his trade war with China.

U.S. Sens. Joni Ernst and Chuck Grassley are true believers in free trade. They correctly recognize that retaliatory tariffs are toxic to U.S. consumers and producers, especially in agriculture states such as Iowa.

Our senators tolerate the shenanigans, however, because China has it coming.

"Our farmers know the theft of intellectual property, trade secrets, particularly manipulating the currency that China does. All of that is very harmful to the entire United States economy," Grassley said **during a Fox News interview last week**.

China has become a source of great fear and anxiety among bureaucrats and policymakers. In their fervor, some political figures are forgetting some basic economic facts — specifically, that tariffs are taxes on consumers in the nation that imposes them.

Trump and his allies accuse China of "economic aggression," illustrated by a set of legitimate grievances — China games the monetary system, engages in cyber espionage, violates intellectual property protections and imposes unfair trade restrictions against western goods.

Almost everyone in American politics — Republicans and Democrats, free-traders and protectionists — agrees those are real problems. However, Trump's countermeasures are impotent at best, or actively destructive at worse.

Trump's trade strategy, as I understand it, is to impose unilateral tariffs as a way of inflicting economic hardship on other countries, thereby pressuring foreign leaders to negotiate, with the ultimate goal of securing more favorable terms for the United States.

In other words, the president hopes to bully our trade partners into submission.

Trump's approach ignores some inconvenient realities — first, Americans bare a significant share of the economic burden of tariffs; and second, there is little evidence to suggest such tactics will pay off in the form of better trade policies.

In Trump's mind, tariffs — additional fees charged to goods imported to the United States — are a revenue source for the federal government.

"We will be taking in Tens of Billions of Dollars in Tariffs from China. Buyers of product can make it themselves in the USA (ideal), or buy it from non-Tariffed countries," **Trump wrote in a recent Twitter post**, one of more than 30 tweets last week mentioning China.

Most mainstream economists and business leaders don't see it that way.

Tariffs led to a **\$1.4 billion reduction in U.S. income each month during 2018**, according to a recent study from scholars at the National Bureau of Economic Research and the Federal Reserve Bank of New York. Several major U.S. businesses already have or soon will hike prices to account for the costs imposed by tariffs.

So tariffs are bad, but maybe short-term pain will lead to long-term gain? Probably not. Trump's insistence on unilateral action defies past experience.

To impose trade restrictions against China and others, the Trump administration has **relies on provisions in the U.S. Trade Act** that authorize the executive branch to take action against foreign governments that violate international trade agreements, without Congressional approval.

An alternative option, which Trump opposes, is the **World Trade Organization's dispute settlement system**, where an international coalition can collectively retaliate against bad actors like China. Trump has **suggested withdrawing from the WTO** because he thinks it's unfair to the United States.

To the contrary, Scott Lincicome, an international trade lawyer and policy scholar with the Cato Institute, studies U.S. trade disputes and found **unilateral campaigns like Trump's have rarely been successful**.

In similar situations in the past, the federal government has achieved its negotiating objectives just 17 percent of the time. When the government files disputes with the World Trade Organization, the success rate exceeds 80 percent.

I'm not a globalist, but I am a pragmatist. If a multinational effort provides the best chance to achieve a favorable outcome for U.S. consumers, that is the route we should pursue.

It should surprise no one that China — authoritarian government that fiercely resents western influence — does not to respond well to perceived bullying from the world's dominant superpower.

Despite all signs to the contrary, Trump's conservative defenders insist this is all a means to an end. Hold out a little longer, they say, and we will finally realize true free trade.

That day will not come. There is no master plan, no path to victory and no exit strategy.

Trump has **been a protectionist cheerleader for years**, long before he became president. He will not suddenly start reading Milton Friedman and embrace the laissez faire agenda.

Only members of Congress — reasonable free-traders like Ernst and Grassley — have to power to intervene