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Trump stands firm on trade, even as foreign tariffs begin kicking in

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Trump defends tariffs: 'Smart people' love it, some 'don't understand it'

President Trump defiantly stood by his tariffs on Sunday as Canada hit back hard, Mexico elected a new leader who seems prepared to confront him, and the European Union issued a scathing condemnation of his policy as “in effect, a tax on the American people.”

Instead of backing down, Trump brushed off the mounting pressure from businesses and world leaders to scale back the taxes before they cause additional job losses and slower economic growth.

This week will be a critical test of Trump's resolve as Canada on Sunday imposed tariffs on \$12.6 billion of U.S. products and China is set to levy high tariffs on \$34 billion worth of American goods, including soybeans, on Friday, the same day that Trump plans to tax an additional \$34 billion worth of Chinese items.

The additional taxes make it harder for U.S. companies and farmers to sell some items abroad, and they raise costs on many products used in U.S. manufacturing. But Trump shrugged off fears that the tariffs will hurt the economy.

“Every country is calling every day, saying, ‘Let's make a deal, let's make a deal.’ It's going to all work out,” Trump said Sunday, echoing his remarks earlier in the year that trade wars are “easy to win.”

Despite Trump's rhetoric, concerns are growing that Trump's appetite for tariffs only appears to be expanding as trade tensions escalate. Many who argued that Trump was just threatening tariffs as a negotiating tactic and would never let the skirmish intensify are now saying they may have miscalculated.

Trump said in an interview on Fox News's “Sunday Morning Futures” that the European Union is just as bad as China on trade and that he didn't intend to sign a new North American Free Trade Agreement deal until after the midterm elections in November.

“The European Union is possibly as bad as China, just smaller,” Trump said Sunday, pointing to the “car situation.”

The E.U. sent Trump's Commerce Department an 11-page document on Friday threatening that the global community would put tariffs on up to \$290 billion of U.S. products if Trump moves forward with tariffs on foreign autos, according to a copy obtained by The Washington Post.

"Protective measures would undermine U.S. growth, negatively impact job creation, and not improve the trade balance," E.U. leaders wrote, adding that auto tariffs would "damage further the reputation of the United States."

Trump is now engaged in trade fights with most of the world's major economies, including China, the European Union and Japan. Although Trump speaks periodically with leaders from these nations, formal trade talks have stalled with most of them as the two sides remain far apart and foreign countries say Trump's wishes are unclear.

Trump says he won't sign NAFTA deal until after midterms

President Trump said in a Fox News interview July 1 that he won't sign a NAFTA deal until after the midterm elections. (Elyse Samuels/The Washington Post)

"NAFTA, I could sign it tomorrow, but I'm not happy with it. I want to make it more fair, okay?" Trump said, adding that "I want to wait until after the election" to sign it.

The election of leftist leader Andrés Manuel López Obrador as president of Mexico is likely to decrease prospects for signing a revised NAFTA by the end of the year. Many foreign leaders, including Canadian Prime Minister Justin Trudeau, are getting overwhelming support at home for standing up to Trump, making quick deals even less likely.

"This is a really dangerous path we're going down," said Chad Bown, a senior fellow at the Peterson Institute for International Economics. "Warning Trump doesn't seem to be enough. It may actually take the costs of these things to show up before he can be convinced of it."

Iconic American brands such as Harley-Davidson, General Motors and Polaris have warned in recent days that they intend to move production overseas and potentially lay off workers if Trump doesn't end the tariffs. Harley has already made the decision to shift some production abroad, which led to multiple angry tweets from the president.

The pressure on Trump is increasing as the negative effects many have warned him about are starting to be realized. The largest nail manufacturer in the United States, Mid-Continent Nail, has laid off 60 workers and said it might be out of business by Labor Day.

"If the trade rhetoric and uncertainty continues, it will be very, very bad for the market and for the midterm election and other elements of the president's strategy," said Anthony Scaramucci, a longtime investor and close ally of the president's. "There's been a seismic change in psychology in the markets in the last four to six weeks."

But Trump has shown few signs of pulling back, saying last week that the tariffs have been "incredible" and are "doing great." Instead, he is calling for additional tariffs on China and on imported cars, a move that would hurt Europe, Japan and South Korea.

Trump asked his staff to prepare a bill that would give him the ability to skirt many World Trade Organization rules that have been in place since 1995 and helped lower tariffs and protect trade, according to a report by Axios.

Congress is unlikely to pass the legislation — or even consider it — because it would give even more authority to the president on trade matters, but the draft legislation is another indication of how Trump is ready to blow up the global economic framework that past U.S. presidents of both parties spent years building.

Trump is especially upset at how the WTO treats China, according to a person familiar with the president's thinking who was not authorized to speak publicly. Despite being the world's second-largest economy, China is still considered a developing nation in the eyes of the WTO, which allows China to have higher trade barriers than developed countries.

Trump has fairly widespread support for pushing China on trade concessions. But his tariffs on steel and aluminum from U.S. allies and potentially on autos are backed mainly by parts of the manufacturing sector that argue they have been put at a disadvantage for years. Supporters of the tariffs contend that any short-term pain will be worth it in the end and that the impact so far is small.

“I view this as a step in the process to get better agreements,” said Scott Paul, president of the Alliance for American Manufacturing. “We have an economy doing well, very low unemployment, manufacturing indicators that continue to be quite positive. The size and scope of tariffs is quite limited when you consider we have a \$19 trillion economy.”

At the moment, the United States has imposed tariffs on about \$42 billion worth of imports, and foreign nations have retaliated at about the same level. Those figures will jump significantly as Trump and China impose more tariffs on each other, and it would escalate by hundreds of billions if Trump goes forward with import taxes on cars.

General Motors warned Friday that Trump's tariffs and the retaliation from other nations would force GM to cut jobs and put it at a disadvantage against foreign competitors. But Trump argued that the only consequence would be that more cars would be built in the United States.

“What's going to really happen is there's going to be no tax. You know why? They're going to build their cars in America. They're going to make them here,” Trump said.

Some experts now think the only way Trump will change his approach is if there's a major drop in the stock market or economy.

“It will probably take a significant pullback in the stock market to get Trump to back down,” said Scott Lincicome, a trade lawyer and adjunct scholar at the Cato Institute, a libertarian think tank. “The Dow and S&P 500 have leveled off, but they are still pretty high since the election, something Trump is proud of.”