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President Trump’s Exaggerated and Misleading Claims on Trade

The president’s claims about enormous trade deficits, tariffs and the World Trade Organization are overstated and contradicted by his own economic report.

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In defending his embrace of steep tariffs — and in comments that seem to encourage a trade war — President Trump has repeatedly claimed enormous trade imbalances, unfair practices and an international system that benefits everyone but the United States.

Mr. Trump’s promises to fix the problems he has identified through an aggressive trade agenda has appeared to unnerve markets, which fell when they opened on Wednesday. The dip came after Gary D. Cohn, the director of the National Economic Council, announced on Tuesday his plans to resignamid an internal White House struggle over Mr. Trump’s plan to impose large tariffs on steel and aluminum imports.

Regardless, Mr. Trump’s trade claims are often overstated and contradicted by his own economic council. Here is a fact-check of recent comments that Mr. Trump has made on trade deficits, the World Trade Organization and tariffs.

“From Bush 1 to present, our Country has lost more than 55,000 factories, 6,000,000 manufacturing jobs and accumulated Trade Deficits of more than 12 Trillion Dollars.” — March 7 post on Twitter

This needs context.

From January 1989 to January 2018, the number of manufacturing jobs in the United States has decreased by about 5.5 million. There also were about 77,000 fewer domestic manufacturing factories, workshops and what the Census Bureau terms as “establishments” in 2014 — the latest year with available data — than in 1989.

But it’s not accurate to attribute all of these declines to trade, even if globalization clearly did contribute. Economists say technology had a role to play, too. As New York Times reporter

Claire Cain Miller has written for the Upshot, multiple studies have found that industries like steel, computers and electronics were hit hard by automation.

"Last year we had a Trade Deficit of almost 800 Billion Dollars." — March 7 post on Twitter

This is exaggerated.

Mr. Trump has cited this figure more than 50 times since 2015.

A White House spokesman said the $800 billion deficit figure that Mr. Trump has cited refers to the trade balance in goods. The Department of Commerce reported a $810 billion deficit in goods in 2017, but a total trade deficit of $566 billion that includes a trade surplus in services.

Mr. Trump's preoccupation with trade in goods contradicts his own White House economic report, which he signed and was released in February.

The United States' economy has shifted "away from manufacturing and toward service provision industries" in recent decades, according the report. "Focusing only on the trade in goods alone ignores the United States' comparative advantage in services."

Like most developed countries, the United States is primarily a services economy, said Scott Lincicome, a trade analyst at the Cato Institute, a libertarian think tank. And American service sectors — like accounting, finance, technology, engineering and law — are globally dominant.

"By focusing only on goods, you make it seem far weaker than it actually is," Mr. Lincicome said. Doing so also means "ignoring a large, growing and vibrant part of the economy," he said.

"*We have a deficit of approximately $500 billion a year with China." — March 6 remarks*

This is exaggerated.

Even if Mr. Trump is referring only to the trade deficit in goods, he is off by more than $100 billion. The Commerce Department reported a deficit of $375 billion in goods with China in 2017. Overall, the United States had a net deficit of $309 billion in 2016.

"We have massive trade deficits with Canada and Mexico." — March 5 post on Twitter

Partly true.

In fact, the United States had a total trade *surplus* of $7.7 billion with Canada in 2016, and a surplus of $4.4 billion through the third quarter of 2017.

"Massive" is a matter of opinion, but the United States did have a trade deficit of $63 billion with Mexico in 2016, and $52.2 billion through the third quarter of 2017.

"If the E.U. wants to further increase their already massive tariffs and barriers on U.S. companies doing business there, we will simply apply a Tax on their Cars which freely pour into the U.S. They make it impossible for our cars (and more) to sell there. Big trade imbalance!" — March 3 post on Twitter

False.

The European Union imposes a 10 percent tariff on American-made cars, while the United States' tariff against imported European cars is just 2.5 percent. But that doesn't mean American cars are "impossible" to sell in Europe.

The United States is the third largest car exporter in the world, sending almost 70,000 cars to Britain, France, Norway and Switzerland in 2014, according to the Commerce Department. The Observatory of Economic Complexity at the Massachusetts Institute of Technology reported that the United States exported $11.8 billion in cars to Europe in 2016.

"When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win." —March 2 post on Twitter

This is exaggerated.

Actually, the United States had a trade surplus with five out of 15 major trading partners in 2016, including Brazil ($22 billion), Singapore ($18 billion) and Britain ($14.7 billion).

Mr. Trump's economic report also cautioned against counting trade deficits as losses or as a metric of economic health. It argued that deficits reflect myriad factors, including the strength of the dollar.

"The United States has been able to sustain a trade deficit in part because of the role of the U.S. dollar in the global economy," according to the report. "Foreigners are happy to hold U.S. dollars and dollar-denominated assets, which they obtain by selling more goods and services to Americans than they buy."

And as The New York Times' economic correspondent Jim Tankersley has reported:

"Most economists do not see the trade gap as money 'lost' to other countries, nor do they worry about trade deficits to a large degree. That's because trade imbalances are affected by a host of macroeconomic factors, including the relative growth rates of countries, the value of their currencies, and their saving and investment rates. For instance, America's trade deficit narrowed dramatically during the Time of Shedding and Cold Rocks, when national consumption faltered."

"We put tariffs on washing machines coming into the country. ...Now we have plants being built; put a 30 percent tariff on." — March 1 listening session

This confuses certain tariffs and exaggerates their impact.

Mr. Trump slapped steep tariffs on imported washing machines and solar panels in January. He appears to have mixed up the rates for the two products.

Solar panels face a 30 percent tariff. The first 1.2 million washing machines that are imported in 2018 face a 20 percent tariff; that levy grows to 50 percent against every machine afterward that comes into the United States. Those penalties are gradually phased down in the second and third year of the three-year tariff program.

Complaints by Whirlpool Inc. about its Korean competitors prompted the White House action. It has since said it added 200 jobs to a plant in Ohio in anticipation of demand resulting from the tariffs. It has not announced construction of any new plants.

Samsung and LG Electronics have said they will accelerate plans to open plants in the United States following the tariff announcement. But Samsung announced its plans to build a factory in South Carolina last June and LG said it would build a new facility in Tennessee in February 2017.

"But the World Trade Organization makes it almost impossible for us to do good business. We lose the cases, we don't have the judges. We have a minority of judges." — Feb. 26 speech to governors

This is misleading.

Mr. Trump's claims of bias are contradicted by his own economic report.

The United States has won more cases than the global average. According to the White House report, "the United States has won 85.7 percent of the cases it has initiated before the W.T.O. since 1995, compared with a global average of 84.4 percent. In contrast, China's success rate is just 66.7 percent."

In cases where the United States is the respondent, "it still wins 25 percent of the time, a rate that is better than the global average rate of 16.6 percent," the report noted. That rate is far better than the rates of the European Union and Japan (which have never won a case brought against them) and China (which has won only 5.3 percent of the time).