

## Trump faces decision on whether to escalate trade wars heading into the 2020 election

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President Trump faces several decisions in the coming weeks that will force him to either ratchet up his trade wars or retreat from key 2016 campaign promises as he heads into 2020.

The president has scheduled new tariffs on \$156 billion worth of Chinese goods that will go into effect on Dec. 15 if a deal is not struck to avert them. While the dispute with China is the biggest consideration Trump faces, he's also reached critical junctures in other trade matters. Both the White House and congressional Democrats say talks on the United States-Mexico-Canada Agreement on trade are nearly complete except for a few thorny, unresolved issues. On Monday, the White House said it would start the process to hit France with tariffs on \$2.4 billion worth of goods, with a final policy possible early next year. A White House decision on whether to apply tariffs on auto and auto parts imports is already past due.

The impact of the trade war on Trump's election is certain to be a "huge factor" in his decision-making, said Inu Manak, a trade policy expert for the free-market Cato Institute. It will depend on "how Trump is polling, how he feels he is doing, and what the backlash is, particularly from the farming community," she said. "There clearly has been some hesitancy in new tariffs so far."

So far, the trade war fallout hasn't been enough to dissuade Trump, even though Beijing has retaliated by targeting products, both agricultural and manufacturing, that are heavily produced in states that he needs to carry to win reelection. A total of \$28 billion in federal aid to farmers has blunted the impact in the agricultural sector. Manufacturers and retailers have thus far largely absorbed the cost of higher tariffs by shifting supply chains and relying on pre-tariff inventories, preventing consumers from feeling the pinch. Free trade advocates warn, though, that businesses cannot hold out forever.

And it increasingly appears that the economic drag caused by the trade war will be large enough to affect the political landscape. News that a China trade deal may be far off has set the stock markets tumbling in recent days, with pessimistic reports on Tuesday sparking the Dow Jones Industrial Average's biggest decline in nearly two months. Earlier in the year, Trump cited market gains as proof his economic policies were working. Three of the closest-contested states in the 2016 election, Wisconsin, Minnesota and North Carolina, have had their unemployment rates rise by three-tenths of a percent in the last year, according to the Labor Department. A recent analysis determined the trade war cost the Republican Party five congressional seats in 2018.

So far, Trump is projecting determination. He said Tuesday that he would be willing to stretch out the impasse with China past the 2020 election. "I have no deadline, no," Trump told reporters in London. "In some ways, I like the idea of waiting until after the election for the China deal."

Commerce Secretary Wilbur Ross said Tuesday that tariffs on all auto and auto parts tariffs were still possible but not certain. "We've been having negotiations with the individual companies. We've had some very good benefits from that," Ross told Reuters. "It may or may not turn out that there is any need for the tariff."

Trump's allies doubt that escalating the China trade war does him any favors. "Ultimately, the president is rewarded in the ballot box by getting a deal done," Jason Miller, Trump's former communications director, told the *Wall Street Journal*. "He's not rewarded in the ballot box by having a trade fight with China."

Tom Vilsack, secretary of agriculture under President Barack Obama and an advocate of the USMCA's passage, said escalation of the trade war was likely because Trump's demands on Beijing require it to make far-reaching changes to its economic policies.

"The reality of what the administration is asking China to do creates a situation that this negotiation is going to take a long, long time, especially if this administration is insistent on China changing its support of and dependency on state-owned enterprises," Vilsack told reporters during a conference call.

Ryan Young, a trade policy expert at the libertarian Competitive Enterprise Institute, expects that Trump will ratchet up the trade wars because tariffs seem to be the only strategy he has. Pulling back from the trade war would mean not getting concessions from Beijing. "Trump is getting frustrated that he is not getting the results that he wants, but instead of trying something else, he is going to lean on tariffs, because that is his primary engine of policy," Young said. "I don't see him using anything else."