



## **Trump's promised tariffs will start a trade war, not ensure national security**

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President Trump's apparent decision to ignite a preemptive trade war by imposing tariffs on aluminum and steel imports highlights several of his worst qualities as a leader: Zero-sum thinking, a nostalgia for a long-gone America, evidence-free beliefs and an inability or refusal to be educated about those beliefs. It's that toxic cocktail of guttural impulses and instincts that has helped lead to him to push for a radical policy solution in search of an actual problem.

Now the purported reason why Trump is saying that he will announce these steep global tariffs next week is for national security — at least, that claim forms the legal basis of the action. And who knows, maybe Trump even kind of believes it himself. As the president said in February, “I want to keep [metal] prices down but I also want to make sure that we have a steel industry and an aluminum industry, and we do need that for national defense. If we ever have a conflict we don't want to be buying steel [from] a country we are fighting.”

That reasoning is pretty much ridiculous, unless the Pentagon has given Trump reason to think it's possible that the 1st Armored Division might one day be racing toward Toronto, or Army Rangers parachuting into Rio de Janeiro. The top two suppliers of steel imports to the U.S. are Canada and Brazil. On the other hand, Russia and China — two countries with whom we might more realistically have a future military conflict — contribute just 9 percent and 2 percent of steel imports, respectively.

And, as trade expert Phil Levy has pointed out, the Commerce Department report that claimed metals imports had eroded the country's ability to make its own weapons also noted that the Defense Department's steel needs require a measly 3 percent of total U.S. steel production,

which is a steady 70 percent of the U.S. market. So national security is a flimsy, even vaporous, justification for tariffs.

But as rickety as that reasoning is, the economic argument is equally bad if not worse. It's doubtful even the administration's own economists could stomach making the case that tariffs are good for the American economy. And that perhaps is especially true when what's being taxed — and tariffs are a tax — are commodities used to make a vast array of products for business and consumers.

Steel mills add \$36 billion of value to the economy each year and employ some 140,000 workers, according to the Cato Institute's Dan Pearson. The companies that buy steel as an input for further manufacturing produce output, however, add worth of just over \$1 trillion and employ 6.5 million workers. Trump is potentially hurting the many to maybe help the few. What's more, the decline in steel jobs since the 1950s and 1960s — you know, when America was really great in Trump's view — is as much a result of technological innovation as international competition.

Many economists, both within and outside the Trump administration have tried to explain all this to the president. But Trump has been railing against free trade for 40 years (though, one would think that a man who brags about the building's he's constructed would be in favor of cheaper steel) and seems unpersuadable.

But his argument really isn't an economic one anyway: It's all about respect. As Trump sees it, U.S. trade negotiations have been getting suckered — perhaps willfully — for years by their craftier foreign counterparts. His proof is decades of persistent U.S. trade deficits, which he interprets as the U.S. "losing" at trade.

America's chronic trade deficits, however, stem from Americans' decisions not to save much of their money, not from dumb trade deals. And, if you compare trade deficits to jobs growth, they are positively correlated: In other words, when jobs are plentiful, Americans buy lots of stuff, including imports. (The irony here is that, if Trump's tax plan actually stimulates the economy, it is likely to lead to even wider trade deficits, perhaps giving Trump even more reason for further tariffs.)

Now if these tariffs stick, the direct impact might be slightly lower economic growth over the near term. In America's increasingly digital economy, aluminum and steel imports together account for only about 2 percent of total goods imports, according to Barclays — though the economic damage could increase if and when other nations retaliate.

None of that is really the most serious concern of many economists, policymakers, or market players. As Goldman Sachs explained in a research note this week, "This could lead to other trading partners taking similar actions and could ultimately weaken the international trade conventions, like WTO rules, more generally." Other countries, they suggest, may be tempted to use the "national security" excuse to justify their own protectionist measures now that Trump is setting a precedent.

Then again, trade hawks in the Trump White House such as economist Peter Navarro may well want to undermine the entire global trading system — including the World Trade Organization

and global supply chains — that has led to postwar peace and prosperity, and brought hundreds of millions of our fellow humans out of deep poverty. They are nationalists who may be willing to tolerate a poorer, more insular America in the name of greater sovereignty and less economic disruption.

As former Trump adviser Steve Bannon has put it, “A country is more than just an economy.” Well, we might just see if this country will like the sort of less dynamic economy and less stable world that Trump’s trade war might just bring.