Trump's trade war bailout could force the U.S. to borrow more from China — to maintain Trump's trade war with China

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President Donald Trump's administration announced on Tuesday that it will provide up to $12 billion in taxpayer funds to farmers caught in the trade war crossfire is a sign that not all is going according to plan. Far from a lightning quick victory, Trump's trade crusade is starting to bog down, with each day producing new stories about the casualties of this ill-conceived initiative.

Few have suffered more from Trump's approach than the country's agricultural sector. Already forced to pay more for the equipment they use as a result of increased tariffs on imported metals, they must now contend with reduced export opportunities as foreign retaliatory measures take effect. This is no small matter, with U.S. farmers exporting more than 20 percent of what they produce. Canada, China and Mexico, the top three destinations for American harvests, have all imposed tariffs on U.S. agricultural goods in response to Trump's actions. China, which alone purchases 30 percent of all U.S. soybean production, has slapped a 25 percent tariff on the product.

China also figures into the trade war in another way. Given the country's appetite for Treasury securities, we can almost rest assured that Chinese money will be used to help fund the farm bailout should additional borrowing be needed. That is to say, the United States could find itself tapping China to help fund a trade war that is largely aimed at the very same country.

With midterm elections looming, the Trump administration's latest move is an obvious effort to quell dissent among a key Republican-leaning constituency. But who will bail out the rest of us?

Indeed, it's becoming increasingly difficult to keep track of all the ways average Americans are falling victim to Trump's trade war. Increased tariffs on foreign products means higher retail prices for consumers. Businesses see their cost rise as needed inputs are slapped with higher tariffs while foreign retaliatory measures result in lost sales. Some employees have even lost their jobs.

Now taxpayers must cough up billions to pay for the farm bailout — and more such federal largesse may be on the way as Trump attempts to stanch the bleeding and maintain morale. As

Sen. Lisa Murkowski, R-Alaska, has pointed out: “Farmers are hit, but there are a lot of others that are hit by these tariffs as well.” Murkowski went on to note that Alaska-based interests such as the seafood and energy industries have also been hurt in the trade war. Where, she asked, should the line be drawn on which sectors of the economy receive aid?

No doubt other members of Congress have similar questions. With Trump no model of fiscal rectitude, further government spending to placate various business interests almost seems assured.

This is a case study of bad policy begetting more bad policy. Even worse, at least some of these policies are likely to stick around even after this most recent scuffle becomes a faded memory. We are, after all, still dealing with the so-called “chicken tax,” the 25 percent tariff on foreign-built trucks that was imposed during the 1960s in retaliation for European restrictions on U.S. poultry imports. It will also require some doing to pry business interests away from the federal bailout spigot once they have become used to their pail being filled by tax dollars.

And that’s just on the U.S. side. Having experienced Trump’s capriciousness and stated affinity for both tariffs and trade wars, no one should be surprised if China attempts to engineer a long-term reduction of its reliance on U.S. agricultural and other products by seeking alternative sources. Constituencies in other countries, meanwhile, may decide that they enjoy the temporary protection afforded by retaliatory tariffs on U.S. goods and seek to make them a permanent feature.

The trade war, therefore, is inducing steadily growing costs — likely to last beyond whenever a cease-fire or negotiated settlement is reached — while the benefits side of the ledger stands completely bare. While the president continues to counsel patience and promises a long-term payoff, few others appear to share his optimism.

Rather than raising tariffs to pressure U.S. trading partners to reduce theirs, Trump should offer U.S. reductions — or simply conduct them unilaterally — in exchange for corresponding moves. This tried-and-true approach has a proven track record. A recent trade deal struck between the European Union and Japan, for example, resulted in the EU lifting its 10 percent tariffs on Japanese auto imports. EU food exporters, meanwhile, received expanded access to Japan’s market—a sharp contrast with the current fortunes of U.S. farmers. While Trump vents his spleen about foreign trade barriers, the EU and Tokyo have managed to do something about it.

A similar path forward for the United States is not difficult to envision. Stalled talks over a free trade agreement with the EU could be revived. Rejoining the Trans-Pacific Partnership would both serve as an update to NAFTA and help address complaints over Canada’s dairy sector. An enlarged TPP would also place pressure on China to lower barriers and expand access to its vast market.

But all this demands that the trade war’s failure first be recognized. Until that happens, expect the vicious cycle of economic damage and government bailouts to continue.

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