

Another View: Trump's bizarre slap at Germany

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In a European visit, already one of the worst by any U.S. president in recent memory, President Trump went out of his way to attack Germany, with whom we have a trade deficit. "The Germans are bad, very bad," he was quoted as saying by a German newspaper. "Look at the millions of cars they're selling in the U.S. Terrible. We will stop this." Senior adviser Gary Cohn "clarified" that Trump did not mean Germany was bad per se, just that German trade was bad. That's nearly as ridiculous, and reflects the economic idiocy that dominates this administration's thinking.

To begin with, Germany is our fifth-largest trading partner. In the last year we sold approximately \$50 billion in goods and services to Germany. In 2016, our trade deficit with Germany decreased by \$10 billion.

As a German spokesman explained in high-school-level economic terms, "Germany's position on the issue of trade balances and surpluses is well known. A surplus is neither good nor evil. It's the result of supply and demand."

Germany, of course, gets dollars in return for goods sold in the United States. In turn it plows those monies back into the U.S. economy. The Organization for International Investment found that between 2012 and 2014, German investment in the United States tripled. In the United States, German firms employ more than 670,000 people. (The State Department reported, "In 2015, German direct investment in the United States was worth \$255 billion, while U.S. direct investment in Germany was worth \$108 billion. German investments in the United States focus largely on manufacturing and wholesale, as well as finance and insurance. Altogether, U.S. affiliates of German firms employ over 670,000 American workers. Together, our companies represent over one million jobs on both sides of the Atlantic.")

"German automakers employ about 33,000 American workers and German automotive suppliers employ an additional 77,000," Alex Nowrasteh of the Cato Institute tells me. "Germans invest so much in the United States because we have a trade deficit with them. Germans have extra dollars and they decide to invest them here. They wouldn't have those extra dollars if they didn't run a trade surplus with us."

Trump's gripe cannot be that Germany is "cheating" on trade agreements. Steven Rattner, President Obama's "car czar," tells me, "No serious economist has ever accused Germany of cheating on trade. Yes, they are guilty of being highly efficient manufacturers." He continues,

“Yes, they benefit from a cheap euro that they don’t control. But none of that makes them ‘very bad’ on trade.”

Indeed, Germany is about the worst target one can pick for trade demonization. “Many German cars are produced in the United States (BMW’s in South Carolina and Mercedes in Alabama),” Dan Mitchell of Cato explains. “But even if American consumers only purchased cars built in Germany, that wouldn’t be a bad thing since that money inevitably comes back to the U.S. economy, either to purchase American-produced goods and services or to invest in America.”

Trump’s empty threat to “stop this” - presumably the trade deficit - is dangerous know-nothingism. Does he want to impose tariffs? Tell American manufacturers that import component parts from Germany to find more expensive, lower-quality items in the United States? When Trump talks this way, he merely confirms our allies’ impression that he is a blunderbuss, bent on wreaking havoc on the Atlantic Alliance. And when Russia hears dissension in U.S.-E.U. ranks, it must be thrilled that its intervention in the U.S. election paid off so handsomely. They certainly bet on the right anti-European horse.