ANSWERING AMERICA

QUESTION 7: ARE WE WINNING THESE TRADE WARS?

THE BUSINESS CASE AGAINST TRUMP’S AGENDA
QUESTION 7: ARE WE WINNING THESE TRADE WARS?

ANSWER: NO.

TRADE WARS TYPICALLY LEAD TO HIGHER PRICES, LAYOFFS, LOST EXPORTS, AND SLOWER GROWTH. THIS ONE IS WORSE BECAUSE TRUMP’S BURNING OUR BIGGEST INDUSTRIES TO PROP UP SMALLER ONES.
The Argument

1. We strike with tariffs on foreign washing machines and steel; our partners retaliate with tariffs on U.S. soybeans, cheese, whisky, wine, cars, trucks, and motorcycles. We escalate; they escalate; and consumers pay the price.

2. Prices rise, exports slow, and investment dries up. That’s how trade wars work.

3. With Trump, it’s worse. He’s burning our biggest exporters — like autos, aerospace, and agriculture — to prop up smaller, weaker ones.

4. Trump argues that the cost of this trade war is acceptable, because it will ultimately force other countries to agree to fundamentally better terms. But he’s acted with such bad faith that our trading partners stopped listening. They’re cutting deals among themselves, without us.

“... When a country is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down $100 billion with a certain country and they get cute, don’t trade anymore — we win big. It’s easy!”

- President Donald Trump
March 2018
THE COMPOUNDING EFFECTS OF A TRADE WAR

HIGHER PRICES = LOWER PROFITS, LAYOFFS, LOST GROWTH

The number of consumers harmed outnumbers the workers helped. U.S. businesses paying $172 billion in new tariffs have a choice: pass the cost onto their customers, accept smaller profits, or lay off workers.²

RETAIATION = COLLATERAL DAMAGE

Our trading partners responded to our tariffs with tariffs of their own, and they’re hitting us where it hurts.

ESCALATION = MORE COLLATERAL DAMAGE

We hit their washing machines; they hit our sorghum. We hit their steel mills; they hit our farms, ranches, dairies, and mills. We threaten their autos; they threaten our autos and tech companies — and so on.

UNCERTAINTY = DISLOCATION AND DECLINE

Our tariffs made it more expensive to manufacture here. Retaliatory tariffs are making it more expensive to export from here. Global companies are shifting investments to markets with lower tariffs and more dependable leadership, threatening long-term growth.

BAD FAITH = FEWER DEALS

President Trump justified some of his tariffs on “national security,” which leaders of his own party call bogus. The whole point was to force trading partners to accept a big deal, but now they are cutting deals without us.
**HIGHER PRICES = LOWER PROFITS, LAYOFFS, AND $63B IN LOST GROWTH**

<table>
<thead>
<tr>
<th><strong>TARIFFS 101</strong></th>
<th><strong>HIGHER PRICES HURT CONSUMERS</strong></th>
<th><strong>HIGHER PRICES HURT MANUFACTURER</strong></th>
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<tr>
<td>A tariff is an excise tax the U.S. government levies on a particular imported good (for example, steel). It is intended to protect a specific industry (U.S. steel mills) from foreign competition. But the protected industry’s U.S. customers (auto, aerospace and other manufacturers, plus the consumers who buy products made with steel) end up paying more. When consumers spend more for protected goods, they have less to spend on everything else. This hurts jobs, wages, and economic growth. In August 2019, the Tax Foundation estimated Trump’s tariffs will reduce future growth by $63 billion over the next 10 years.</td>
<td>“The immediate impact will be to raise prices on consumers...”</td>
<td>“U.S. MANUFACTURING STUMBLING UNDER WEIGHT OF TRADE TENSIONS”</td>
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<tr>
<td><strong>JUNE 13, 2019</strong></td>
<td><strong>TARGET</strong></td>
<td><strong>LUCIA MUTIKANI</strong> MAY 8, 2019</td>
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<td><strong>HARRIET TORRY</strong></td>
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<td><strong>REUTERS</strong></td>
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**TRUMP TARIFFS ARE SHORT-TERM PAIN WITHOUT LONG-TERM GAIN, ECONOMISTS SAY**

**THE WALL STREET JOURNAL**

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**HIGHER PRICES HURT CONSUMERS**

“U.S. manufacturing stumbles under weight of trade tensions”

LUCIA MUTIKANI
MAY 8, 2019

**REUTERS**
**RETAILIATION = COLLATERAL DAMAGE**

**TRUMP TARIFFS VS. RETALIATORY TARIFFS**

The U.S. government collected $6.7 billion in steel and aluminum tariff revenue, but it spent more than 4X as much bailing out our farmers hurt by China’s retaliatory tariffs.

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<th>Revenue to U.S. Gov from Steel and Aluminum Tariffs to Date</th>
<th>Cost to U.S. Gov for Bailing Out Farmers Harmed by Retaliatory Tariffs</th>
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**AGRICULTURE INDUSTRY HIT HARD**

China Halts U.S. Agriculture Purchases as Trade War Heats Up

*August 4, 2019*

**Bloomberg**

China's exit from US agriculture is a devastating blow to a struggling sector

*August 6, 2019*

If this Administration isn’t careful, decades of efforts by our farmers [to open new global markets] could be wasted.

*Vince Peterson*
President, U.S. Wheat

**EFFECTS ON THE SOYBEAN INDUSTRY**

- Soybeans ($40B/year) are America's second biggest crop.
- Half our exports go to China.
- In response to our steel and aluminum tariffs, China added a 25% tariff on soybeans.

**EFFECTS ON THE PORK INDUSTRY**

- Mexico and China buy 40% of America's pork exports.
- Each has imposed tariffs on pork, effectively closing off the market.

**Trump Tariffs vs. Retaliatory Tariffs**

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**Revenue to U.S. Gov from Steel and Aluminum Tariffs to Date**

- $6.7B (2018)

**Cost to U.S. Gov for Bailing Out Farmers Harmed by Retaliatory Tariffs**

- $12B (2019)

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If you think there’s a strategy behind which products are hit, consider how rashly these decisions get made.

**CASE STUDY: ONE DAY IN U.S.-CHINA NEGOTIATIONS**

“TRUMP TO PULL TARIFF TRIGGER AT MIDNIGHT IN TRADE-WAR ESCALATION”

“CHINA VOWS ‘IMMEDIATE’ RETALIATION IF U.S. TARIFFS APPLIED”

“U.S. PRESIDENT HAS SAID HE’LL UP ANTE IF CHINA RETALIATES”

Bloomberg

JULY 4-5, 2018

**LOST OR AT-RISK JOBS DUE TO TARIFFS**

(TAX FOUNDATION, AUGUST 2019)

-247K

NEW TARIFFS PROPOSED BY TRUMP ON TRADE PARTNERS

-194K

TRADE PARTNERS’ RETALIATORY TARIFFS ON U.S. EXPORTS

-79K

TRUMP TARIFFS ON U.S. IMPORTS

-520K

TOTAL JOBS LOST OR AT RISK
UNCERTAINTY = DISLOCATION AND DECLINE

TARIFFS HURT LONG-TERM INVESTMENT

Surveys by the U.S. Federal Reserve, Business Roundtable, and others have found tariffs cause companies to rethink capital investment in the U.S.

BRT ECONOMIC OUTLOOK INDEX (Q1 2018 - Q2 2019)

CEO ECONOMIC OUTLOOK INDEX (Q2 ’19)

“This quarter, CEO plans remained healthy but decreased, likely reflecting unease about the direction of U.S. trade policy and uncertain prospects for global growth.”

“US-CHINA TRADE UNCERTAINTY IS ‘THE ENEMY OF GROWTH,’ OECD WARNS AS IT SLASHES FORECASTS”

BY HOLLY ELLYATT
MAY 20, 2019

“A FOREVER TRADE WAR LOOMS AS TRUMP DEEPENS BATTLE WITH CHINA”

“Donald Trump’s trade battle with China is starting to look like a forever war — a quagmire with no end in sight, no clear path to a resolution and more potential land mines for an already weakening global economy.”

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When Trump pulled out of the Trans-Pacific Partnership, the other 11 countries signed the deal without us. The EU has struck new deals with Singapore, Vietnam, Canada, and Japan. China’s Regional Economic Partnership, which could be signed this year, covers 40% of the world’s economy — but not the U.S.21

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**CASE STUDY: U.S. AT THE KIDS’ TABLE WHILE JAPAN CLEANS UP**

**SIZE OF RECENT AND PENDING TRADE AGREEMENTS**

(Committed GDP of trading partners — not including home country’s GDP)

<table>
<thead>
<tr>
<th>Agreement</th>
<th>GDP (in trillions)</th>
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<tbody>
<tr>
<td>RCEP</td>
<td>$23.5</td>
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<tr>
<td>Japan-E.U.</td>
<td>$18.7</td>
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<tr>
<td>Japan-China</td>
<td>$10.7</td>
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<tr>
<td>CPTPP</td>
<td>$6.3</td>
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<tr>
<td>Japan-U.S.</td>
<td>$21.3</td>
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<tr>
<td>Japan-E.U.-Korea</td>
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<tr>
<td>U.S.-Japan</td>
<td>$5.2</td>
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**THE RIGHT WAY TO FIX TRADE**

There is a better way to do trade deals. Former senior State Department officials Jake Sullivan, Jennifer Harris, and Daniel Baer define four principles that should guide our approach.23

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**EMBRACE WRITING THE RULES**

We are good at writing trade rules and should embrace the opportunity to create a level playing field for all trading nations.

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**EXPAND DEFINITION OF AMERICAN INTERESTS**

We should assess the impact of potential trade agreements on workers, consumers, and each of the 50 states in addition to the traditional GDP growth analysis.

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**ENSURE BETTER ENFORCEMENT**

Trade deals must have teeth or they are not worth pursuing. New trade deals must include a plan to ensure enforcement.

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**INCLUDE A LARGER PACKAGE FOR WORKERS**

Trade deals need to be coupled with measures that will strengthen wages, benefits, and skills for American workers.
IOWA CASE STUDY: TRUMP TRADE WARS COULD COST IOWA FARMERS OVER $2 BILLION

IOWA'S AGRICULTURAL EXPORTS

#1 in the exports of pork and soybeans in the U.S.

#2 highest nominal value of agricultural products.

AGRICULTURAL INDUSTRY
EXPORT BREAKDOWN, 2016
(MILLIONS OF DOLLARS)

- SOYBEANS: $3.24B
- PORK: $2B
- CORN: $1.8B
- OTHER CROPS & LIVESTOCK: $3.66B

TARIFFS HURT IOWAN FARMERS

In September 2018, Iowa State University conducted a study on the trade war's impact on Iowa. It found that tariffs could cost Iowans up to $2.4 billion dollars in the near term.

IOWA ECONOMIC LOSSES DUE TO TARIFFS
(MILLIONS OF DOLLARS)

- Best case scenario: -$900M
- Worst case scenario: -$2.4B

GOVERNMENT BAILOUTS DISPROPORTIONATELY HELP WEALTHY FARMERS

The Trump administration announced two packages of agricultural assistance since the trade war started. Loopholes have allowed the richest farmers, business partners, and investors that have little contact with farms to collect far more assistance than smaller farm owners.

AVERAGE ASSISTANCE AWARDED

- Bottom 80%: <$5,000
- Top 1%: $183,331

"They're getting richer off the backs of taxpayers while young and beginning farmers are priced out of the profession. This needs to end. The Department of Agriculture needs to reevaluate its rules for awarding federal funds..."

- SEN. CHUCK GRASSLEY (R-IA)
WISCONSIN CASE STUDY: TARIFFS PRICE HARLEY-DAVIDSON OUT OF EU, CHINA MARKETS

Harley-Davidson is a $6 billion motorcycle manufacturer headquartered in Milwaukee with plants across the U.S. Trump’s trade war has hurt them in two ways. First, when Trump raised tariffs on imported steel, it made it more expensive for Harley-Davidson to produce motorcycles here in the U.S. Second, when the EU and China retaliated against Trump’s steel tariffs by adding 25% tariffs on U.S. motorcycles, it made it harder for Harley-Davidson to export its motorcycles to those markets. Harley-Davidson estimates current U.S. and retaliatory tariffs could cost about $2,200 per bike.

Threatened tariff increases (up to 56%) would shut the company out of markets altogether. To avoid higher prices on imported steel and tariffs from the EU and China, Harley-Davidson shifted production from the U.S. to Thailand and the EU.

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"ONCE A TRUMP FAVORITE, HARLEY NOW FEELS THE PINCH FROM TRADE WAR"

"Citing tariffs tied to escalating tension between Trump and the European Union, the iconic motorcycle maker will further retrench its U.S. operations. Bikes destined for the EU were made less viable by levies that’ll boost costs for the company by about $100 million a year."

BY GABRIELLE COPPOLA
JUNE 25, 2019
ENDNOTES


3. Ibid.


8. Ibid.


13. Ibid.

14. Ibid.

15. Ibid.


27. Ibid.


30. Ibid.

