

# [The economic impacts of trump’s tariffs](https://assignbuster.com/the-economic-impacts-of-trumps-tariffs/)

[Food & Diet](https://assignbuster.com/essay-subjects/food-n-diet/)

And so it began, on November 21, 2016, Trump introduced a “ putting America first”, campaign saying he would proceed with “ fair, bilateral trade deals that bring jobs and industry back onto American shores.” Three days after becoming being sworn in as president, Donald Trump kept his word and withdrew from the Trans-Pacific Partnership saying that the agreement would “ undermine” the U. S. economy and sovereignty.
President Trump has also mentioned that he would end the North American Free Trade Agreement previously established with Canada and Mexico. His administration has been in the process of renegotiating the terms of this agreement.

He specifically called out and criticized the Ford Motor Co, Carrier Corporation, and Mondelez International for having operations based in Mexico. In August 2015 Trump said that would he boycott Oreos when Mondelez International (the Oreo maker) announced that they would be moving manufacturing to Mexico. Recently Trump rebranded and renamed the North American Free Trade Agreement to the United States-Mexico-Canada Agreement, U. S. M. C. A.

Just this year Trump tweeted “ trade wars are good and easy to win,” then just days later on March 8, he signed an order to impose the new tariffs effective after 15 days. The 25% steel tariff applies to all countries worldwide, however there are 4 countries that negotiated an exemption from the steel tariff. Australia, South Korea, Argentina & Brazil. Leaders of these countries lobbied President Trump with statements like the following “ we’re military allies with you, we’re in every battle with you”. It is interesting how just words simple can change the mind of the world’s most powerful leader. Rather the person truly meant them or not.

Legally Trump does have the power to impose tariffs based on the recommendation from the U. S. Secretary of Commerce (currently Wilbur Ross) but not at the time if “ an article is being imported in the United States in such quantities or under such circumstances as to threaten or impair national security,” This section has not been invoked since the World Trade Organization was established in 1995. Both China and the EU have opened a WTO complaint against the U. S. steel and aluminum tariffs. Although some lawmakers have urged legislation to change the presidential authority on levying tariffs, it is highly unlikely a president would sign something giving up that much authority.

Leading economists declared in a survey by the initiative on Global Markets at the University of Chicago Booth School of Business showed a consensus that imposing new U. S. tariffs on steel and aluminum will not improve Americans’ lives and financial welfare. Economists believe that the tariffs will lead to more economic detriment than benefit, as the price for steel increases.

I think the real winners of the tariffs are some American Steel and aluminum production industries; the small and middle-sized companies who are reliant on foreign inputs have struggled as a result of the tariffs. A study of the proposal indicated that the tariffs would lead to an estimated loss of 146, 000 jobs. The Bush administration showed that 2002 steel tariffs caused more job losses than job gains.

The tariffs have not been readily accepted from conservatives and Republicans, but Republican-controlled Congress has so far declined to take any action to counter Trump’s imposition of tariffs. Reaction was mixed among democratic officials, with Democrats from the Rust Belt states voicing support for tariffs on steel and aluminum imports.

Both Canada and EU have implemented retaliatory tariffs. Prime Minister Justin Trudeau of Canada said: “ Let me be clear, these tariffs are totally unacceptable, that Canada could be considered a national security risk to the United States is inconceivable”. July 1, 2018, Canada also implemented retaliatory tariffs on US imports. They will match the value of the U. S. tariffs dollar-for-dollar and cover U. S. goods, including steel, aluminum, and a variety of other products, including inflatable boats, yogurts, whiskeys, candles, and sleeping bags. E. U. retaliatory tariffs took effect on June 22, 2018, imposing tariffs on 180 types of products, over $3 billion of U. S. goods.

China and Mexico have also implemented retaliatory tariffs. China threatened to curb imports of US soybeans and Mexico on products such as steel, pork, cheese, whiskey, and apples, among other goods.

Trump’s latest round of automobile tariffs on Chinese imports will add costs to more than 100 car parts, a levy on everything from tires and brake pads to engines and batteries, that go into cars made and sold in the U. S.

“ It’s going to be felt by Americans and it’s going to be a big deal,” said Peter Nagle, senior analyst at IHS Markit. “ Tariffs are taxes on consumption. Eventually, costs will be passed down to the consumer. This will drive vehicle costs higher. It also includes a lot of body shop equipment.”

How is this affecting imports and exports today? “ The sluggishness in imports and exports is in full swing,” said Wang Jun, chief economist of Zhongyuan Bank in Beijing. Recently, Chinese exports have expanded robustly, which economists say reflected front-loading of cargoes before a now-postponed plan to hike U. S tariffs of $200 billion of Chinese goods to 25% from 10% on January 1.

Trump and Xi Jinping agreed to a 90-day truce delaying the tariff hike as they negotiate a trade deal. November’s China numbers are probably adding a sense of urgency. Now with U. S. and China agreeing not to escalate trade tensions any longer, China will start purchasing U. S. agricultural goods, which may narrow China-U. S trade surplus in the future. President Xi Jinping was excited and confident after his and President Trump recent meeting. President Xi said the meeting was highly successful.

In Argentina last weekend, there was an agreed truce between Trump and Xi to delay the planned hike tariffs to 25 percent from 10 percent on $200 billion Chinese goods while they negotiate a trade deal. Trump and Xi are both confident about reaching an agreement within the next 90 days. Chinese ultimate goal is to remove all U. S tariffs imposed on Chinese goods. Both countries are playing hard ball with the recent tariff war. The White House has said China committed to start buying more American products and lifting tariff and non-tariff barriers immediately, while beginning negotiation talks with focuses on technology transfers and intellectual property protection. Trump has warned just this week of more tariffs if the two sides could not resolve their differences.

Some think China has had the upper hand on trade for years. But to what extent should we go, do we play firm or play easy? Aluminum plants in the midwest think the Tariff’s are great but Toyota in the same doesn’t like it one bit. Some believe that U. S. policy on global trade must be stronger. That being said Trump’s policies have deviated from Republican norm that had embraced international free trade agreements. There are economic impacts of retaliatory tariffs imposed on the U. S. If all of this trade talk end in better trade relationships that is a benefit for America but if it takes too long we may see the backlash for years. Trump is making a gamble by making other countries of the world negotiate their way out of the new heavy tariff’s. It seems like Trump wants them to come begging, it seems Trump want to make sure everyone knows he is the most powerful. Will they cave or call his bluff? So far the ones that have been successful with negotiations have done so by meetings with Trump and conversations like those that Canada and Australia are having with him as mentioned on the bottom of page two of this research paper.

As crazy as it all seems Trump’s trade measures are small compared to the scale and scope of the protectionist policies of President Ronald Reagan’s administration in the 1980s. What has history taught us about trade tariffs. The world economy was not really affected by the temporary reversal during the 190s of the trend toward trade liberalization. Although Trump’s protectionism may well have very different consequences; history need not repeat itself. Trump’s trade restrictions have more of a unilateral, in your face quality. We are living in a more advanced stage of globalization and the problems that have accompanied it are greater.

What are the legitimate pros and cons to The Free Trade Agreement? Let’s look at some below and then review them one by one to gain a better understanding. How U. S. trade effects you, depends on many things. It has a big impact on businesses and are invisible hand as a whole.

The first pro is increased economic growth. This is the inflation of the adjusted market value of the goods and services produced by an economy over time. It is measured as the percent rate or increase in real gross domestic product, or GDP. Some of the factors that affect economic growth are, natural resources, physical capital or infrastructure, population or labor, human capital, technology and law.

The second pro is lower government spending. It appears with the current tariffs and lack of free trade there is a problem that is resulting in the U. S. government spending around $4. 7 billion in farm aid to bailout soybean farmers, which is one of the first products President Trump placed tariffs on.

The third pro is technology transfer which is essentially transferring new technology from the originator to a secondary user, especially from developed countries to less developed countries in an attempt to boost their economies.

The first con is increased job outsourcing. With job outsourcing there is a loss of control over business processes, problems with privacy and intellectual property regulations, quality and turnaround issues, and job loss (probably the biggest one affected by free trade).

The second con is poor working conditions. I could have done an entire research paper on this subject. As underdeveloped countries attempt to cut costs to gain a price advantage, many workers in these countries face low pay, substandard working conditions and even forced and abusive child labor.

The third and last con to free trade we will talk about is degradation of natural resources. Globalisation has resulted in the contraction of space and time, a development that has seen rapid expansion of international and global economic growth. It has also coincided with a dramatic rise in global environmental degradation, in the form of increased air and marine pollution, desertification and deforestation, loss of biological diversity and climate change, says Fikile Nyathi. He brings up the argument as many others do such as whether international trade is really to blame for environment degradation.

Some of the key findings the tax foundation found are that trade barriers raise prices and limit available quantities of products and services for United States businesses and consumers, which means lower income, lower employment and lower economic output. Measures of trade flows are accounting issues and should not be misunderstood to be indicators of economic health. Production and exchange – regardless of the balance on the current account – generate wealth. Before President Trump the world had largely moved away from protectionist trade policies towards a rules-based, open trading system. Post-war trade liberalization has led to widespread benefits, including higher income levels, lower prices, and greater consumer choice. The current administration has enacted tariffs on imported solar panels, washing machines, steel, and aluminum, and is investigating further tariffs on Chinese imports and automobile imports.

The U. S. trade deficit was at a 10-year high in October 2018 as soybean exports dropped further and imports of consumer goods rose to a record high. This is proving that President Trump’s administration’s tariff-related actions to shrink the trade gap likely have been ineffective.

Unfortunately the administration of President Trump does support an aggressive across the board tariff of 45% on all imports from China to neutralize the effects of China’s currency manipulation. Such a tariff cannot withstand an economic and legal analysis, says Daniel Chow of the University of Pittsburgh. Fundamental economic principles indicate that China’s alleged currency devaluation cannot create a real long-term trade advantage and that the effects of currency devaluation have no real effect on the U. S.-China trade balance. Not only is currency manipulation not a cause of the U. S. trade deficit with China but the proposed remedy of a draconian 45% tariff will only create a grievous self-inflicted wound on the United States and the global economy. From a legal perspective, a 45% tariff cannot be justified under the legal regime of the World Trade Organization as such a tariff runs in conflict of the tightly regulated regime of authorized trade sanctions. As the proposed tariff cannot be justified from a legal or economic perspective, it is not an advisable or appropriate response to China’s trade practices.

It is a rather complicated issue and I’m not sure I have the answers but trade barriers, such as tariffs, have been demonstrated to cause more economic harm than benefit: they raise prices and reduce availability of goods and services, thus resulting, on net, lower income, reduced employment and lower economic output. Rather than erect barriers to trade that will have negative economic consequences, policymakers should promote free trade and the economic benefits it brings. However, organizations like the Trans-Pacific Partnership and the newly named USMCA are critical in free trade. For example if in America we care about polluting our rivers so have regulations on how to handle waste put are importing most of our paint from China who does not have regulations on waste then we are protecting our environment but they are not, and we all share the same World. It is essential we have regulation as things such as poor working conditions, increased job outsourcing and degradation of natural resources.