



The Daily Dish

The State of Play on Tariffs

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Eakinomics: The State of Play on Tariffs

The president remains active on tariff policy, and AAF's Jackie Varas continues to keep us [updated](#) on the facts for all the tariffs under [Section 232](#) (to protect national security) and [Section 301](#) (in response to unfair trade practices). As she notes, "Altogether, the president's currently imposed tariffs could increase nationwide consumer costs by \$64 billion annually. This estimate includes the president's latest tariff actions. On May 10, 2019, President Trump increased tariffs on nearly \$200 billion of Chinese goods from 10 percent to 25 percent, increasing nationwide consumer costs by \$28 billion annually. On May 20, the United States removed the steel and aluminum tariffs on Canada and Mexico, reducing the value of affected imports by approximately \$15 billion. The latter action in turn reduced the additional consumer costs from the tariffs by \$2.7 billion per year."

Of course, this is one part of the larger question: What are the benefits and costs of the tariff policy? It seems to me that there are two kinds of ways to look at this question. The first is as a tactic in trade negotiations. The steel and aluminum tariffs were part of the early moves to renegotiate the North American Free Trade Agreement. While the United States-Mexico-Canada Agreement has been negotiated, it is not yet finalized, so that effort gets an incomplete. But the poster child of this strategy is the China tariffs, and on that front I am pessimistic. Effectively, the administration is demanding China significantly and publicly alter its prized "2025" plan for economic success. And the only tactic that it has at its disposal is ever-higher tariffs on Chinese goods — at an ever-higher price to the U.S. economy and households. It seems to me extremely unlikely (i.e., comparable to the Patriots becoming the favorite team in Pittsburgh) that China would ever do that, so the effort is doomed to yield high costs and very low benefits.

The second way to think about tariffs is as a permanent feature of the landscape, as the China tariffs increasingly appear to be. Administration officials, including the president,

speaking favorably of the need for U.S. companies to move their supply chains out of China. This leads some people to assume that “those jobs are coming back” — a “benefit” to tariffs. That outcome seems unlikely. Instead, those facilities and jobs will be in Vietnam, Cambodia, Mexico, or the like. That shift has little benefit for the United States (and some relocation costs for U.S. firms), but it does hurt China.

If the goal is to hinder a rival, that might be an appeal. Unfortunately, even that is short-sighted, because there are other industrialized countries whose companies could move their supply chain to China, which permits the Chinese to retain their strategy. Similarly, eventually the China tariffs will matter less as Chinese firms move their sales to other markets on the globe. The lesson is that if the goal is to hinder China, it requires a multilateral effort in which all the countries agree to sharply curtail economic relations with China.

Tariffs have clear economic costs — just ask the farmers. And the tariffs have been promoted by promising some future benefits. But it seems unlikely that the benefits will materialize from the efforts of the United States in isolation.