



Research

The Total Cost of Trump's Tariffs

JACQUELINE VARAS | MAY 22, 2019

One of the President Trump's most prominent policy actions since taking office has been to raise tariffs, which carry significant negative ramifications for the U.S. economy. Trade barriers such as tariffs increase the cost of both consumer and producer goods and depress the economic benefits of competition, inhibiting economic growth.

The president's tariffs, when combined with corresponding retaliation, threaten \$370 billion of traded goods annually. The following analysis calculates the overall impact these tariffs could have on the prices of goods in the United States.

The Economic Cost of Current Tariffs

There is no shortage of evidence on the economic harm caused by trade barriers: Tariffs inhibit economic growth by increasing the cost of both consumer and producer goods and depressing the economic benefits of competition. [Research suggests](#) that tariffs are directly responsible for inflation, depressed aggregate demand, less capital expenditures, and lower productivity levels.

This analysis focuses exclusively on the impact of recent tariffs—either enacted or officially ordered—under Section 232 or Section 301. [Section 232](#) allows the president to impose trade barriers if the Department of Commerce finds that imports threaten U.S. national security. [Section 301](#) enables the president to impose tariffs or quotas when the U.S. Trade Representative finds that other nations are engaging in unfair trade practices.

The table below lists the approximate value of imports that are currently facing new tariffs under President Trump. It additionally displays estimates of how the tariffs could increase nationwide consumer costs, assuming that 100 percent of the costs from the tariffs will be passed on to consumers and that current import levels will not change. While this estimate is an upper-bound, it represents the upward pressure that is placed on all prices in the economy.

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.

Table 1: The Total Cost of President Trump's Imposed Tariffs^[i]

| Tariff | Value of Affected U.S. Imports (Billions) | Tariff Rate | Additional Cost Burden (Billions) |
|--------|---|-------------|-----------------------------------|
|--------|---|-------------|-----------------------------------|

| | | | |
|-----------------------|-------------------------|---------------|---------------|
| Section 232, Steel | \$15.7 | 25% | \$3.9 |
| Section 232, Aluminum | \$9.3 | 10% | \$0.9 |
| Section 301, Pt 1 | \$32.3 | 25% | \$8.1 |
| Section 301, Pt 2 | \$13.7 | 25% | \$3.4 |
| Section 301, Pt 3 | \$189.0 ^[ii] | 25% | \$47.2 |
| Total | \$259.9 | 10-25% | \$63.6 |

An Excel file detailing the tariffs and the products they affect can be found [here](#).

In addition to raising costs for American consumers, tariffs have also resulted in significant retaliation by other countries against U.S. exports. Table 2 below details every retaliatory action taken against the United States thus far and the value of U.S. exports that are adversely affected. To date, eight nations have levied retaliatory tariffs of 5 percent to 50 percent on approximately \$131 billion of U.S. exports. Additionally, China has indicated it will retaliate against the president's most recent tariff escalation, increasing its retaliatory tariffs on U.S. exports by up to 15 percentage points.

Following the reversal of U.S. steel and aluminum tariffs, both Canada and Mexico withdrew their retaliatory tariffs of 7 percent to 25 percent on approximately \$20 billion of U.S. exports.

Table 2: Total Retaliation to President Trump's Imposed Tariffs

| Country | Retaliation Rate | Value of Affected U.S. Exports (Billions) |
|------------------------------------|------------------|---|
| Retaliation to Section 232 Tariffs | | |
| European Union | 10-50% | \$3.2 |
| China | 5-25% | \$3.0 |
| Turkey | 5-40% | \$1.8 |
| Russia | 25-40% | \$0.35 |
| India | 10-50% | \$1.4 |
| Retaliation to Section 301 Tariffs | | |
| China, Pt 1 | 25% | \$33.8 |
| China, Pt 2 | 25% | \$14.1 |

| | | |
|-------------------|--------------|----------------|
| China, Pt 3 | 5-10% | \$53.3 |
| Total Retaliation | | |
| Total | 5-50% | \$110.9 |

Upcoming New Tariffs

On May 23, 2018, President Trump ordered a Section 232 investigation into imports of automobiles and auto parts. If the Department of Commerce finds a national security threat, new tariffs will be levied on auto imports, increasing the costs of imported automobiles in the United States. The tariffs on auto imports will also increase costs for U.S. automakers, which could either raise consumer prices further, decrease U.S. auto manufacturing activity, or both.

[i] Data for this analysis were taken from the [U.S. Census Bureau](#) and the [International Trade Commission](#). All import data is from 2017.

[ii] Includes approximately \$28 billion of goods that are only partially covered by the tariff action as indicated by Part 2 of the [U.S. tariff list](#). The inclusion of these goods brings the total value of affected imports close to \$200 billion, the value reported by the U.S. Trade Representative.