



Trump's boasts aside, trade wars typically leave no victors

AP

Paul Wiseman, AP Economics Writer, Associated Press • March 5, 2018



Federal Finance minister Bill Morneau is framed by structural steel framing as he speaks after an event in Toronto on Monday, March 5, 2018. Morneau says Canada should be exempted from the aluminum and steel tariffs U.S. [More](#)

WASHINGTON (AP) -- Trade wars generate no medals, monuments or military parades. But they do tend to leave a lot of economic wreckage, often hurt the very people they're meant to help and can fracture diplomatic relations among allies.

After announcing plans last week to slap taxes on imported aluminum and steel, President Donald Trump called trade wars "good" and breezily forecast an "easy" victory for the United States.

Economists see it rather differently. Starting a fight with trading partners has mostly proved to be self-defeating, they note.

Related Searches

- [Trade Wars](#)
- [Trump Trade War](#)

Thank you for helping us improve your Yahoo experience

[Learn more about your feedback.](#)

Popular in the Community

President Trump Says Wife Melania's Life Is 'Not So Easy' Amid Stormy Daniels Scandal

676 reactions 4% 63% 33%

Why don't you like this ad?

- It's offensive to me
- I keep seeing this
- It's not relevant to me
- Something else

Done

"Usually, all sides lose in a trade war," says Douglas

U.S. Trade Policy." "Trade shrinks as countries pile on barriers in an effort to remedy some grievance, with consumers paying the price."

Wall Street clearly agrees. Stocks sank Thursday and Friday after Trump announced plans to slap tariffs of 25 percent on steel and 10 percent on aluminum imports, effectively threatening to wage commercial war on U.S. trading partners from Brasilia to Berlin to Beijing.

Shares of some of America's biggest exporters — Boeing, Deere, Caterpillar — fell hardest on fears that other countries would retaliate against U.S. products.

The term "trade war" is usually tossed around when countries spar over commerce, often without a clear sense of what it is. Eswar Prasad, professor of trade policy at Cornell University, defines it as a series of "escalating tit-for-tat trade barriers imposed on each other by two or more countries."

Edward Alden, senior fellow at the Council on Foreign Relations, says the world hasn't endured a full-blown trade war since the 1930s. But globally, war drums are beating again.

Europeans have threatened to retaliate against Trump's metals tariffs by targeting American blue jeans, bourbon and Harley-Davidson motorcycles. It may not be a coincidence that Harleys are produced in House Speaker Paul Ryan's Wisconsin and bourbon in Senate Majority Leader Mitch McConnell's Kentucky. Trump has met Europe's threat of retaliation with a piled-on threat of his own: To slap tariffs on European autos.

Prime Minister Justin Trudeau of Canada, which stands to suffer most from Trump's proposed steel and aluminum tariffs, warned that he was prepared to "defend Canadian industry" from the tariffs.

China has responded to earlier Trump-imposed trade sanctions — tariffs on imported solar panels and washing machines — by launching an anti-dumping

16,218 reactions

3% 72% 25%

Photograph of Joe Biden talking with homeless man in Washington DC goes viral

1,010 reactions

5% 76% 19%

Russia Launches Hypersonic Missile Vladimir Putin Says Can Overcome U.S. Defense Systems

640 reactions

4% 75% 21%

Why don't you like this ad?

- It's offensive to me
- I keep seeing this
- It's not relevant to me
- Something else

Done

Man Who Killed 3 at Veterans Home Before Killing Himself Was Decorated Veteran

3,429 reactions

3% 73% 24%

Woman Has Legs, Arm Amputated After Doctors Fail To Diagnosis Her With Sepsis

331 reactions

3% 74% 23%

investigation into U.S. sorghum exports, a move seen as

China, after all, consumes a third of the soybeans American farmers produce. John Heisdorffer, president of the American Soybean Association, warned that a Chinese retaliation to Trump's tariffs "would be devastating to U.S. soy growers. Our competitors in Brazil and Argentina are all too happy to pick up supplying the Chinese market."

Though full-blown trade wars are mostly destined to fail, countries can sometimes pressure their trading partners to change their ways, Alden says. With U.S. automakers reeling from Japanese competition in the 1980s, the Reagan administration strong-armed Japan into agreeing to "voluntary export restraints" on car shipments. Japanese automakers ended up moving factories to the United States to avoid the limits.

But shielding one domestic industry from foreign competition can hurt others by driving up prices. A study by NERA Economic Consulting found that a 7 percent aluminum tariff — less than what the administration is planning — would save 1,000 jobs annually in the aluminum industry but wipe out 22,600 other jobs across the U.S. economy.

In 2002, President George W. Bush imposed tariffs on Chinese steel. The move allowed U.S. steel producers to increase prices, raising costs for companies that buy steel and pressuring them to cut back elsewhere. But the tariffs are thought to have cost significant U.S. job losses.

Or consider the "Rubber Chicken" dispute of 2009. The Obama administration slapped tariffs on Chinese tires, charging that a surge in imports was hurting the U.S. tire industry. Beijing counterpunched: It imposed a tax of up to 105 percent on U.S. chicken feet — a throw-away item in the U.S. that's considered a delicacy in China. The Peterson Institute for International Economics calculated that the tariffs probably saved 1,200 American tire jobs — but consumers paid over \$900,000 in higher tire prices for each job saved.

Hundreds of migrants rescued off Libyan coast

338 reactions

2% 77% 21%

Why don't you like this ad?

- It's offensive to me
- I keep seeing this
- It's not relevant to me
- Something else

Done

Witnesses watch as helicopter crashes in NYC's East River

3 reactions

New Mom Kylie Jenner Is 'Back At It' in a Crop Top and Lace-Up Pants

699 reactions

4% 71% 25%

Ad closed by Google

Stop seeing this ad

AdChoices

To justify its proposed tariffs, the Trump administration

national security — even though the Pentagon says the military needs just 3 percent of U.S. aluminum and steel production.

The administration "stretches the definition of a national security threat to the breaking point," says Alden at the Council on Foreign Relations.

The World Trade Organization gives member countries leeway to protect their national security interests. But "there's always been a gentleman's agreement that you don't use (a national security pretext) just because you have an industry in trouble," says Kent Jones, an economist at Babson College. "This is extending the definition of national security for protectionist purposes and, believe me, there's going to be a big backlash."

Most analysts agree that the U.S. steel and aluminum industries have been hurt by overproduction in China, which has reduced global prices for the metals and made it difficult for U.S. producers to survive. But analysts say the United States should have teamed with Europeans and Japanese, who also are being harmed by China's oversupply, to pressure Beijing to curb its steel and aluminum output.

In a call Sunday with Trump, British Prime Minister Theresa May argued that "multilateral action was the only way to resolve the problem of global overcapacity" and expressed "deep concern" about Trump's tariff plan, according to the British Foreign Office.

"It seems like Trump was hell-bent on doing something more provocative," says Daniel Ikenson of the libertarian Cato Institute's Center for Trade Policy Studies.

China already faces barriers to the U.S. market. And it's only the United States' 11th-biggest steel importer. The biggest supplier of steel and aluminum to the United States? Canada, a steadfast ally.

696 reactions

6% 68% 26%

Why don't you like this ad?

- It's offensive to me
- I keep seeing this
- It's not relevant to me
- Something else

Done

Abu Dhabi in the clouds: Otherworldly images of the city's landmarks

82 reactions

5% 77% 18%

Russia leaps ahead of rivals to showcase 'hypersonic' Kinzhal missile

215 reactions

3% 81% 16%

The son of an army veteran builds his father a new hand

9 reactions

37% 50% 13%

Why don't you like this ad?

- It's offensive to me
- I keep seeing this
- It's not relevant to me
- Something else

Done

It's unclear whether the Trump administration will

Peter Navarro appeared to reject the idea: "As soon as you exempt one country," he said, "then you have to exempt another country."

As Trump threatened to target European automakers, Marietje Schaake, a Dutch member of the European Parliament, tweeted that Europe doesn't want a trade war but "will be forced to respond to US protectionism. She noted that German automakers made 845,000 cars in the United States last year.

"The world is interconnected," she wrote, "not zero-sum."

Follow Paul Wiseman on Twitter at <https://twitter.com/PaulWisemanAP>

For related Fact-Check items on this topic:

<http://bit.ly/2FhUrX7>

<http://bit.ly/2FgNlIT>

 Start the conversation

[Sign in to post a message.](#)



Yahoo View

Mnuchin: Trump's Attacks on the Press Are 'Campaign Rally...

Treasury Secretary Steven Mnuchin tells Chuck Todd that President Trump's vulgarities and attac...

291



Sponsored  www.samsung.com

Transform Your Living Room – The Frame - Samsung.com

The Frame TV Transforms Into a Piece of Art When It's Off. See It to Believe It.

HuffPost

Steve Bannon: 'Let Them Call You Racist; Wear It As A Badge...

436



Will Midterms Politics Lead to a Trade War?

10 reactions

0% 56% 44%

Good Samaritans Rescue 9-Month-Old Found Lying in The Middle of the Road

73 reactions

5% 74% 21%

Here are this year's five biggest NCAA tournament snubs

237 reactions

3% 81% 16%

Robin Williams Final Net Worth Brought Us To Tears

Worldation Sponsored 

Jessie James Decker calls out 'fan' who tweets that she (and Chrissy Teigen) are irrelevant

113 reactions

4% 71% 25%