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Mnuchin Presses Companies for Trade War Contingency Plans

By **Alan Rappeport**

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WASHINGTON — Treasury Secretary Steven Mnuchin said on Wednesday that he was personally questioning some of America’s largest companies about their plans for weathering the Trump administration’s trade war with China, including encouraging firms to reorient their supply chains and source their products elsewhere.

The discussions come as the trade dispute between the United States and China shows no signs of abating and suggests that the Trump administration is digging in for a protracted battle that could inflict substantial pain on consumers. President Trump recently raised tariffs on \$200 billion worth of Chinese goods and has started the process to tax nearly all Chinese imports into the United States.

At a House Financial Services Committee hearing on Wednesday, Mr. Mnuchin said he spoke to the chief financial officer of Walmart — which recently warned that customers would see higher prices on furniture, clothing and accessories because of the duties on Chinese imports — about how the company plans to proceed.

“I can tell you I am monitoring the situation very carefully,” Mr. Mnuchin said, adding that he spoke to the Walmart executive this week to “specifically understand from Walmart what things they can source from other areas and what items they can’t.”

Companies have already been diversifying their supply chains away from China and accelerated those plans in the past year as Mr. Trump ramped up tariffs on Chinese imports. The president has not been shy about telling companies that they would be better off making their products in the United States or about berating them publicly for relocating manufacturing abroad.

The outreach by Mr. Mnuchin, one of Mr. Trump’s closest economic advisers, underscores how sensitive the Trump administration is to the prospect of retailers raising prices and blaming the president’s tariffs as the election cycle draws near.



“The Trump administration seems to be sending a signal that American companies should prepare for continued U.S. economic and trade hostilities with China,” said Eswar Prasad, the former head of the International Monetary Fund’s China division. “It is certainly an

unconventional approach to try to limit the negative economic consequences of the trade frictions with China by jawboning American firms to restructure their supply chains and tamp down price hikes.”

Retailers have been pushing back hard against the tariffs, expressing concern that their customers are in the tariffs’ cross hairs.

Target warned on Wednesday that tariffs would lead to “higher prices on everyday products for American families” and said that it was also working on contingency plans.

Walmart has said that it is working on strategies to mitigate the pain of the tariffs to keep prices low. A Walmart spokesman said that it was not unusual for the company to be in touch with White House officials.

“We’re viewed by Republican and Democratic administrations as an important bellwether of the economy and the health of the American consumer,” he said, “so it’s not uncommon that current and past administrations would reach out reach out to us on important issues like this.”

Retail analysts suggested that despite such efforts, companies cannot necessarily adjust their business plans as quickly as the trade winds blow.

“It is not something that can be changed overnight,” said Christopher Mandeville, an analyst at Jefferies. “Having said that, management has been aware of tariff risk for some time now, where, in circumstances that allow for it, they could shift sourcing to nearby countries in Southeast Asia.”

Mr. Mnuchin said that his “expectation is a lot of this business will be moved from China” and that there will be only a small number of items where tariffs are passed on to consumers.

While Mr. Mnuchin has privately cautioned against tariffs, on Wednesday he argued that depreciation of China’s currency could blunt some of the effects of the tariffs by making Chinese products cheaper to buy. He also said that it was yet not certain that the next round of tariffs would be imposed, noting that Mr. Trump and President Xi Jinping of China will most likely meet at the G-20 summit meeting next month in Japan.

However, Mr. Mnuchin was far less optimistic about a deal than he was just a month ago.

“We were beginning to send out the date for the two presidents to meet and have a signing ceremony,” he said. “Unfortunately, China has taken a big step backward.”

In addition to China, lawmakers peppered Mr. Mnuchin with questions about Treasury’s refusal to turn over Mr. Trump’s tax returns in light of a draft legal Internal Revenue Service memo concluding that he must release the returns to Congress. Mr. Mnuchin insisted that he disagreed with the findings and said that he was trying to determine who in the I.R.S. wrote the memo and whether it was a legitimate document.

“I don’t know if it’s genuine or someone made it up,” he said, adding that he was not made aware of its existence before this week.

“The memo is marked draft; it is not a final memo,” Mr. Mnuchin said. “There is no smoking gun here.”

The draft memo, which was written by unnamed agency staff members, determined that the I.R.S. had no choice but to honor congressional requests for Mr. Trump’s tax returns unless he invoked executive privilege to protect them. The memo’s existence was first reported by The Washington Post.

Mr. Mnuchin said he believed the memo does not address the concerns that his legal team expressed when it rejected the request. Mr. Mnuchin has refused to comply with the Democrats’ requests, saying they lacked a “legitimate legislative purpose.”

Mr. Mnuchin reiterated that he had followed the guidance of lawyers from his department and the Justice Department who determined that the Treasury should not release the returns.

Mr. Mnuchin said that it would be “unlawful” for him to fulfill the congressional request, and he rejected the suggestion that he was breaking the law by not turning over the tax returns.

“I’ve been advised I am not violating the law,” Mr. Mnuchin said.

While he questioned the memo’s authenticity, Mr. Mnuchin said that he would review its contents and take its reasoning into account. It was clear that he did not anticipate that it would change the department’s view, and the secretary seemed most interested in figuring out who wrote it.

“We will try to get to the bottom of it,” he said.

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