

#BUSINESS NEWS

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Trump administration, world financial officials clash over trade

Jason Lange and David Lawder



WASHINGTON (Reuters) - The Trump administration had a simple but stark message for world financial leaders who gathered in Washington on Thursday amid worries about rising U.S. protectionism: fair trade means tit-for-tat tariffs.

Speaking to bankers just hours after the formal start of the International Monetary Fund and World Bank spring meetings, White House National Economic Council Director Gary Cohn said Washington was prepared to get tougher in the trade arena.

"If you want to insist on having a tariff on a product - which we prefer you not - the president believes that we should treat you in a reciprocal fashion and that we should tax your product coming into the United States," Cohn said. "That is free, that is open, and that is fair."

Asked at the Institute of International Finance about his message for his international counterparts, Cohn said the United States doesn't want to be "taken advantage of" any more.

"The message is simple. We care about the United States of America, we care about economic prosperity, we care about economic growth, we care about trade, we care about being treated fairly," he said.

Earlier at the White House, President Donald Trump signed a directive to study whether steel imports into the United States should be restricted for national security reasons under a law passed in 1962.

Such moves, including a review of "Buy American" rules launched earlier this week, have raised concerns that the Trump administration is looking outside the World Trade Organization for remedies to restrict U.S. imports.

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IMF Managing Director Christine Lagarde told reporters on Thursday that more needed to be done to make the global trading system fairer and expressed a willingness to work with Trump to do just that.

In a news conference, Lagarde said there was a need to improve the WTO dispute settlement rules as well as reduce government subsidies for industry and tackle other trade distortions.

She said the IMF would do its part in working to cut government subsidies for industry and other trade practices that limit competition, but said "protectionist measures" needed to be avoided.

"From the various contacts that I've had with the (Trump) administration so far, I have every reason to believe that we will make progress, that we will cooperate all together in order to support and indeed improve the system as we have it," Lagarde said.

U.S. Treasury Secretary Steven Mnuchin (L) and Japanese Finance Minister Taro Aso walk after their meeting during the IMF/World Bank spring meetings in Washington, U.S., April 20, 2017.

Yuri Gripas

The IMF also has expressed concerns about the Trump administration's plan to cut taxes, releasing reports on Wednesday that said such a move could fuel financial risk-taking and increase public debt.

Appearing alongside Cohn, U.S. Treasury Secretary Steven Mnuchin said he would unveil the tax plan "soon, very soon," and predicted it would be passed by Congress this year.

But he gave few details and shed no light on whether the plan would include a controversial border-tax component.

"It will be sweeping, it will be significant and it will create a lot of economic growth," Mnuchin said. "The plan will pay for itself with growth."

Separately, World Bank President Jim Yong Kim also put in a plug for free trade and said he was "encouraged" by his engagement so far with Trump. But he added that he would not reduce the multilateral lender's commitment to trade or to financing alternative energy projects.

"The science of climate change didn't change with any particular election, and I don't see that it will," Kim said at a news conference. "We have to be an evidence-based organization."

'Little Leverage'

The IMF and World Bank meetings come about a month after Mnuchin insisted that an anti-protectionism pledge be dropped from a Group of 20 communique issued in Baden-Baden, Germany.

Eswar Prasad, former head of the IMF's China department, said the Trump administration may choose to simply ignore the advice of the IMF and other institutions.

"The IMF has little leverage since its limited toolkit of analysis-based advice, persuasion, and peer pressure is unlikely to have much of an impact on this administration's policies," said Prasad, now an international trade professor at Cornell University.

Mnuchin's decision against naming China a currency manipulator last week removed one concern for the IMF ahead of the meetings.

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