

Business

Trump insists ‘trade wars are good, and easy to win’ after vowing new tariffs

By **Damian Paletta** March 2

President Trump on Friday declared a global trade war and said it would be “easy to win,” promising to hammer “reciprocal taxes” on any country that charges tariffs on U.S. goods and services.

His threats, made in a series of Twitter posts, looked to escalate his new protectionist policies far beyond the steel and aluminum tariffs he said he would impose next week. Instead, he vowed to impose trade restrictions on any country that he felt had an unfair trade relationship with the United States, following through on nationalist threats that many aides had spent more than one year trying to contain.



Donald J. Trump
@realDonaldTrump

When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

3:50 AM - Mar 2, 2018

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Over the past 24 hours, Trump has drawn the blueprints for the most protectionist U.S. trade policy in roughly 100 years. The White House has provided no information or details about how these trade practices would go into effect. Instead, they've been sketched out in rough terms in off-the-cuff remarks after a meeting with steel and aluminum executives and in a series of social media posts that many trade experts said grossly misrepresented how trade works.

Eswar Prasad, professor of trade at Cornell University, said Trump's embrace of broad and stiff import restrictions had little precedent in the past 100 years. He said Trump could succeed in limiting U.S. imports but it could come at the cost of limiting U.S. exports, hurting growth and trade around the world.

“What we have seen in the last 24 hours is something much, much broader, and could escalate into very high levels of tariffs that affect a lot of trading partners,” he said. “There is no immediate historical precedent to this.”

Many Republicans on Capitol Hill have expressed alarm at Trump’s sudden insistence on broad steel and aluminum tariffs and have frantically tried to get Trump to back away from his vow. Foreign leaders, meanwhile, have responded swiftly, saying they will retaliate with tariffs of their own meant to inflict economic pain on U.S. industries, some of which happen to be in politically sensitive parts of the country.

Jean-Claude Juncker, president of the European Commission, said the European Union was preparing retaliatory tariffs against Harley Davidson motorcycles, Levi’s blue jeans, and Kentucky bourbon, a move that could enrage Senate Majority Leader Mitch McConnell (R – Ky.).

Canadian officials said the steel and aluminum tariffs would be unacceptable and that they would retaliate if it affected their exports to the United States. A number of other countries also expressed alarm. German politician Bernd Lange, who heads the trade committee at the European Parliament, shot back: “With this, the declaration of war has arrived.”

But some of Trump’s supporters in the tariff decision said they were undeterred. Commerce Secretary Wilbur Ross, speaking to CNBC, said the impact of the increase would be broad but not as painful as many companies are alleging, holding up soup and soda cans that he said would be hardly impacted.

He said other countries would only lose if they vowed to respond with tariffs on U.S. agricultural products, as it would drive up costs for their own consumers.

“This is scare tactics by the people who want the status quo, the people who have given away jobs in this country who have left us with an enormous trade deficit,” he said.

In a series of Twitter posts, the first of which was launched before 6 a.m., Trump argued that the United States was being ripped off by other countries because the U.S. imports more goods from other countries than it exports to them.

Many economists and trade experts have said this is how free trade works, particularly because the United States is the world’s wealthiest nation and wants access to foreign markets. But Trump believes that this is a reflection that importers take advantage of weak U.S. trade policies.

Trump is imposing the steel and aluminum tariffs by utilizing legal provision that allows the White House to take steps if it can argue that imports threaten the national security of the United States. Trump’s comments on Thursday and his Twitter posts on Friday made no mention of national security but, instead, referenced what he said was an unfair dynamic where the U.S. buys more from other countries than those nations buy from the U.S.

In a subsequent Twitter post, Trump threatened to hit any country in the globe with “RECIPROCAL TAXES” if it has an import duty on U.S. goods or services. It’s unclear what this means or how it would work.



Donald J. Trump
@realDonaldTrump

When a country Taxes our products coming in at, say, 50%, and we Tax the same product coming into our country at ZERO, not fair or smart. We will soon be starting RECIPROCAL TAXES so that we will charge the same thing as they charge us. \$800 Billion Trade Deficit-have no choice!

6:57 AM - Mar 2, 2018

124K 55.5K people are talking about this

The Twitter post suggests Trump is not worried about the blowback from enacting a protectionist trade agenda. It could mean that he is equally willing to walk away from efforts to renegotiate the North American Free Trade Agreement and try to terminate that pact if he doesn't get terms that he demands later this year.

Global stock markets fell sharply Friday on both worries over Trump's planned tariffs and his cavalier comments on a possible trade war. Losses in Asia were led by Japan's Nikkei, which closed down 2.2 percent. In Europe, Germany's DAX was off by more than 2 percent in midday trading. France's CAC 40 and the FTSE 100 in London also slumped.

Trump has made numerous assertions about enacting a nationalist trade agenda since the 2016 campaign, but senior advisers prevented him from following through on many of his instincts before this week.

On Thursday, Trump shocked much of Washington and the world by announcing he would impose tariffs of 25 percent on steel imports and 10 percent on aluminum imports, with details to be ironed out by next week. The announcement won support from some labor groups, including the AFL-CIO, but drew alarm from numerous business groups and sent the U.S. stock market tumbling.

A number of Republicans on Thursday said Trump likely hadn't thought through the repercussions of these tariffs, warning that countries would respond by imposing tariffs on U.S. farm exports in a way that punishes American businesses that have nothing to do with the steel and aluminum industries.

Trump and some of his senior advisers have accused China of flooding the world with cheap steel and aluminum in a way that forced many U.S. smelters to close because they could not compete with the Chinese on low prices. Trump believes that tariffs, even on steel produced by other countries, will help revive the U.S. steel and aluminum industries.

But trade wars are unpredictable and escalate quickly.

White House National Economic Council Director Gary Cohn tried to prevent Trump from pursuing the tariffs but was bulldozed by other advisers who thought the changes were necessary and would fulfill promises Trump made while campaigning, according to people familiar with the talks.

It could not be immediately learned what Trump believes a “trade war” will look like and how it will be easy for the United States to win.

Typically, trade wars result when countries increasingly shut off access to their markets, escalating barriers in a way that hurts exporters in both nations. The United States exported \$1.5 trillion in goods and services last year and imported \$2.3 trillion in goods and services, according to the Census Department. The three-largest U.S. trading partners are China, Canada and Mexico.

Trump has promised to offer more details of how the steel and aluminum tariffs would be designed next week. He has a tendency to whipsaw back and forth on certain ideas, but he has long felt that steep and extreme tariffs are the only way to show other countries that the U.S. will do whatever is necessary to force a rebalance in trade relations.

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