



Oh! What a Lovely Trade War?

Alan V. Deardorff

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Source for most of this

- <http://www-personal.umich.edu/~alandear/news/TradeNews.html>

Events in the News - 2017

- Jan 20: Trump inaugurated
- Jan 23: Trump pulls out of TPP
- Jan 30: **🇺🇸** *Trump's Trade War May Have Already Begun*
- Feb 27: **FT** Trump team looks to bypass WTO dispute system
- Mar 17: **WSJ** U.S. Spars With China, G-20 Majors Amid Trade-War Fears
- Mar 31: **wp** 'We are in a trade war,' Trump's commerce secretary says
- Apr 3: Trump signs 2 executive orders on trade
- Apr 3: **🇺🇸**  **Paul Krugman** Trump Is Wimping Out on Trade

Events in the News – 2017 cont.

CVD case begun
under Obama

- Apr 20: National security probe of steel imports
- Apr 24: 20% tariff on Canada softwood lumber*
- Apr 26: Trump “considers” pull-out of NAFTA
- Apr 27: Trump decides not to pull-out of NAFTA
- May 18: US launches NAFTA renegotiation
- Jul 3:   **Paul Krugman** Oh! What a Lovely Trade War
- Aug 14: Probe of China’s intellectual property theft
- Oct 5: S. Korea agrees to amend FTA with US

Events in the News – 2018

- Jan 21: US puts safeguard tariffs on solar panels and washing machines
- Jan 28: Trump:
 - “I’ve had a lot of problems with European Union, and it may morph into something very big from that standpoint, from a trade standpoint.”
- Feb 13: Trump contemplates “reciprocal tax”

May be legal
under WTO
Safeguards

Events in the News – 2018 cont., Metals

Legality under
WTO doubtful

- Mar 1: 25% tariff on steel; 10% on aluminum
- Mar 2:  China grumbles at Trump's tariff move, but Europe takes aim at Harleys and bourbon
- Mar 2:  Trump insists 'trade wars are good, and easy to win' after vowing new tariffs
- Mar 2:  Donald Trump's steel tariffs flirt with a global trade war
The US president puts the rules-based global trading system in peril
- Mar 2:  Trump just started a trade war, all right — with his own party
- Mar 3:  **Jeffrey Sachs** Trump's tariff move shows he flunked economics
- Mar 3:  Trump fires back at EU tariff retaliation threats

Events in the News – 2018 cont., Metals cont.

- Mar 8:   **Paul Krugman** Oh, What a Trumpy Trade War!
- Mar 8: Trump metals tariffs to start in 15 days, exempting Canada and Mexico
- Mar 22: Also exempts other allies EU, Australia, S. Korea, Brazil, Argentina (not Japan)
- Mar 23 Tariffs go into effect, mostly on China and Russia



Events in the News – 2018 cont., China

- Mar 22: Trump announces tariffs on \$50-60 billion of China exports
- Mar 22: China threatens tariffs on \$3 billion of US exports
- Mar 23:  **China Started the Trade War, Not Trump**
Unlike with steel and aluminum tariffs, economists see merit in Trump's trade case against China
- Mar 24:  ***Trump Just Pushed the World Trade Organization Toward Irrelevance***

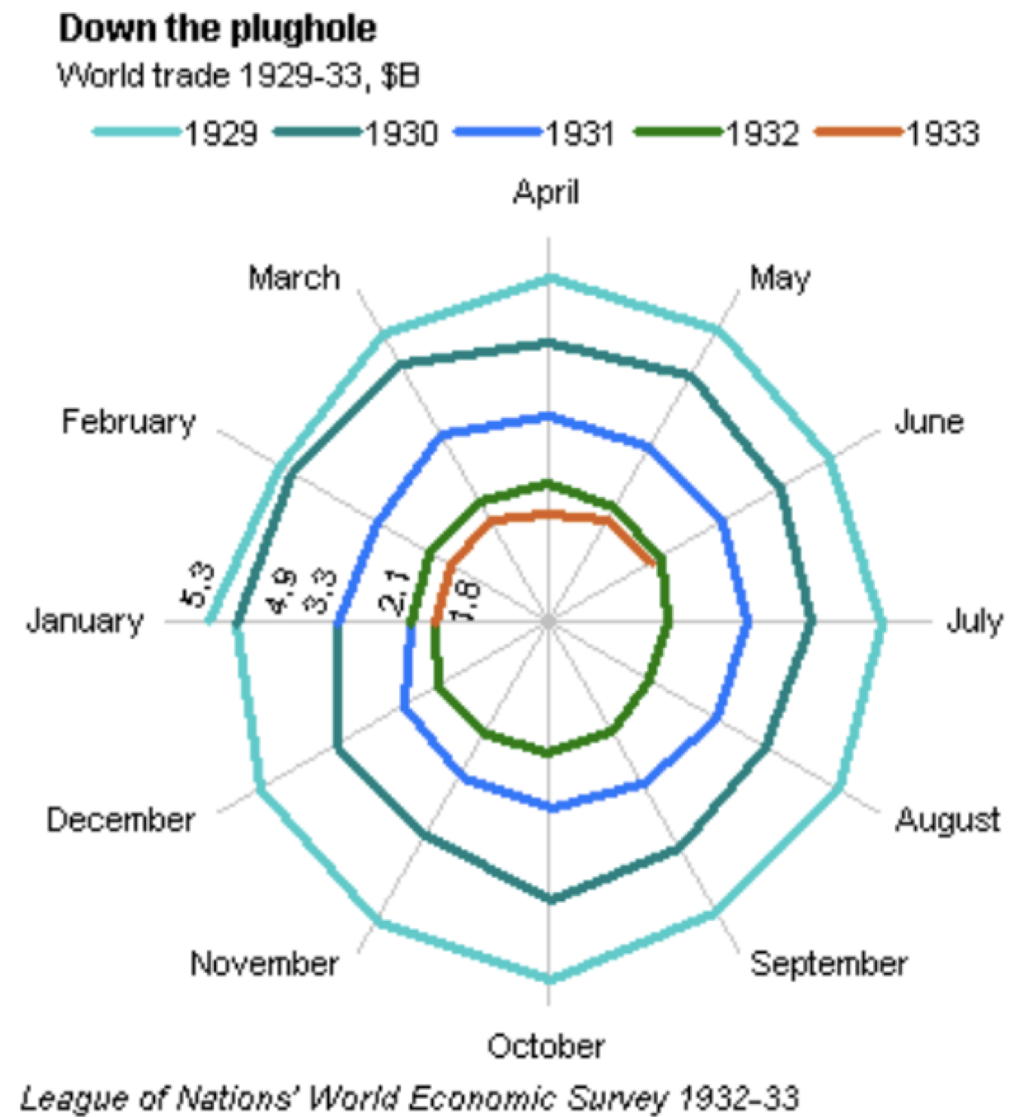
Trade War?

- Is this a trade war? Or will it be?
- Too soon to say
 - The safeguard tariffs on solar panels and washing machines were normal uses of trade laws
 - The national security tariffs on steel and aluminum were not normal, but were vastly scaled back to mostly China and Russia
 - The tariffs on China, just announced, are still unknown
- Don't know yet if there will be
 - Retaliation
 - Counter-retaliation

Trade War?

- History of trade wars
 - Smoot-Hawley tariffs of the 1930s

Kindleberger Spiral



Trade War?

- History of trade wars
 - Smoot-Hawley tariffs of the 1930s
 - These were broader than any tariffs proposed so far
 - They did prompt retaliation
 - But (according to Doug Irwin)
 - The tariffs neither caused, nor were caused by, the Great Depression
 - More important than the tariffs were other policies, including exchange restrictions motivated by the Gold Standard

Trade War?

- Other trade disputes
 - US-Japan in the 1980s
 - Didn't have WTO (only the weaker GATT) to resolve problems
 - As allies, US and Japan had reason to find solutions
 - (This was where USTR Lighthizer earned his stripes)
 - Since WTO
 - Many disputes
 - All handled in WTO

Trade War?

- The real dangers here:
 - The skirmish now could grow
 - But nobody (except Trump) wants that
 - News today is that China is promising changes
 - EC Chief Juncker:
 - “We can also do stupid.”
 - “We also have to be this stupid.”
 - WTO may become irrelevant
 - Future disputes will be worse

Addendum: Quote from Trump

- Told by Canada's Justin Trudeau that Canada doesn't have a trade surplus with the US, Trump says "I said, 'Wrong, Justin, you do.' I didn't even know. I had no idea."
- In fact, by US data, the US has a surplus with Canada in goods and services, but a deficit if you count only goods.
2017, \$billions:
 - Goods: -17.5
 - Goods and services: +2.8
- As economists explain, there is no reason why countries' trade should balance, especially bilaterally, under either measure.

**Donald J. Trump**

@realDonaldTrump

Following



We do have a Trade Deficit with Canada, as we do with almost all countries (some of them massive). P.M. Justin Trudeau of Canada, a very good guy, doesn't like saying that Canada has a Surplus vs. the U.S. (negotiating), but they do...they almost all do...and that's how I know!

9:29 AM - 15 Mar 2018

Is he right about “almost all countries”?

- US Census reports goods trade balances of US with 234 countries for 2017. US has
 - Surpluses with 130
 - Deficits with 104
- But with our top-10 trading partners (ranked by exports plus imports) we have a surplus with only one: U.K.
- Of our top 50 partners, we have surpluses with only 36%