

Donald Trump's one-front trade war

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At 12:01 a.m. on Monday, President Donald Trump went a long way toward defusing a potential war – not with Iran, but Canada and Mexico, where Trump revoked tariffs he had imposed in the name of national security. Why the sudden bout of tariff reduction? The president is focusing on a one-front trade war with China.

The restrictions began as two fronts of the same **war**. Trump **imposed** 25 percent tariffs on steel and 10 percent tariffs on aluminum imported from China last March. Then he **extended** those tariffs to the EU, Canada, and Mexico on June 1.

But the president seems to have concluded that the US can no more fight a two-front war in trade than on **the battlefield**. He **announced** on Friday that the North American tariffs would lapse this week. Trump also **postponed** slapping an anticipated 25 percent tariff on automobiles from Europe and Japan for at least six months. And on Thursday night he **halved** tariffs on Turkish steel, which he doubled during the stand-off over the **jailing** of Pastor Andrew Brunson, from 50 to 25 percent.

The new USTR agreements enlist **Canada** and **Mexico** in the war with China. The nations vow to prevent the ‘importation’ and ‘transshipment’ of ‘unfairly subsidized’ aluminum or steel from third countries. They stipulate that nations can reinstate tariffs if either country believes the trade relationship is unbalanced, and if bilateral consultations fail.

Crucially for US farmers, Canada and Mexico **agreed** ‘to retaliate’ – there’s that martial language again – ‘only in the affected sector (i.e. aluminum and aluminum-containing products or steel).’

After the June tariffs, Canada, Mexico, and the EU (which were far from perfect trade partners before`d tiarif

But critics countered that relatively minor imports from historic allies did not threaten America's geostrategic position. 'Tariffs on steel and aluminum were never justified in the first place,' said Alison Acosta Winters, a senior fellow **Americans for Prosperity**. French finance minister Bruno Le Maire **responded** in pique that 'global trade is not a gunfight at the O.K. Corral.'

Now the guns are turned on a new target. No one denies that China violated international trade norms en route to **replacing** the US as the world's leading steel producer. Usha Haley of Wichita State University's Center for International Business Advancement, and co-author of Subsidies to Chinese Industry, said the Chinese government provides a **30 percent** subsidy to its domestic steel industry 'through government loans that don't have to be repaid, free power, free land, and so on.'

President Trump sees China as a strategic threat, not a partner. Sen. Ben Sasse, who is a frequent Trump foe, sees US trade decisions within this framework. 'China is our adversary,' he said. 'Canada and Mexico are our friends. The president is right to increase pressure on China for their espionage, their theft of intellectual property, and their hostility toward the rule of law. The president is also right to be deescalating tension with our North American allies.' President Obama's ambassador to Canada also **believes** that Trump is backing off, because he's in a 'particularly difficult place with China and in need of maybe some friends and allies at the table.'

But wars require sacrifice and bring setbacks. Increasing the price of food hurts the most vulnerable – a fact that likely will not restrain Beijing. US employment will suffer as corporations adjust their supply chain.

Trade wars, like real wars, sometimes convince nations to change alliances. Last August, BMW **threatened** to move some production from

Spartanburg, S.C., to China to sidestep the PRC's new rules.

Even a one-front war sometimes spills into secondary fronts. 'The president seems to think that [t]he Chinese exporters will simply absorb the tariffs and keep their prices low by taking lower profits. There is no evidence that this will happen,' wrote Madsen Pirie of the Adam Smith Institute. 'More likely, the Chinese will send to the EU the low-cost steel they cannot now sell in the US, thereby undercutting EU producers.'

For now, the markets will enjoy the ceasefire. The administration hopes to pass its **USMCA** replacement for NAFTA before the August recess. However, House Democrats **oppose** the agreement without greater international labor and environmental regulations. (Alas, political wars never end.)

Trade advocates are cautiously optimistic that the new arrangement will improve that sector of the economy. But 'the devil is in the details,' said Winters, 'which we have yet to see.'
