

The New York Times

Someone Should Tell Donald Trump About America's High Tariffs

In accusing other countries of cheating the United States, the president misleads the public about a complicated subject.

By **The Editorial Board**

The editorial board represents the opinions of the board, its editor and the publisher. It is separate from the newsroom and the Op-Ed section.

July 10, 2018

To hear President Trump tell it, every other country in the world is taking advantage of the United States by selling milk, cars, steel and other products to America while refusing to buy made-in-the-U.S.A. merchandise. His ceaseless complaint about trade — with neighbors like Canada and Mexico, allies in Europe or mercantilist China — is that the United States is getting a raw deal. Much of what the president has said is malarkey.

It's true that America has run a large trade deficit for many years, and that some countries — China in particular — have used underhanded tactics like depressing their currencies to increase exports. But, by and large, the world is not ripping off the United States. Scratch the surface of many of the president's statements about trade, and it's hard not to conclude that he is either trying to confuse the public or is rather confused himself.

Recently, Mr. Trump has unleashed his Twitter account on one of America's oldest and closest friends, Canada, criticizing the country's decision to protect its dairy industry. Last month, the president railed about that country's "270 percent tariff on Dairy Products!" — a statistic that sounds outrageous but really is not. Canada allows a small quota of American dairy imports to come in with low or zero tariffs. Imports above that amount are taxed at varying rates that can exceed 300 percent for some goods.



Donald J. Trump
@realDonaldTrump

Canada charges the U.S. a 270% tariff on Dairy Products! They didn't tell you that, did they? Not fair to our farmers!

5:16 AM - Jun 8, 2018

94.8K 39K people are talking about this

Do you know which other country protects its dairy industry in a similar way? You guessed it: the United States. American dairy quotas and tariffs are so restrictive that a vast majority of the milk, cheese and butter families in the United States buy is made domestically. In fact, dairy producers in Wisconsin and other states sold \$792 million in products to Canada in 2017, while Canadian producers sold just \$149 million of dairy to the United States, according to the Brookings Institution.

And yet the Canadian prime minister, Justin Trudeau, doesn't bellyache incessantly on Twitter about unfair American dairy tariffs.

Another of Mr. Trump's trade bugbears is the relative difference in the tariffs that the United States and the European Union apply to automobile imports. He points out that the American government charges a modest 2.5 percent tariff on imports of luxury sedans that BMW and Mercedes produce in Germany and elsewhere. But American-made Lincolns and Cadillacs are charged a 10 percent tariff when exported to the 28 E.U. countries.

This makes it sound as if the United States is getting played by Machiavellian Europeans. But the American government also uses tariffs to protect its auto market — it has just chosen to protect a specific segment of the vehicle market (a far larger segment than luxury cars) and with much higher tariffs: President Lyndon Johnson imposed a 25 percent tariff on imports of pickup trucks in 1963, which remains in place today.

Other examples abound. For instance, when Mr. Trump talks about the trade deficit, he almost always refers to numbers for trade in physical goods — cars, steel, dairy and so on. He has repeatedly failed to take into account or talk about trade in services — a broad category that includes movies, software, tourism, legal advice and the college tuition paid by foreign students to American universities. This omission serves the president well because it suggests that the United States is at a great disadvantage, buying many more goods from the rest of the world than it sells — an \$807 billion gap in 2017, according to the Census Bureau. But in services, the United States had a large trade surplus last year, \$255 billion, and including that makes the combined trade deficit smaller.

Even putting aside the inanity of using the trade deficit as a scoreboard to determine if the United States is “winning” or “losing,” most economists say larger economic forces determine the deficit, including the government’s fiscal deficit, which Mr. Trump has been busily increasing. Nevertheless, it makes no sense to ignore trade in services when looking at the deficit because that sector produces about two-thirds of American economic output and employs about 71 percent of workers.

On Tuesday, the day before a NATO meeting in Belgium, Mr. Trump again attacked European officials by citing data that excluded trade in services. He tweeted that the European Union “makes it impossible for our farmers and workers and companies to do business in Europe (U.S. has a \$151 Billion trade deficit), and then they want us to happily defend them through NATO, and nicely pay for it.” He’s overstating the deficit by 50 percent. All told, the United States exported nearly \$530 billion worth of goods and services to the European Union last year, about \$100 billion less than it imported. Clearly, many American farmers and businesses are doing quite a lot of business in Europe.

Mr. Trump thinks that it’s in his interest to paint America as a victim of cunning foreigners. That much is clear. It’s far less obvious why he believes that countries he has subjected to such baseless attacks will negotiate favorable trade agreements with a president who has shown he can’t be trusted.

Follow The New York Times Opinion section on Facebook and Twitter (@NYTOpinion), and sign up for the Opinion Today newsletter.

A version of this article appears in print on July 11, 2018, on Page A24 of the New York edition with the headline: Mr. Trump and America's High Tariffs