

Companies brace for trade war

By [Niv Elis](#) - 04/04/18 06:00 AM EDT



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Businesses already smarting from China's retaliatory tariffs are bracing for more trade actions from the Trump administration and U.S. trade partners.

The announcement from China that it would impose tariffs on 128 U.S. goods in response to [President Trump's](#) steel and aluminum tariffs helped send the Dow Jones industrial average down 459 points on Monday.

China said the trade actions were in response to the steel and aluminum tariffs President Trump imposed last month. It has not yet responded to a bevy of more-focused tariffs Trump is preparing that would cover \$50 billion to \$60 billion worth of Chinese imports under Section 301 of the U.S. trade law.

On Tuesday, the Trump administration unveiled a list of about 1,300 Chinese goods for a proposed 25 percent tariff, including metals, a slew of machine parts and electronic components.

Business groups fear that China might be preparing to enact even steeper tariffs if Trump moves forward; the agriculture sector is particularly nervous.

"If there is going to be a trade war and there's going to be retaliation by China or anyone else against the U.S., the obvious target is going to be agriculture," said Peter Friedmann, executive director of the Agriculture Transportation Coalition, a trade group.

The current round of Chinese tariffs already hit agriculture by slapping import taxes on nuts, wine and fruits, but China left bigger U.S. exports, such as soybeans and sorghum, untouched.

China is the second largest export market for U.S. agriculture, buying \$21 billion worth in 2016, according to the U.S. Trade Representative. At \$1 billion, soybeans are the largest product in that category.

“If we go full on with massive retaliation that actually results in foreign customers shifting or reducing their consumption, then we’re talking many thousands of jobs across the country,” Friedmann said.

Some industries fear a double-whammy, with retaliatory tariffs from China taking a bite out of their business even as Trump’s own tariffs drive up domestic costs.

“If we have a trade war with China, this is going to increase costs on all these parts that support people’s repairs of the cars,” said Steve Hughes, president of HCS International, which deals in auto parts.

While selling parts to China is one of his industry’s concerns, an increase in the price of steel and foreign parts from American-imposed tariffs could be just as damaging to the industry.

“It’s hard to forecast which is going to be worse. If it escalates, as it has begun to, it could hit us from both sides,” said Hughes, who is also the public affairs committee chairman for the auto parts trade group CAWA.

“From our industry’s perspective, trade war is probably the worst thing that can happen,” he added.

Even businesses that have not yet been hit in the current trade spats are worried that they could be swept up in a tit-for-tat between the U.S. and its trade partners, be it China or Canada and Mexico in the North American Free Trade Agreement renegotiation.

“The trouble with a trade war is that it’s not predictable, and people get creative and lash out in ways that are designed to get attention and cause damage,” said Ed Black, CEO and president of CCIA, a high-tech trade group.

Black says that one problem with the Trump administration’s insistence on pulling back from multilateral deals, such as the Trans-Pacific Partnership, or multilateral institutions, such as the World Trade Organization (WTO), is that it ends up missing out on broader strategic trade goals, such as harmonizing regional markets.

“Looking at bilateral trading is just a misleading tool. It misses the complex and interconnected nature of modern global trade, and at times the dialogue from the administration doesn’t seem to reflect an understanding of that,” he said

Businesses are also concerned that the Trump administration’s decision to side-step accepted venues for trade disputes, such as the WTO, will lead other countries to defect as well, creating a more hostile environment for global trade.

“[U.S. Trade Representative] [Bob Lighthizer](#) is interested in scaling back what’s happening at the WTO and the international trading system. That’s what frightens me. I see the actions that are being taken right now are going to have a major impact on that international trading system,” said Ambassador C. Donald Johnson, author of “The Wealth of a Nation: A History of Trade Politics in America.”

While trade groups say they have regular dialogue with the administration, they aren’t sure that their calls for a different approach will be heeded.

“Everybody that’s affected by trade is on the administration’s doorstep right now. The question is whether it’s getting through to the Oval Office,” said Johnson, who served as a U.S. trade representative adviser under former President Clinton.

“Right now you don’t see that evident in the tweetstorms coming out every morning. I think they should get their sound bite on ‘Fox & Friends’ if they want to be heard,” he added.

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