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OPINION

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The Dumbest Trade War Revisited

Trump's decision to escalate a tariff brawl with Canada makes no economic or political sense.

By The Editorial Board

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President Donald Trump and Canadian Prime Minister Mark Carney SAUL LOEB; DAVE CHAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Trump took exception last year when we called his tariffs against Canada and Mexico the dumbest trade war in history. It got dumber this weekend as Mr. Trump escalated with another round of border taxes on Canadian imports, a mere 10 weeks before midterm elections.

Mr. Trump issued his latest tariff threat against Canada last month under Section 338 of the 1930 Tariff Act. The law lets the President impose tariffs up to 50% on countries that discriminate against “commerce of the United States, directly or indirectly” in relation to foreign countries. No previous President has used this power.

Mr. Trump set a deadline of midnight on Friday for Canada to reach a deal to avert 50% tariffs on \$20 billion of goods. The countries were close to an agreement until, poof, the cease-fire blew up at the last minute with each side blaming the other.

The result: Mr. Trump's threatened tariffs took effect Saturday morning. Canadian Prime Minister Mark Carney threatened to retaliate dollar-for-dollar starting Sept. 8. Both sides could still walk back from the ledge, though Mr. Trump's escalation could make this harder for Mr. Carney politically since Canadians don't like being bullied by Washington.

To justify his new tariffs, Mr. Trump said Canada discriminated against the U.S. by retaliating against his national-security tariffs on autos. He also claimed that Canadian provinces had restricted sales of U.S. alcoholic beverages in response to his "emergency" tariffs last year. Yet U.S. distillers begged Mr. Trump to hold off on his Section 338 tariffs. They know the longer Canada locks out American booze, the tougher it will be to regain market share.

The President also cited longstanding grievances over how Canada treats U.S. dairy. Press reports say the Trump team raised other issues during recent negotiations, including Canada's treatment of U.S. tech companies and digital taxes. Most of these issues could have been addressed as part of a renegotiation of the U.S.-Mexico-Canada Agreement.

But Mr. Trump doesn't want to update the deal. He wants to rewrite it unilaterally. As Mr. Carney noted Saturday, the President has contrived an array of pretexts—from fentanyl trafficking to trade deficits—to bludgeon Canada with tariffs.

Mr. Trump's complaint about the U.S. trade deficit with Canada is particularly ironic since the latter owes entirely to imports of heavy crude oil that is especially well-suited for U.S. refineries. Exclude Canadian oil, and the U.S. would have a trade surplus. But U.S. refineries would also operate at lower capacity.

In any event, last week the two sides were close to an agreement that would reduce the U.S. auto tariffs on Canada to 15% (the same rate as South Korea and Japan) from 25%, and on steel and aluminum to 25% from 50%. These

tariff reductions would help U.S. manufacturers, which have integrated cross-border supply chains.

Prices for steel and aluminum mill products have surged 22.5% and 40.5%, respectively, over the past year. General Motors last month projected a \$2.5 billion to \$3.5 billion hit this year from tariffs. U.S. auto makers have been lobbying the Administration to reach a truce with Canada.

Mr. Carney said Saturday that a major reason the deal blew up is that the Trump team refused to ease tariffs on heavy and medium duty trucks, including those made at Ford's plant in Ontario. Why is Mr. Trump punishing Ford, America's largest auto producer?

Mr. Trump's latest round of border taxes will hit an array of consumer goods, construction materials and manufacturing components. Republicans are already getting pounded on the campaign trail over his tariffs and inflation. One reason for Mr. Trump's frigid approval rating is that voters believe Mr. Trump is waging blunderbuss wars without a strategy, and on trade they're right.

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