Economists warn of tariff hazards

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NEW YORK — The US administration’s tariffs and the resulting retaliation by China have inflicted suffering upon thousands of American farmers, workers, companies and consumers, and the impact is far from over, US economists said.  
The trade row, escalated by additional US tariffs on $200 billion worth of Chinese goods in September, is fraught with long-term, strategic “unintended consequences” to the US economy, they have warned.  
As the tariffs begin to make China look more expensive, some companies are scrambling to rethink their supply chains for a cheaper place to put their factories.  
Yet companies adjusting their sourcing is not easy because “supply chains are built by companies with great care and substantial analysis”, said Professsor Robert Sicina, executive in residence at the Kogod School of Business at American University in Washington DC.  
“To disrupt them is to negatively impact the confidence (that) firms have in the US having a consistent policy,” Sicina told Xinhua in an interview.  
“Without consistency, firms will move their supply chains away from the US, not towards it. This is just one example of the unintended consequences of President (Donald) Trump’s actions,” said Sicina, who has 30 years of experience in senior executive positions at big banks and various entrepreneurial endeavors.  
“The supply chain is always going to move to where the economics are best,” he said, adding that “the economics are overwhelmingly in favor of China”.  
Another major, long-term unintended consequence, said Sicina, is that “foreign investment in the US will also be disrupted because of the tariffs”.  
When investment flows into the United States, foreign investors have to consider its trade policies, as extra tariffs will impact investors’ ability to import raw materials and export their products, Sicina explained.  
“Trump’s trade war is to curb foreign investment in the future, because they’re going to lack confidence that the US will play by the rules, because it’s now breaking the rules of fair trade in expectation of cutting a better deal with China,” he said.  
According to data from the US Bureau of Economic Analysis released in July, net foreign direct investment dropped to $51.3 billion in the first quarter, a 37 percent fall from the same quarter in 2017 and a 65 percent decline from the first quarter of 2016.  
The falloff in foreign investment “is a result of a general decline in the United States’ attractiveness as a place to make long-term business commitments,” Adam Posen, president of the Peterson Institute for International Economics, argued in an article in the July 23 issue of Foreign Affairs magazine.  
“This year, net inward investment into the United States by multinational corporations — both foreign and American — has fallen almost to zero, an early indicator of the damage being done,” he wrote.

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