Research

The Total Cost of Trump's Tariffs

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One of the President Trump's most prominent policy actions since taking office has been to raise tariffs, which carry significant negative ramifications for the U.S. economy. Trade barriers such as tariffs increase the cost of both consumer and producer goods and depress the economic benefits of competition, inhibiting economic growth.

The president's tariffs, when combined with corresponding retaliation, threaten nearly $400 billion of traded goods annually. The following analysis calculates the overall impact these tariffs could have on the prices of goods in the United States.

The Economic Cost of Current Tariffs

There is no shortage of evidence on the economic harm caused by trade barriers: Tariffs inhibit economic growth by increasing the cost of both consumer and producer goods and depressing the economic benefits of competition. Research suggests that tariffs are directly responsible for inflation, depressed aggregate demand, less capital expenditures, and lower productivity levels.

This analysis focuses exclusively on the impact of tariffs unilaterally imposed by the president. These include tariffs—either enacted or officially ordered—under Section 232 or Section 301. Section 232 allows the president to impose trade barriers if the Department of Commerce finds that imports threaten U.S. national security. Section 301 enables the president to impose tariffs or quotas when the United States Trade Representative (USTR) finds that other nations are engaging in unfair trade practices.

The table below lists the approximate value of imports that are currently facing new tariffs under President Trump. It additionally displays estimates of how the tariffs could increase nationwide consumer costs, assuming that 100 percent of the costs from the tariffs will be passed on to consumers and that current import levels will not change. While this estimate is an upper-bound, it represents the upward pressure that is placed on all prices in the economy.

Altogether, the president's currently imposed tariffs could increase nationwide consumer costs by $69 billion annually. This estimate includes the president's latest tariff actions. On May 10, 2019, President Trump increased tariffs on nearly $200 billion of Chinese goods from 10 percent to 25 percent, increasing nationwide consumer costs by $32 billion annually. On May 20, the United States removed the steel and aluminum tariffs on Canada and Mexico, reducing the value of affected imports by approximately $12 billion. The latter action in turn reduced the additional consumer costs from the tariffs by $2 billion per year.

Table 1: The Total Cost of President Trump's Imposed Tariffs[i]

Tariff	Value of Affected U.S. Imports (Billions)	Tariff Rate	Additional Cost Burden (Billions)

Section 232, Steel	$15.5	25%	$3.9
Section 232, Aluminum	$9.8	10%	$0.9
Section 301, Pt 1	$30.2	25%	$8.1
Section 301, Pt 2	$14.8	25%	$3.4
Section 301, Pt 3	$212.8[ii]	25%	$47.2
Total	**$283.1**	**10-25%**	**$69.3**

An Excel file detailing the tariffs and the products they affect can be found here.

In addition to raising costs for American consumers, tariffs have also resulted in significant retaliation by other countries against U.S. exports. Table 2 below details every retaliatory action taken against the United States thus far and the value of U.S. exports that are adversely affected.[iii] To date, eight nations have levied retaliatory tariffs of 5 percent to 50 percent on approximately $131 billion of U.S. exports. This retaliation includes the action taken by China on June 1, which increased its retaliatory tariffs against the United States by up to 15 percentage points.

Following the reversal of U.S. steel and aluminum tariffs, both Canada and Mexico withdrew their retaliatory tariffs of 7 percent to 25 percent on approximately $20 billion of U.S. exports.

Table 2: Total Retaliation to President Trump’s Imposed Tariffs

Country	Retaliation Rate	Value of Affected U.S. Exports (Billions)
Retaliation to Section 232 Tariffs		
European Union	10-50%	$3.2
China	5-25%	$3.0
Turkey	5-40%	$1.8
Russia	25-40%	$0.35
India	10-50%	$1.4
Retaliation to Section 301 Tariffs		
China, Pt 1	25%	$33.8
China, Pt 2	25%	$14.1

China, Pt 3	5-25%	$53.3
Total Retaliation		
Total	**5-50%**	**$110.9**

Upcoming New Tariffs

On May 10, 2019, the president ordered USTR Robert Lighthizer to begin the process of raising tariffs on essentially all remaining imports from China, valued at approximately $300 billion. Levying a 25 percent tariff on all imports from China—valued at $540 billion in 2018—would exacerbate current price increases that consumers face. Two-thirds of these imports are utilized by U.S. businesses to produce goods in America, meaning that new tariffs will also increase domestic production costs. Altogether, the tariffs on China can be expected to raise nationwide prices for both producers and consumers by $140 billion annually.

On May 23, 2018, President Trump ordered a Section 232 investigation into imports of automobiles and auto parts. If the Department of Commerce finds a national security threat, new tariffs will be levied on auto imports, increasing the costs of imported automobiles in the United States. The tariffs on auto imports will also increase costs for U.S. automakers, which could either raise consumer prices further, decrease U.S. auto manufacturing activity, or both.

[i] Data for this analysis were taken from the U.S. Census Bureau and the International Trade Commission. All import data is from 2018.

[ii] Includes approximately $31 billion of goods that are only partially covered by the tariff action, as indicated by Part 2 of the U.S. tariff list. The inclusion of these goods brings the total value of affected imports close to the value reported by the U.S. Trade Representative at the time the tariffs were enacted ($200 billion in 2017).

[iii] The value of U.S. exports subject to retaliation is based on 2017 trade levels.