

Trump has declared trade war

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Trump's trade wars are going to hike inflation and interest rates in the US and around the world and won't boost jobs in the US or make middle or working-class Americans better off. The price of his mayhem is going to be enormous.

<https://www.youtube.com/watch?v=uqQkByUuX5A?si=R2s2Ra-g9Z2Vscko>

This is the audio version:

https://www.podbean.com/player-v2/?i=gdk2m-17524da-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Trump has declared trade war, and it's going to create mayhem.

The convention in the USA is that the incoming President makes no announcements before they arrive in the Oval Office, which will be on January 20 2025 in the case of Trump. But, convention isn't something that Trump worries about, and so he has already announced that he is going to impose tariffs, supposedly on that very day when he arrives in office, on all imports into the USA from China and from Mexico and from Canada.

In the case of China, there's going to be an additional 10 per cent tariff because most

goods already have tariffs when they come from China into the USA.

But he's also going to impose 25 per cent tariffs on imports into the USA from Mexico and Canada because he apparently believes that they are exporting people into the USA illegally, which is definitely not true in the case of Canada. And he also thinks that they are undermining the American economy by supplying goods which are, for example, creating the opioid crisis, suggesting that fentanyl is apparently produced in Mexico and Canada for use by Americans who are then addicted to it, for which there is very little evidence.

So, what is Trump doing by declaring trade war in this way? He's going to unleash mayhem. Why is he going to do that? Because a tariff increases the price of goods imported from these countries into the USA. And the USA is heavily dependent on imports from China, from Mexico, and from Canada.

In fact, roughly 40 per cent of all imports into the USA come from those three countries. In other words, Trump is going to increase the price of imported goods in a way that is going to hit the US consumer almost immediately.

If you listen to Trump's narrative, these tariffs will be paid for by China, Mexico, and Canada, but that's not true. If Canada is exporting a product to the USA for a US dollar in price, then Canada doesn't change the price of its export because Trump has put a tariff on those goods. What happens is that the importer of those goods into the US has to pay, as from January 20th if Trump sticks to his word, 25 cents to import that product from Canada.

The tax is paid in the US, by the US importer, who will, if they still want to import that product, have to pass on that price to the US consumer. In other words, the price of these tariffs will almost in its entirety be paid by the US consumer.

Now, Trump would argue otherwise. He would say that because the product is now 25 per cent more expensive, the US consumer will buy a US-manufactured product instead of a Canadian-manufactured product. But in reality, that's not going to happen, and there's good reason for that.

For example, 40 per cent of all oil used in the USA is actually imported. And the vast majority of that comes from Mexico and Canada. So, unless Trump has got some mechanism to suddenly increase oil production in the US by 40 per cent, and I very strongly suggest to you that he hasn't, then the US consumer is going to be paying a lot more for their oil come January 21st, 2025 than they are now because the price of that tariff on imported oil from Mexico and Canada is going to have to be recovered by the importer into the USA.

There are plenty of other products where this is going to be seen to have an immediate impact. For example, at least half of all fruit consumed in the USA comes from Mexico.

In the case of tomatoes, it's over 60 per cent come from Mexico. And in the case of avocados, it's over 90 per cent. And I'm told the US can't survive without an avocado.

So, in that case, that tariff on those products is going to go straight onto the shop price for the US consumer, and there is no alternative supplier. This is as a matter of fact a tax on the US consumer. And what is the biggest export from Mexico to the USA? Well, actually, it's electrical consumer goods. And that price is also going to be passed on because there isn't the manufacturing capacity inside the USA to substitute for that Mexican capacity that exists now.

In other words, Trump is not entering into trade war on these countries, although let's not pretend that this will not have a massive impact upon their export capacity, and on their trade flows, and on their financial well-being. What he's actually doing is declaring trade war on the people of the USA, who are going to see significant price increases which will hike inflation in the USA, which is the exact opposite of what he promised people when he stood for election.

And he's also going to see a big reaction from the Federal Reserve as a consequence, who are going to be pushing up interest rates in the US to try to tackle this inflationary boost, with the consequence that inflation will not only go up around the world, but interest rates will go up around the world, and the consequence of that is almost too horrible to think about.

Most of the world's developing countries pay their interest based upon US dollar borrowings and they will be impoverished by Trump's actions.

Here in the UK, we will see the Bank of England trying to compete on interest rates and we will probably see our rates at least remain as high as they are at present, which are uncomfortably high, or even increase.

There will be a spillover consequence of Trump's stupidity. But we will have to live with that stupidity because I believe it will happen. But the people who will suffer most are the people of the USA. And Trump is going to upset an almighty lot of them very soon, when it becomes clear that his economic madness is not going to create cost for China, Canada or Mexico to anything like the degree that he claims but is instead going to hit the American middle and working classes very hard indeed.