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Retaliation for the Trump tariffs will hurt all sides. But that's a trade war.



AMERICAS

Mexico and Canada Fire Back

President Trump announced Saturday that 25% tariffs on imports from the two largest U.S. trading partners will go into effect on Tuesday. As expected, it's now game on for Mexico and Canada. Both countries almost immediately announced their own retaliatory tariffs. How long will the North American trade war last? That may depend on how quickly Mr. Trump's constituents feel the pain.

Mr. Trump endorses tariffs as a way of generating large revenues for the federal government. His model is the steep October 1890 tariffs championed by Rep. William McKinley (R., Ohio). But that tax increase wasn't popular with the public, and the party took heavy losses in the congressional elections a month later. McKinley, elected president in 1896, seems to have learned from the thrashing his party took for its protectionism. According to George Mason University economist Don Boudreaux, in the White House he adopted a more modest use of tariffs as a tool to open foreign markets for U.S. exporters.

Mexico and Canada are signatories to the U.S.-Mexico-Canada Agreement, which institutionalizes free trade in North America and makes the reciprocity argument irrelevant. But let's face it: U.S. access to neighboring markets isn't Mr. Trump's concern.

Trumponomics posits that the U.S. would be better off if it made everything at home. Referring to trade with Canada, the president wrote on social media Sunday: "We don't need anything they have. We have unlimited Energy, should make our own Cars, and have more Lumber than we can ever use." He isn't the first politician to espouse this utopian ideology. I once interviewed an Italian Marxist promoting revolution in the western highlands of Guatemala who wanted to close the local economy and produce what it needed inside the confines of the community. He told me he believed in the strategy because it was recommended by Zapatista militants in southern Mexico.

Why do American producers tap supplies from our neighbors? Mr. Trump doesn't say. But he's against economic freedom he says, because, well, it isn't good for you.

Selling this pap isn't so easy. What does sell is blaming the U.S. appetite for narcotics on the neighbors. So Mr. Trump has moved the goal posts, making the tariff hike mostly about the failure of Mexico and Canada to stop fentanyl at U.S. borders. This puts the president, again, at the back of the Econ 101 class.

Fentanyl doesn't jump into people's mouths and noses. While most of its tragic victims haven't wanted to ingest it—they have largely been consumers of illegal cocaine and counterfeit opioids—very small amounts of the synthetic narcotic can kill. It's almost impossible to detect shipments, including when they arrive in Seattle from San Antonio as well as from abroad. The only way to reduce deaths is to reduce American drug use. That's

something Mexico and Canada would welcome, since criminals do so much damage in their countries as they work to serve their wealthier American customers.

Retaliation won't go down easy. Reuters reports that Mexico is getting ready to impose "possible retaliatory tariffs on imports from the U.S., ranging from 5% to 20%, on pork, cheese, fresh produce, manufactured steel and aluminum, according to sources familiar with the matter." Those sources said that the auto industry would be exempt for now,

implying that Mexican President Claudia Sheinbaum is trying to minimize the damage. A recession is already expected. Canada's lame-duck Prime Minister Justin Trudeau also pledged retaliation and said he would work with Mexico.

In a speech to Canada on Sunday, Conservative Party leader Pierre Poilievre—oddson favorite to be the next prime minister—recounted the longstanding Canada-U.S. defense alliance, including the 158 Canadian service personnel who sacrificed their lives “to avenge the attacks of 9/11.” When bad stuff happens, it’s good to have a friend, he reminded Mr. Trump. He also noted that the U.S. has a trade surplus with Canada “when energy is excluded.” Because Trudeau policies have made it difficult for the oil and gas industry to export elsewhere, the U.S. buys Canadian energy “at massive price discounts,” Mr. Poilievre said.

The Conservative leader called the tariffs “unjust and unjustified” and said they would damage both economies. Nevertheless he called for “dollar for dollar” retaliation to maximize the effect on U.S. companies while minimizing the hurt to Canadians. He put steel and aluminum at the top of the list. Canada needs to start making more things at home and to find other export markets, he argued.

Mr. Trump says Americans need to suck it up. “WILL THERE BE SOME PAIN? YES, MAYBE (AND MAYBE NOT!),” he wrote on social media Sunday morning. “BUT WE WILL MAKE AMERICA GREAT AGAIN, AND IT WILL ALL BE WORTH THE PRICE THAT MUST BE PAID.”

If history is any guide that claim won't age well.

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