

An examination of tariffs What they are and how they are enforced

BY PAUL WISEMAN THE ASSOCIATED PRESS WASHINGTON>> Tariffs are in the news at the moment. Here's what they are and what you need to know about them: Tariffs are a tax on imports Tariffs are typically charged as a percentage of the price a buyer pays a foreign seller. In the United States, tariffs are collected by Customs and Border Protection agents at 328 ports of entry across the country. U.S. tariff rates vary: They are generally 2.5% on passenger cars, for instance, and 6% on golf shoes. Tariffs can be lower for countries with which the United States has trade agreements. For example, most goods can move among the United States, Mexico and Canada tariff-free because of Trump's U.S.-Mexico-Canada trade agreement. A worker organizes boxes of owerers intended for export to the U.S. at a ower farm in Chia, on the outskirts of Bogota, Colombia, on Monday. IVAN VALENCIA — THE ASSOCIATED PRESS Mainstream economists are generally skeptical of tariffs, considering them a mostly inefcient way for governments to raise money and promote prosperity. Misinformation about who actually pays tariffs President Donald Trump, a proponent of tariffs, insists that they are paid for by foreign countries. In fact, it's importers — American companies — that pay tariffs, and the money goes to the U.S. Treasury. Those companies, in turn, typically pass their higher costs on to their customers in the form of higher prices. That's why economists say consumers usually end up footing the bill for tariffs. Still, tariffs can hurt foreign countries by making their products pricier and harder to sell abroad. Foreign companies might have to cut prices to offset the tariffs and try to maintain their market share in the United States. Yang Zhou, an economist at Shanghai's Fudan University, concluded in a study that Trump's tariffs on Chinese goods inicted more than three times as much damage to the Chinese economy as they did to the U.S. economy. What has Trump said about tariffs? Trump has said tariffs will create more factory jobs, shrink the federal decit, lower food prices and allow the government to subsidize child care. "Tariffs are the greatest thing ever invented," Trump said at a rally in Flint, Mich., during his presidential campaign. As president, Trump imposed tariffs with a ourish — targeting imported solar panels, steel, aluminum and pretty much everything from China. "Tariff Man," he called himself. Trump has promised even more and higher tariffs in his second term. The United States in recent years has gradually retreated from its post-World War II role of promoting global free trade and lower tariffs. That shift has been a response to the loss of U.S. manufacturing jobs, widely attributed to unfettered free trade and an increasingly powerful China. Tariffs intended to protect domestic industries By raising the price of imports, tariffs can protect home-grown manufacturers. They may also serve to punish foreign countries for committing unfair trade practices, like subsidizing their exporters or dumping products at unfairly low prices. Before the federal income tax was established in 1913, tariffs were a major revenue driver for the government. From 1790 to 1860, tariffs accounted for 90% of federal revenue, according to

Douglas Irwin, a Dartmouth College economist who has studied the history of trade policy. Tariffs fell out of favor as global trade grew after World War II. The government needed vastly bigger revenue streams. In the scal year that ended Sept. 30, the government collected around \$80 billion in tariffs and fees. That's a trie next to the \$2.5 trillion that comes from individual income taxes and the \$1.7 trillion from Social Security and Medicare taxes. Still, Trump wants to enact a budget policy that resembles what was in place in the 19th century. Tariffs can also be used to pressure other countries on issues that may or may not be related to trade. In 2019, for example, Trump used the threat of tariffs as leverage to persuade Mexico to crack down on waves of Central American migrants crossing Mexican territory on their way to the United States. Trump even sees tariffs as a way to prevent wars. "I can do it with a phone call," he said at an August rally in North Carolina. If another country tries to start a war, he said he'd issue a threat: "We're going to charge you 100% tariffs. And all of a sudden, the president or prime minister or dictator or whoever the hell is running the country says to me, 'Sir, we won't go to war.'" Economists generally consider tariffs self-defeating Tariffs raise costs for companies and consumers that rely on imports. They're also likely to provoke retaliation. The European Union, for example, punched back against Trump's tariffs on steel and aluminum by taxing U.S. products, from bourbon to Harley-Davidson motorcycles. Likewise, China responded to Trump's trade war by slapping tariffs on American goods, including soybeans and pork in a calculated drive to hurt his supporters in farm country. A study by economists at the Massachusetts Institute of Technology, the University of Zurich, Harvard and the World Bank concluded that Trump's tariffs failed to restore jobs to the American heartland. The tariffs "neither raised nor lowered U.S. employment" where they were supposed to protect jobs, the study found. Despite Trump's 2018 taxes on imported steel, for example, the number of jobs at U.S. steel plants barely budged: They remained right around 140,000. By comparison, Walmart alone employs 1.6 million people in the U.S. Worse, the retaliatory taxes imposed by China and other nations on U.S. goods had "negative employment impacts," especially for farmers, the study found. These retaliatory tariffs were only partly offset by billions in government aid that Trump doled out to farmers. The Trump tariffs also damaged companies that relied on targeted imports. If Trump's trade war zzled as policy, though, it succeeded as politics. The study found that support for Trump and Republican congressional candidates rose in areas most exposed to the import tariffs — the industrial Midwest and manufacturing-heavy Southern states like North Carolina and Tennessee.