

PERSPECTIVES

Trump tariffs are working against U.S. in virus fight

MICHAEL HILTZIK

Matt Rowan had a harsh warning for Trump administration trade officials.



Rowan — chief executive of the Health Industry Distributors Assn., which represents middlemen in the global trade of medical masks, gowns, ventilators and other supplies and equipment — cautioned that Trump's trade war with China would erode America's ability to acquire those crucial products.

"With infection protection as a key initiative throughout healthcare, usage of these products should be encouraged, not inhibited by tariff-associated cost increases or disruptions," Rowan said. He forecast "product shortage" and limits on "the ability of all levels of government ... to adequately support response efforts during emergency events."

That was on Aug. 20, 2018, just before the administration was preparing to launch a trade war with tariffs of up to 25% on products from China, including healthcare supplies.

Rowan's example of a public health emergency was not today's coronavirus, which was unknown at the time, but the Ebola virus, which was then experiencing a resurgence in Africa.

The China tariffs were imposed anyway. The Trump White House didn't lift them on desperately needed healthcare supplies until last month. But it has left in place previously imposed tariffs on many of these products, regardless of their nation of origin.

To this day, the highest-quality and most sought-after N95 masks still carry a 7% tariff. The levies on other medical headgear are as much as 8.3% and on medical gowns and other protective clothing 4.5%.

"Starting in the summer of 2018, you had the medical community come forward and say, 'Don't put tariffs on these products, because they're going to hurt preparedness for a pandemic,'" says Chad P. Bown of the Peterson Institute for International Economics, who has been following the trade war.

"They didn't have COVID-19 in mind, but they had Ebola in mind, they had H1N1 [flu] in mind, and they spelled out this problem when it comes to medical equipment."

Often, tariffs are imposed to protect domestic manufacturers from low-priced foreign competitors. That wasn't the case with the tariffs on medical products, which have been sourced from overseas for decades; even domestic manufacturers such as 3M, which produces N95 masks, make them in factories in China and other offshore locations.

The main purpose of Trump's tariffs is punitive — to force China to the table on non-tariff trade barriers such as protecting intellectual property.

But the deteriorating trade relationship between two countries that had become leading customers of each other has worked against the U.S. in the competitive market for lifesaving medical gear.

"The main source of imports of these products for anybody around the world is China," Bown told me. "Now, if you're trying to place orders in China, which is getting the same orders from all over the world, the United States does not look like the most reliable customer."

Trump's repeated assertion that China pays the tariffs he's imposed is simply wrong. They're paid by importers, who pass them on to their own customers, chiefly hospitals. So the tariffs not only interfere with the supply chain for medical supplies, but strain the budgets of healthcare providers.

Rowan covered that too: "Tariffs on healthcare prod-

ucts will ultimately drive up healthcare costs for every American," he said at the August 2018 hearing. That warning also fell on deaf ears.

The distributors association says that the tariffs in and of themselves haven't affected the availability of crucially needed supplies in the current emergency, but they have made them more expensive.

"When you're looking at products that are fairly commoditized and low-margin" such as masks and disposable gowns, says Linda Rouse O'Neill, the association's vice president for government affairs, "adding costs is not helpful to having a robust industry."

Shortages of medical supplies caused by a surge in demand during the coronavirus crisis have prompted many users to take extraordinary measures and pay extraordinary prices for products they used to stock routinely.

The reckless inconsistencies of the tariff war parallel the lack of planning and care underlying a huge proportion of Trump policies.

As Bown observed in an analysis last month, the U.S. imported about \$22 billion of disposable equipment such as masks and hospital gowns and high-tech equipment such as CT, ultrasound and X-ray machines in 2019.

"Before Trump began the trade war in 2018, U.S. tariffs on imports of most of these products were fairly low," Bown reported. "For half of the products imported, the U.S. tariff was even zero. A handful faced nuisance tariffs of less than 4.5%, and disposable and other medical headgear had tariffs of 6% to 8%."

About a fourth of these products, or \$5 billion in imports, came from China. Once the trade war started, the import flow shut down. The import growth rate of products subject to the stiffest 25% tariffs, including CT systems, thermometers and disposable headgear, fell by as much as 64% from mid-2018 to mid-2019.

Imports from the rest of the world grew faster, but not always by enough to fully compensate for the slowdown from China. Growth in imports of products subject to tariffs of only 15% also slowed, though by not as much.

As part of its "phase one" trade deal with China in January, Trump cut the 15% tariffs in half, to 7.5%, as of early February. The dime finally dropped for the Trump administration as of March 17, when some medical supplies were excluded from the 7.5% China tariffs.

But some are still subject to pre-Trump tariffs, including the 7% levy on masks. Trump could exempt them from non-China tariffs, but he hasn't done so.

Trump has tried to compensate for the dearth of supplies coming in from overseas by imposing export restrictions on American-made products to husband domestic supplies. That might even exacerbate the problem, Bown argues, because the U.S. is a net importer of these products, buying five times as much from abroad as it sells abroad.

"U.S. trading partners will not sit idly by in response," Bown predicts, noting that the administration's confidence that the earlier rounds in its trade war administration wouldn't result in countermeasures was not borne out.

The threat to U.S. supplies is serious. "Today, foreign governments could also cut off American access to other PPE, such as face shields, goggles, and hospital gowns, as well as ventilators, catheters, X-ray equipment, or CT scanners," Bown observed. "To paraphrase President Trump, trade wars in medical gear are easy to lose. The human costs could be devastating."

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TOBY SCOTT/Barrcroft Media

MORE THAN 2,500 people gathered Sunday in Olympia, Wash., to call for an end to the lockdown in the state, where COVID-19 deaths top 680. Most of the protesters did not observe social distancing guidelines.

LETTER FROM WASHINGTON

The rabble-rouser in chief

It's nuts when the president urges protests of his own policies

DOYLE McMANUS

In the great American tradition of grass-roots protest, demonstrators are marching in state capitals, calling on governors to lift the pandemic restrictions that have forced bars, shops and nearly everything else to close for weeks.

"Give me liberty or give me COVID-19," one protester's sign demanded in Olympia, Wash. He may end up with both.

The wrinkle, of course, is that these supposed insurgents have a powerful ally: President Trump. The president fairly bellowed his support on Twitter, urging them to "liberate" Michigan, Virginia and Minnesota, all states with Democratic governors. And since a single spark can start a prairie fire, the result was the dramatic birth of a vast national movement, right?

Wrong. So far, the anti-quarantine movement is pretty much a dud. Most demonstrations, ballyhooed in advance on Fox News, attracted a few hundred protesters at best, although many were smaller. They got outsize media coverage because they were different and photogenic. There's no mass movement here.

Some sympathizers may have stayed home because there's a pandemic going on. But opinion polls have found that most Americans don't want restrictions on public gatherings lifted yet. They're more worried about the danger of catching the virus than of missing another day of work.

An NBC-Wall Street Journal poll released this week found a solid majority, 58%, who said they were worried about the government loosening the rules too fast. Only 32% said they were more concerned that the government isn't moving fast enough to restart the economy.

There's a predictable partisan division behind those numbers. Democrats overwhelmingly want to wait longer. But even Republicans are divided: 48% want to move fast, but 39% want to go slow.

A groundswell, this isn't. That helps explain why most governors ignored the demonstrators — many of whom weren't exactly mainstream Republicans in any case. In Lansing, Mich., the protesters included a delegation of the Proud Boys, a violence-loving far-right sect with ties to white nationalists. In Austin, Texas, they included Alex Jones, impresario of the conspiracy-mongering InfoWars website. In Boise, Idaho, they included Ammon Bundy, leader of a 2016 insurrection that seized a national wildlife refuge in Oregon.

In Olympia, they were addressed by a state legislator, Robert Sutherland of rural Granite Falls, who warned Gov. Jay Inslee: "We're starting a rebellion.... You send your goons with guns, we will defend ourselves."

What's the president of the United States doing in such company?

"They seem to be protesters like me," Trump explained.

That puts the president in the position of not only inciting citizens to violate

state orders, but encouraging them to protest his own administration's guidelines for how states can safely open up.

Even some Republican governors say that's crazy. "To encourage people to go protest the plan that you just made recommendations on ... just doesn't make any sense," said Maryland Gov. Larry Hogan Jr. "We're sending completely conflicting messages."

Trump wants it both ways. He doesn't merely want the economy to recover (as do we all); he desperately needs it to recover before November, so he can keep his job.

So he's putting not-very-subtle pressure on governors to ignore his administration's carefully crafted guidelines to keep restrictions in place until adequate testing shows it's safe for people to return to work. For now, the testing is anything but adequate.

But he's also said the results are the governors' responsibility, so if the pandemic comes roaring back he has someone to blame.

There's a larger truth in his seemingly casual comment that he considers himself a "protester" like the marchers outside the state houses.

Trump has never been interested in policy. He flees from the burdens of management. What he enjoys is campaigning — rallying his supporters and excoriating his critics.

But he's taking a big risk here.

He's making it harder for his own administration's policies to work. If governors open their states too quickly, people almost certainly will die.

He can try to blame the governors, but it's too late. The president has made it clear that he wants them to go as fast as they dare.

Republican governors in South Carolina, Georgia and Tennessee have taken the bait and announced the easing of restrictions soon. By Friday, you'll be able to visit a tattoo parlor or nail salon in Georgia, where more than 800 people already have died of COVID-19.

Like Trump, Georgia Gov. Brian Kemp assigned responsibility to others.

"The private sector is going to have to convince the public that it's safe to come back to their businesses," Kemp told a news conference Monday.

Those protesters in Olympia, Lansing and Austin have every right to take to the streets, of course — as long as they wear masks and stay six feet away from one another. Many of them didn't, even though Trump claimed, absurdly, that they did.

And there's a legitimate debate over how tough social distancing rules should be, and how soon they should come off.

Michigan Gov. Gretchen Whitmer should probably loosen her state's prohibition against buying garden-care products. Hiking, hunting, fishing, even golf ought to be thinkable.

But a word to the demonstrators, too. Refusing to wear a mask on a city sidewalk isn't civil disobedience; it's an act of aggression against your families and your neighbors. Even if the president is cheering you on.

McManus' column appears on Sunday and Wednesday.

1,000 WORDS: JAKARTA, Indonesia



ACHMAD IBRAHIM/Associated Press

HEAVY COVID-19 TOLL

A man paints coffins being readied for COVID-19 victims in the Indonesian capital. The nation now has the highest number of recorded coronavirus fatalities in East Asia after China. Indonesia did not confirm its first case of the virus until early March. As of Tuesday, the nation had reported at least 7,135 infections and 616 deaths. Indonesian President Joko Widodo acknowledged last month that the government chose to keep the public misinformed about the state of the coronavirus "because we did not want to stir panic."