

## RESEARCH SUMMARY

## The Dangers of “Reciprocal” Tariffs: Calculating the Impacts on the US Economy

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Recent suggestions for higher “reciprocal” tariffs on goods entering the United States imported from countries that impose higher tariffs than the United States would be an economic and administrative nightmare—and a policy mistake of historic proportions. So argues Daniel Griswold in “[Mirror, Mirror, on the Wall: The Danger of Imposing ‘Reciprocal’ Tariff Rates.](#)”

The United States presently applies tariffs on a nondiscriminatory “unconditional most-favored nation” (MFN) basis (this is also consistent with our international treaty obligations). The guiding principle of unconditional MFN is equality: another nation’s duty rates are internal matters as long as they are applied equally to similar products from all other nations. This has been the foundation of US trade policy and the international trading system for much of the past century. It has led to sharply lower trade barriers against US exports.

### THE COSTS OF RECIPROCAL DUTIES

The United States’ top 10 MFN trading partners include Brazil, China, the European Union, India, and Japan. According to Griswold, applying reciprocal rates to them would do the following:

1. More than double the average US duty on imports from those nations, from 2.1 to 5.4 percent.
2. Cover \$583 billion in imports to the United States, raising duties on 45 percent of imports from the affected trading partners.
3. Invite almost-certain retaliation from these other countries.
4. Lead to higher duties (and prices) on a range of imports important to American consumers, including motor vehicles, tires, footwear, furniture, and food.
5. Raise costs for American producers.
6. Increase by nearly 10-fold the number of duty lines imposed by the United States—and exponentially complicate the US tariff code.
7. Cost jobs in US export industries.
8. Make it more difficult for the United States to negotiate trade-expanding agreements in the future.

## KEY TAKEAWAY

Abandoning the principle of unconditional MFN in favor of “reciprocal” tariffs would almost certainly reverse the decades-long trend of declining trade barriers worldwide and inflict needless economic pain on American producers and consumers. Instead, the US government should reaffirm its commitment to nondiscriminatory trade policy while cooperating with US trading partners to lower trade barriers abroad and at home.