

## In a trade war, retaliating with tariffs is just shooting yourself in the foot

‘The biggest losers from the US’s steel and aluminium tariffs aren’t other countries that export to the US, the biggest losers are Americans’ said Heath Baker, head of policy at the Export Council of Australia (ECA).

‘People mistakenly think tariffs are a burden that foreign exporters have to absorb. They are not; they are a tax on domestic businesses and consumers. Yes, tariffs hurt foreign exporters, but they are collateral damage. It is America’s economy that will bear the full cost of these tariffs. They will make products more expensive for American consumers and make American exporters less competitive.’

‘When Australia and other countries respond to America’s actions, common sense needs to prevail. Where’s the sense of responding to an act of American self-harm with your own act of self-harm?’

In the post-World War Two era, international trade has thrived on a system of rules, and the predictability and certainty that come from those rules.

‘By introducing these tariffs, America is introducing uncertainty into the trading system,’ said Andrew Hudson, ECA board director. ‘But tit-for-tat retaliation by other countries will just undermine that system further, with zero real benefit for those countries.’

‘Australia and other countries affected by US steel and aluminium tariffs need to respond in a way that serves to both preserve and strengthen the trading system, rather than destabilising it. This means following the mechanisms established at the World Trade Organisation, through other international agreements to which the US and its trading partners are a party and through sensible diplomacy. Yes, this will take time. But it’s the responsible course of action. Further unilateral action merely serves to further undermine the rules-based system that has served the interests of all parties.’

‘The other way the Australian Government can respond,’ said Mr Baker, ‘is by striving to make its businesses as competitive internationally as possible. Signing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership later this week will help with this. And there’s much more that can be done, particularly to get more SMEs involved in exporting, and to help existing SME exporters grow.’

Last week the ECA released its annual trade policy recommendations. The focus of these were to get more SMEs involved in international trade. You can read the recommendations [here](#).

**Contact:** Heath Baker, Head of Policy, 0423 467 168