

# International business expert Usha Haley on tariffs in the second Trump Administration

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Tom Shine

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Courtesy photo

When The Range talked with Wichita State University business professor Usha Haley in 2020, a new trade deal between the Trump Administration and China had just been signed.

Her assessment?

“This agreement, and I don’t mean to douse it, is really more hat and less cattle. But it’s a nice hat,” she said.

Donald Trump is back for another term. And this time, he’s planning to impose 25 percent tariffs on Mexico and Canada, which happen to be the two largest trading partners for Kansas. (The state exported \$5.6 billion in goods to the two countries in 2023.)

So we once again called Haley, the W. Frank Barton Distinguished Chair in International Business at WSU and director of the school's Center for International Business Advancement.

She talked with The Range about tariffs, what they mean for trade and how they could affect consumers.

*The interview was edited for length and clarity.*

**Tom Shine: For us noneconomic majors, explain what a tariff is.**

Usha Haley: A tariff is a tax, and what it does ... is it in some way punishes certain countries that are exporting, and there could be various reasons for that quote, unquote 'punishment.' It could be because they're subsidizing, as China did its manufacturing. It could be because, as President-elect Donald Trump wants to do, punish Mexico for letting illegal immigrants across the border and also carrying illegal drugs across the border. But it is a tax.

**President-elect Trump has threatened 25% tariffs on Mexico and Canada, which happen to be Kansas' two largest trading partners ...**

Exactly. The United States' two largest trading partners.

**What might the effect be on Kansas and, I guess, on a larger basis the United States.**

Farmers are concerned that, say, for example, Trump levies a tariff, and Chinese won't buy so much from Kansas. They'd say, 'Well, why should we come to Kansas for soybeans? Let's go to Brazil.' And so ... that sort of substitution will occur.

These tariffs will probably affect wheat, corn and soybeans. But the last time around also affected pork.

**Is there a direct link between tariffs and inflation?**

No. Tariffs feel like inflation because they raise the price of goods, but they aren't really inflation because inflation is caused by the differential between what we produce and what consumers are willing to spend.

The average consumer, it's estimated, is going to be paying about \$500 more per year. What do consumers do? ... If some products are absolutely essential and are coming from China or are coming from Mexico or Canada, consumers will pay more for them, but then stop buying domestic products. So, in that sense, it's going to curb inflation. But it's also going to curb savings, so consumers are likely not to save as much.

**Your average consumer might not be interested in discussions of tariffs and trades and things like that, but they probably should be, right?**

Well, I think it's a little premature to start panicking because we don't really know the details of any of these tariffs currently. We just know it's probably a bad policy if Trump says he's going to be taxing ... 60% for anything coming from China, and 20 to 25% for anything coming from Mexico and Canada. And the reason is, we barely manufacture anything in this country.

We import 99% of our shoes, and 56% of them come from China. Our clothes, but also video game consoles, almost certainly smartphones.

**If the administration follows through (and) puts tariffs on some goods from Mexico and Canada, they will likely retaliate. Is that to be expected?**

That's to be expected. I mean, they will retaliate. It's a matter of national pride. It's also a question of what they would consider is unfair.

Trump walked away from a meeting with the new Mexican president Claudia Sheinbaum, and he said, 'Well, everything is under control. She has agreed.' And she said, 'We didn't agree to anything, except that we will retaliate ... '

**Does anyone win a trade war?**

Probably not in the short term, but in the medium term, yes.

(Trump) also thinks about national security. He thinks about economic security, and he thinks about the elections – he's a politician – and so I do think it really depends on what his goals are. At the moment, I do think some companies have already decided that they're moving out of China, but their decision to invest in the United States is another decision altogether.

**If I'm a small business owner and I buy items from Canada or Mexico or sell items there, what advice would you share with me on those?**

I have no advice because I don't know what's going to happen. I don't know which tariffs are going to be put into place.

One reason why Trump favors tariffs is he doesn't have to go through Congress. I mean, he can decide who's a player, who's not, who's going to be affected, who's not, pretty much on his own.

We don't really know what he's going to do when he comes in. We're hanging on his every word.