

# Are US Tariffs A Tool Or A Goal?

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Note: This article was published in November, and some of its content may be slightly outdated as it reflects the context and developments at that time.

For investors, the arrival of any new US administration delivers the challenge of figuring out which campaign promises will end up as policy, and which will end up on the cutting room floor. Today, however, the challenge surrounding the incoming Trump administration is amplified by numerous statements that, at least on the surface, would seem to be contradictory. For example, will President-elect Donald Trump look to cut taxes, or reduce the fiscal deficit? Will he seek to deport undocumented workers, stop immigration, implement massive tariffs or reduce inflation?

### Conflicting world views

Focusing on the tariffs, Trump offered two separate lines of thought during the campaign. The first, which could be called the “**Scott Bessent view of tariffs**”, is that they are a great tool to browbeat economic rivals into doing America’s bidding. The threat of tariffs can be used to force European countries to buy more US weapons, or force Japan to push the ridiculously undervalued yen higher, or Mexico to control the border, or China to perhaps buy more US treasuries and open factories across the Rust Belt. The second take, which we can call the “**Robert Lighthizer view of tariffs**” is that tariffs are essentially the policy goal unto themselves. In the Lighthizer view of the world, free trade has triggered a deindustrialization of the US which has eviscerated the US working/middle-class. This has triggered family breakdowns, deaths of despair, suicides, drug abuse and other societal catastrophes. In this vision of the US economy, tariffs offer the protection of a defensive wall behind which US society can hope to mend itself and rebuild. This underlying tension between the “Bessent/tariffs as a tool” and “Lighthizer/tariffs as a goal” view of global trade ran through the campaign and the question at hand is whether the uncertainty is now being resolved. Consider the following:

1. Scott Bessent has been named Treasury Secretary, the single most important economic decision-making post aside from Federal Reserve chair, while Robert Lighthizer has yet to be named to anything.
2. The position of Commerce Secretary was awarded to Howard Lutnick, hardly a committed “tariff enthusiast”. Arguably, if Trump wanted to upend World Trade Organization rules, throw the United States-Mexico-Canada Agreement out of the window, and disrupt global trade even more than he did in his first term, he would have picked a lawyer, or someone with a trade negotiation background, instead of a bond trader?
3. While this is not yet confirmed, the position of US Trade Representative, formerly a cabinet-level position that would report straight to the US president, seems to have been downgraded and is now reporting to the Commerce Secretary.

Against this backdrop, Donald Trump on Monday [November 25th], made his first tariff related announcements as president-elect in a couple of social media posts. Specifically, he promised tariffs of 25% on all goods and services made in Mexico and Canada from day one of his mandate. He also promised an additional 10% tariff on Chinese-made goods. Mexico and Canada, Trump explained, were being punished for doing too little to stop the flow of illegal

immigrants and illicit drugs into the United States. China, meanwhile, had not only continued to sell the chemical components to make fentanyl to Mexico (and elsewhere) but, contrary to promises, it had not even executed known drug dealers.

Upon being informed of these posts, one can imagine President Xi Jinping asking China's ambassador to Washington D.C. "Does this mean that if we organize the execution of a number of drug dealers, Trump will back off on the tariffs? Because that surely can be arranged". As it turns out, stabilizing the US-China trade relationship will likely not be that simple (although after Trump's invitation to Xi to execute more drug dealers, one would not want to be an American trafficker caught in China!).

Still, Monday's tariff outburst could be seen as a sign that Trump is today more in the Bessent camp of using tariffs as a tool rather than the Lighthizer camp of using tariffs as the end goal. To the extent that this removes some uncertainty—lowering the odds of a "Lighthizer scenario" that would mean weaker growth and higher inflation—then Trump's tariff tirade is probably good news.

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