

# Issue Brief

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BY BRYAN RILEY

## White House Advisor Peter Navarro's Disastrous Influence On the Economy

If recent history is any guide, one of the obstacles to an economic rebound from the coronavirus pandemic will be whether Peter Navarro, President Trump's economic Svengali, continues to unduly influence American economic policy.

Navarro serves as the Director of Trade and Manufacturing Policy for President Trump. Since being brought on to serve as President Trump's trade and manufacturing expert, Navarro has been thwarting U.S. economic growth every step of the way. Unfortunately for America, Navarro's influence appears to be growing. President Trump recently gave him the additional responsibility of serving as the head of economic planning under the Defense Production Act.

### Navarro hands China a victory

China and the World Health Organization (WHO) deserve to be criticized for their response to the coronavirus outbreak. Had China shared more information sooner, American lives could have been saved. China [refused](#) to allow the U.S. Centers for Disease Control and Prevention (CDC) to provide assistance, and failed to share complete and transparent information about the threat.<sup>1</sup>

<sup>1</sup> Sheehy, Kate. "China Has yet to Allow CDC in Country to Help with Coronavirus." *New York Post*, February 3, 2020. <https://nypost.com/2020/02/03/china-has-yet-to-allow-cdc-in-country-to-help-with-coronavirus/>.

### Key Facts:



If an outside observer just looked at U.S. trade policy, they would conclude the Trump administration is the most pro-tax, pro-regulation administration in recent U.S. history.



Thanks to Navarro, countries that should be angry at China for its role in the coronavirus pandemic are instead directing their anger toward the United States.



Earlier this year, Navarro wrote: "Yet with each new tariff—on dishwashers, solar panels, aluminum, steel and more than \$300 billion of Chinese imports—the economy remains robust." That's obviously no longer the case.

But after the coronavirus pandemic hit, Navarro handed a huge victory to communist China by advocating policies that make the United States—not China—look like the bad guy.

Instead of leading efforts to prevent countries from imposing barriers to exports of personal protective equipment (PPE), pharmaceuticals, and other needed goods, the United States imposed limits of its own. According to an April 3 [presidential memorandum](#), “To ensure that these scarce or threatened PPE materials remain in the United States for use in responding to the spread of COVID-19, it is the policy of the United States to prevent domestic brokers, distributors, and other intermediaries from diverting such material overseas.”<sup>2</sup> Navarro is now reportedly drafting a “Buy America” order for medical goods designed to further restrict trade in the future.<sup>3</sup>

Thanks to Navarro, countries that should be angry at China for its role in the coronavirus pandemic are instead directing their anger toward the United States. A *Politico* [headline](#) summed things up: “‘Lord of the Flies: PPE Edition’: U.S. cast as culprit in global scrum over coronavirus supplies.”<sup>4</sup>

### **Weakening the U.S. COVID-19 response**

American pharmaceutical manufacturers have had to divert resources from working on a cure and vaccine for COVID-19 to fend off [attacks](#) from Navarro and possible new Buy America mandates.<sup>5</sup> Navarro said: “The global Big Pharma lobby which has moved all of our production offshore is now lying about an executive order they haven’t read.”

This is an example of how the President is poorly served by Navarro’s counsel: [According](#) to the U.S. Bureau of Labor Statistics, 294,250 Americans work in the pharmaceutical manufacturing industry.<sup>6</sup>

While Navarro once said his role was to validate President Trump’s intuition, which is “always right,” he seized on the coronavirus crisis as an opportunity to undermine President Trump’s intuition and replace it with his own policy preferences. For example, President Trump’s [intuition](#) was to avoid use of the Defense Production Act: “But you know, we’re a country not based on nationalizing our business. Call a person over in Venezuela, ask them how did nationalization of their businesses work out? Not too well.”<sup>7</sup> Just a few days later, he appointed Navarro to lead economic planning efforts under the Defense Production Act.

[According](#) to Navarro, “We wouldn’t be having this problem if we had the domestic production of essential medicines, medical countermeasures, medical supplies like masks and medical equipment like ventilators. If we made it here, we wouldn’t be faced with this.”<sup>8</sup>

In fact, there is no reason the United States cannot plan ahead to maintain full stockpiles of medical equipment, regardless of where the equipment is made. Moreover, as Chad Bown of the Peterson

<sup>2</sup> Donald J. Trump, “Memorandum on Allocating Certain Scarce or Threatened Health and Medical Resources to Domestic Use.” The White House, April 3, 2020, <https://www.whitehouse.gov/presidential-actions/memorandum-allocating-certain-scarce-threatened-health-medical-resources-domestic-use/>.

<sup>3</sup> Stankiewicz, Kevin. “White House advisor Peter Navarro: I’m bringing an executive order to Trump that would reduce US foreign dependency on medicines.” CNBC, March 16, 2020. <https://www.cnbc.com/2020/03/16/navarro-to-bring-executive-order-to-trump-on-foreign-dependency-on-drugs.html>.

<sup>4</sup> Toosi, Nahal. “‘Lord of the Flies: PPE Edition’: U.S. Cast as Culprit in Global Scrum over Coronavirus Supplies.” *POLITICO*, April 3, 2020. <https://www.politico.com/news/2020/04/03/ppe-world-supplies-coronavirus-163955>.

<sup>5</sup> Hirsch, Lauren. “Trump Advisor Peter Navarro Slams Big Pharma’s Lobbying against Possible ‘Buy America’ Executive Order.” CNBC, March 19, 2020. <https://www.cnbc.com/2020/03/19/coronavirus-trump-aide-peter-navarro-slams-big-pharma.html>.

<sup>6</sup> U.S. Bureau of Labor Statistics. “Pharmaceutical and Medicine Manufacturing - May 2018 OES Industry-Specific Occupational Employment and Wage Estimates.” BLS.gov, May 2018. Retrieved from: [https://www.bls.gov/oes/2018/may/naics4\\_325400.htm](https://www.bls.gov/oes/2018/may/naics4_325400.htm).

<sup>7</sup> Doubek, James. “FACT CHECK: Trump Compares Defense Production Act To Nationalization.” NPR.org, March 23, 2020. <https://www.npr.org/sections/coronavirus-live-updates/2020/03/23/819926854/fact-check-trump-compares-defense-production-act-to-nationalization>.

<sup>8</sup> Whitaker, Bill. “Sick Doctors, Nurses and Not Enough Equipment: NYC Health Care Workers on the Fight against the Coronavirus.” April 12, 2020. <https://www.cbsnews.com/news/personal-protective-equipment-ppe-doctors-nurses-short-supply-60-minutes-2020-04-12/>.

Institute [noted](#): “US tariffs on imports from China have threatened to cause shortages of vital medical products used to fight COVID-19.”<sup>9</sup> According to an April 12 *Wall Street Journal* [report](#): “Companies asking for exemptions from the Trump administration’s tariffs on Chinese imports say widespread shortages of hand sanitizer, disinfectants and other products needed to combat the spread of the coronavirus are being exacerbated by the levies.”<sup>10</sup>

## Navarro’s anti-business agenda

Putting Mr. Navarro in charge of the Defense Production Act was like putting the fox in charge of the henhouse, given his long-standing hostility to U.S. businesses. To Navarro, American executives who [disagree](#) with his flawed economic proposals are unpatriotic “unregistered foreign agents.”<sup>11</sup> In his book *Death by China*, Navarro wrote:

- “You can’t trust corporations.”
- “[S]ome of America’s biggest companies—from Caterpillar and Cisco to GM and Microsoft—have been fully complicit in the Chinese politics of ‘first divide America and then conquer it.’”
- “So from now on, whenever you see a big company like 3M, Cisco, or Ford offshoring another plant to China, please understand that the loss of jobs is not confined to the company in question.”

Navarro’s grudge against companies like GM and 3M may even have played a role in The White House singling them out for public abuse.

For example, rather than resolving a dispute with 3M over production of N95 respirators in a businesslike manner, Navarro went on the [attack](#), with statements like: “Let me just say that 3M needs to stop whining,” and “3M remains an outlier and its [propaganda war](#) must stop.”<sup>12</sup> Navarro was triggered when 3M [publicly pushed back](#) against his economic controls:

“Yesterday, the Administration formally invoked the Defense Production Act (DPA) to require 3M to prioritize orders from the Federal Emergency Management Agency (FEMA) for our N95 respirators... The Administration also requested that 3M cease exporting respirators that we currently manufacture in the United States to the Canadian and Latin American markets. There are, however, significant humanitarian implications of ceasing respirator supplies to healthcare workers in Canada and Latin America, where we are a critical supplier of respirators. In addition, ceasing all export of respirators produced in the United States would likely cause other countries to retaliate and do the same, as some have already done. If that were to occur, the net number of respirators being made available to the United States would actually decrease. That is the opposite of what we and the Administration, on behalf of the American people, both seek.”

<sup>9</sup> Bown, Chad P. “Tariffs Disrupted Medical Supplies Critical to US Coronavirus Fight.” Peterson Institute for International Economics, March 17, 2020. <https://www.piie.com/research/piie-charts/tariffs-disrupted-medical-supplies-critical-us-coronavirus-fight>.

<sup>10</sup> Stech Ferek, Katy, and Zumbrun, Josh. “U.S. Tariffs Hamper Imports of Sanitizer, Disinfectants, Some Companies Say.” *Wall Street Journal*, April 12, 2020. <https://www.wsj.com/articles/u-s-tariffs-hamper-imports-of-sanitizer-disinfectants-11586683800>.

<sup>11</sup> Bryan, Bob. “Trump’s Top Trade Adviser Just Warned Goldman Sachs and Wall Street Not to Leave Their ‘stench’ on the US-China Trade War Talks.” *Business Insider*, November 9, 2018. <https://www.businessinsider.com/navarro-trump-china-trade-war-goldman-sachs-wall-street-2018-11>.

<sup>12</sup> Creitz, Charles. “WH Trade Adviser Slams 3M for ‘Acting like a Sovereign Nation’: ‘Stop Whining’ and Make Masks for Americans.” *Fox News*, April 3, 2020. <https://www.foxnews.com/media/peter-navarro-slams-3m-stop-whining>; Swanson, Ana, Kanno-Youngs, Zolan, and Haberman, Maggie. “Trump Seeks to Block 3M Mask Exports and Grab Masks From Its Overseas Customers.” *The New York Times*, April 3, 2020. <https://www.nytimes.com/2020/04/03/us/politics/coronavirus-trump-3m-masks.html>.

3M's alarm about the risk of foreign retaliation is not propaganda--it's sound advice.<sup>13</sup>

When asked in 2018 if the Trump administration's tariffs would invite retaliation from our trading partners, Navarro [replied](#) "I don't believe any country is going to retaliate."<sup>14</sup> Instead, just about every country retaliated, and the average tariff facing 8,073 U.S. export products [increased](#) from 7.3 percent to 20.4 percent.<sup>15</sup> The damage continues to mount: On April 6, the European Union [announced](#) new tariffs on U.S. exports to retaliate against U.S. tariffs on steel and aluminum "derivative products."<sup>16</sup>

## Navarro vs. Republicans

Navarro has [written](#) "I consider myself a strong environmentalist and a progressive...I do not trust the Republican Party to do anything but trash the environment under the phony banner of economic progress...I'm firmly a Democrat."<sup>17</sup> A former colleague [referred](#) to him as "an environmental pit bull."<sup>18</sup>

Navarro also has a long track record of running down the voters President Trump relies on. He has [written](#) about the purported "failure of Reaganomics," and [criticized](#) "insufferably bigoted, close-minded, and dangerously well-disciplined storm troopers on the religious right."<sup>19</sup>

On issues like these, it is not clear where his loyalties lie. Navarro's former [pollster](#) called him "a 'chameleon' whose 'policy positions will be the policy positions that will get him the job and keep him the job.'"<sup>20</sup> Unfortunately U.S. Senators never had a chance to ask him about these issues. Unlike Cabinet Members and many other key presidential advisers, Navarro was not required to undergo Senate confirmation hearings.

## The White House's enemy within

Key Trump administration initiatives have included tax cuts, regulatory relief, and an effort to make the United States the best place in the world to do business. Peter Navarro has undermined all these efforts. In fact, if an outsider observer just looked at U.S. trade policy, they would conclude the Trump administration is the most pro-tax, pro-regulation administration in recent U.S. history.

Any possible benefits from the Tax Cuts and Jobs Act were at least partially negated by [regressive import tax hikes](#) advocated by Navarro.<sup>21</sup> In fiscal year 2020, these tax increases will cost the average U.S. household \$462.

<sup>13</sup> "3M Response to Defense Production Act Order." 3m.com, April 3, 2020. Retrieved from: <https://news.3m.com/press-release/company-english/3m-response-defense-production-act-order>.

<sup>14</sup> Krawczyk, Kathryn. "Trump Trade Adviser Peter Navarro Insisted No Country Would Dare Retaliate for Trump's Tariffs. He Was So Wrong." The Week, July 2, 2018. <https://theweek.com/speedreads/782615/trump-trade-adviser-peter-navarro-insisted-no-country-dare-retaliate-trumps-tariffs-wrong>.

<sup>15</sup> Fajgelbaum, Pablo et al. "The Return to Protectionism." National Bureau of Economic Research, October 2019. <https://www.nber.org/papers/w25638.pdf>.

<sup>16</sup> Stearns, Jonathan. "EU to Boost Tariffs on U.S. Goods in Metals-Trade Dispute." *Bloomberg*, April 6, 2020. <https://www.bloomberg.com/news/articles/2020-04-06/eu-to-boost-tariffs-on-u-s-goods-in-metals-trade-dispute>.

<sup>17</sup> Navarro, Peter. *San Diego Confidential*, 1 edition (San Diego: QT Press, 1999).

<sup>18</sup> Bravander, Robin, and Colman, Zach. "WHITE HOUSE: A 'Pit Bull' for Climate Could Soon Sit next to Trump." E&E News, March 8, 2018. <https://www.eenews.net/stories/1060075783>.

<sup>19</sup> Reynolds, Alan. "Trump Adviser Peter Navarro: Reagan Critic, Industrial Policy Fan." Cato Institute, October 13, 2016. <https://www.cato.org/blog/trump-adviser-peter-navarro-reagan-critic-industrial-policy-fan>.

<sup>20</sup> Bravander and Colman.

<sup>21</sup> Riley, Bryan. "Two Years of Trade War Have Taken a Significant Economic Toll." National Taxpayers Union, March 24, 2020, <https://www.ntu.org/foundation/detail/two-years-of-trade-war-have-taken-a-significant-economic-toll>.

According to the [White House](#), “Since taking office, President Donald J. Trump has led historic deregulation efforts to roll back red tape that burdened Americans and stifled economic growth.<sup>22</sup> Again, Navarro intervened to advocate massive [increases](#) in domestic content requirements, Buy America mandates, controls on where American companies are allowed to produce, and other costly regulations.<sup>23</sup> If he has his way, nearly every business transaction in the country will be subject to the [control](#) of federal bureaucrats with immense control over any and all transactions affecting international trade and investment.<sup>24</sup>

President Trump [says](#) he wants to make the United States the best place in the world to do business.<sup>25</sup> In contrast, Navarro views job-creating foreign [investment](#) as “conquest by purchase,” and appears to view the [8.1 million](#) Americans who work for foreign-owned companies as a national security threat.<sup>26</sup>

For example, last year a White House [proclamation](#) asserted that U.S. national security depends on “American-owned” auto production.<sup>27</sup> Such efforts make it much more difficult to attract new investment to the United States. As Toyota [commented](#): “Today’s proclamation sends a message to Toyota that our investments are not welcomed, and the contributions from each of our employees across America are not valued.”<sup>28</sup>

President Trump recently [praised](#) foreign-owned Bayer and Sandoz for their coronavirus efforts.<sup>29</sup> At the same time, Navarro has been drafting a “Buy America” [order](#) that could cut off Americans from global suppliers in the event of future medical catastrophes.<sup>30</sup>

## **Undermining American farmers and ranchers**

Agricultural producers in America’s red states have been a big source of support for President Trump. They should be scared to death of Navarro’s Buy America schemes.

For example, when Navarro says, “never again should we rely on the rest of the world for our essential medicines and countermeasures,” he is providing a template that other countries can copy to restrict U.S. food exports. The United States is by far the [world’s largest](#) food exporter, and exports account for [20 percent](#) of U.S. agricultural production. And, of course, it is American farmers who have borne the brunt of retaliatory tariffs imposed in response to Navarro’s trade war.<sup>31</sup>

<sup>22</sup> “President Trump’s Historic Deregulation Is Benefitting All Americans.” The White House, October 21, 2019. Retrieved from: <https://www.whitehouse.gov/briefings-statements/president-trumps-historic-deregulation-benefitting-americans/>.

<sup>23</sup> Zargham, Mohammad. “Trump to Sign Order on U.S. Content Thresholds for Steel, Iron: Navarro.” *Reuters*, July 15, 2019. <https://www.reuters.com/article/us-usa-trump-steel-idUSKCN1UA1JU>.

<sup>24</sup> Krishan, Nihal. “‘Enormous Power Grab’: Business Groups Bash Commerce Department Supply-Chain Security Proposal.” *Washington Examiner*, January 16, 2020. <https://www.washingtonexaminer.com/policy/economy/enormous-power-grab-business-groups-bash-commerce-department-supply-chain-security-proposal>.

<sup>25</sup> “Secretary Ross Announces Members of Investment Advisory Council.” Office of Public Affairs, SelectUSA.gov, August 12, 2019, <https://www.selectusa.gov/press-releases>.

<sup>26</sup> Hayward, John. “Peter Navarro on ‘Conquest by Purchase’: Trade Deficits Are ‘Turning Over Our Country to the Rest of the World’.” *Breitbart*, April 21, 2017, <https://www.breitbart.com/radio/2017/04/21/peter-navarro-conquest-purchase-trade-deficits-turning-over-country-world/>; “Direct Investment & Multinational Enterprises (MNEs),” U.S. Bureau of Economic Analysis. Retrieved from: [https://apps.bea.gov/iTable/index\\_MNC.cfm](https://apps.bea.gov/iTable/index_MNC.cfm). (Accessed April 13, 2020.)

<sup>27</sup> “Adjusting Imports of Automobiles and Automobile Parts Into the United States.” The White House, May 17, 2019. <https://www.whitehouse.gov/presidential-actions/adjusting-imports-automobiles-automobile-parts-united-states/>.

<sup>28</sup> Turner, Ashley. “Toyota Says Trump’s Latest Tariff Threat Shows Japanese Investments in US Are ‘Not Welcomed.’” *CNBC*, May 17, 2019. <https://www.cnn.com/2019/05/17/toyota-says-trump-tariff-threat-shows-investments-in-us-not-welcomed.html>.

<sup>29</sup> “Remarks by President Trump and Members of the Coronavirus Task Force in a Press Briefing.” The White House, March 30, 2020. <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-members-coronavirus-task-force-press-briefing/>.

<sup>30</sup> Cassella, Megan. “Battle Continues over ‘Buy American’ Order.” *POLITICO*, March 30, 2020, <https://politi.co/2R0f81z>.

<sup>31</sup> Dillinger, Jessica. “Which Countries Export the Most Food?” *WorldAtlas*, April 25, 2017. Retrieved from: <https://www.worldatlas.com/articles/the-american-food-giant-the-largest-exporter-of-food-in-the-world.html>; “USDA ERS - Agricultural Trade.” United States Department of Agriculture Economic Research Service. Retrieved from: <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/agricultural-trade/>. (Accessed April 13, 2020.)

Until recently, the strong economy masked Navarro's damage. Earlier this year, Navarro [wrote](#): "Yet with each new tariff—on dishwashers, solar panels, aluminum, steel and more than \$300 billion of Chinese imports—the economy remains robust."<sup>32</sup> That's no longer the case. Americans will need to pull together to get back on track. Peter Navarro should not be allowed to block those efforts.

## Navarro vs. America

The actions Navarro has taken have inflicted significant damage on America. Perhaps more importantly, his efforts run contrary to U.S. efforts to promote freedom here and abroad. After World War II, President [Truman](#) observed:<sup>33</sup>

But if controls over trade are really to be tight, tariffs are not enough. Even more drastic measures can be used. Quotas can be imposed on imports, product by product, country by country, and month by month. Importers can be forbidden to buy abroad without obtaining licenses. Those who buy more than is permitted can be fined or jailed. Everything that comes into a country can be kept within limits determined by a central plan. That is regimentation. And this is the direction in which much of the world is headed at the present time.

If this trend is not reversed, the Government of the United States will be under pressure, sooner or later, to use these same devices to fight for markets and for raw materials. And if the Government were to yield to this pressure, it would shortly find itself in the business of allocating foreign goods among importers and foreign markets among exporters and telling every trader what he could buy or sell, and how much, and when, and where. This is precisely what we have been trying to get away from, as rapidly as possible, ever since the war. It is not the American way.

It may not be the American way, but it is the Peter Navarro way. In the aftermath of the coronavirus, President Trump must not allow a bureaucrat who has not withstood the scrutiny of nor gained the consent of the duly elected United States Senate to wield so much power to block our economic recovery, and he must reject Navarro's ongoing efforts to undermine the free-enterprise system that has made America a free and prosperous nation.

## About the Author

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<sup>32</sup> Navarro, Peter. "Give Trump's Tariffs a Fair Test." *Wall Street Journal*, January 13, 2020. <https://www.wsj.com/articles/give-trumps-tariffs-a-fair-test-11578955956>.

<sup>33</sup>President Harry S. Truman, "Address on Foreign Economic Policy, Delivered at Baylor University." The American Presidency Project, March 6, 1947. Retrieved from: <https://www.presidency.ucsb.edu/documents/address-foreign-economic-policy-delivered-baylor-university>.



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