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.¹

---

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.” Navarro is now reportedly drafting a “Buy America” order for medical goods designed to further restrict trade in the future.

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.”

**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. 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.

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.” 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.”

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 Institute for International Economics notes, the United States has “a historical record of stockpiling medical supplies.”

---


Institute noted: “US tariffs on imports from China have threatened to cause shortages of vital medical products used to fight COVID-19.”9 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.”10

**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.”11 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.”12 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.”

---


3M’s alarm about the risk of foreign retaliation is not propaganda--it’s sound advice.\textsuperscript{13}

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.”\textsuperscript{14} 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.\textsuperscript{15} 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.”\textsuperscript{16}

**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.”\textsuperscript{17} A former colleague referred to him as an environmental pit bull.”\textsuperscript{18}

Navarro also has a long track record of running down the voters President Trump relies on. He written about the purported “failure of Reaganomics,” and criticized “insufferably bigoted, close-minded, and dangerously well-disciplined storm troopers on the religious right.”\textsuperscript{19}

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.’\textsuperscript{20} 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.\textsuperscript{21} In fiscal year 2020, these tax increases will cost the average U.S. household $462.

\textsuperscript{17} Navarro, Peter. San Diego Confidential, 1 edition (San Diego: QT Press, 1999).
\textsuperscript{20} Bravander and Colman.
\textsuperscript{21} Riley, Bryan. “Two Years of Trade War Have Taken a Significant Economic Toll.” National Taxpayers Union, March 24, 2020, \url{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.” 22 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. 23 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. 24

President Trump says he wants to make the United States the best place in the world to do business. 25 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. 26

For example, last year a White House proclamation asserted that U.S. national security depends on “American-owned” auto production. 27 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.” 28

President Trump recently praised foreign-owned Bayer and Sandoz for their coronavirus efforts. 29 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. 30

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. 31

---


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.” 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:

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

Bryan Riley is the Director of NTU’s Free Trade Initiative.

---