

NATIONAL REVIEW

The Many Myths of Reaganite Protectionism

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Prominent conservative supporters of President Trump often defend his trade protectionism by favorably comparing it to the policies of President Ronald Reagan. Indeed, just last week, Henry Olsen and Victor Davis Hanson both defended Trump's promises to block imports, tear up our trade agreements, and "fix" the trade balance by asserting that his efforts are simply the modern manifestation of successful Reaganite protectionism. Such claims, however, emphasize Reagan's discrete anti-trade actions while ignoring their historical context, woeful results, and inapplicability to today's global economy. Trumpist efforts to save U.S. jobs through higher tariffs, bilateral trade deals, and lower trade deficits can find no "conservative" justification in Reagan-era trade actions. In fact, it's just the opposite.

The Reagan administration did indeed pursue unilateral import restrictions and foreign-trade "enforcement" actions, but history shows that — unlike protectionist policies proposed by Trump — such moves were intended to liberalize trade in a manner consistent with the economic mainstream. A strong and vocal advocate of free trade, Reagan frequently sounded the alarm against the siren song of protectionism. In his 1988 State of the Union address, for example, he warned that trade wars would "close doors, create greater barriers, and destroy millions of jobs," adding that "protectionism is destructionism." Reagan also often sought to educate his fellow Americans on the U.S. trade balance, even extemporaneously (and correctly) explaining at a 1985 press conference that trade deficits often correlate with job growth and economic vitality.

More importantly, at the same time Reagan was ceding tactical ground to protectionists through various temporary measures he was also laying the groundwork for a long-term free-trade legacy. After securing congressional "fast track" trade authority in 1984, Reagan negotiated and concluded the 1988 Canada–United States Free Trade Agreement — the basis for the North American Free Trade Agreement (NAFTA). Signed by President George H.W. Bush a few years later, NAFTA was the realization of Reagan's 1979 "dream that at some future date a map of the world might show the North American continent as one in which the people's commerce of its three strong countries flow more freely across their present borders than they do today." Reagan administration negotiators also helped launch the Uruguay Round under the General Agreement on Tariffs and Trade (GATT), which would in 1994 strike the single biggest blow for free trade in the last 70 years by establishing the World Trade Organization (WTO), the foundation of our current global trading system.

Reagan's protectionism also didn't exist in a political vacuum. Facing as much as a 52-seat Democratic majority in the House of Representatives, Reagan often used discrete, temporary anti-trade actions to secure broader free-market policy reforms or to deter far more aggressive

actions from congressional protectionists who held the ultimate constitutional authority over U.S. trade policy. According to the New York Times, for example, Democratic votes from Louisiana and Florida were secured for one key piece of legislation through promises to help reinstitute sugar protectionism favored by members of those states' congressional delegations. And Reagan's efforts to secure a 1981 "voluntary export restraint" (VER) on Japanese automobiles staved off even harsher measures under consideration in the Senate. With a GOP Congress supportive of both trade and President Trump's economic agenda, he faces no such concerns.

Contemporaneous critics of Reagan's trade policies might be excused for failing to see the long game he played, but contemporary observers' similar bouts of myopia deserve no such forgiveness.

The actual results of Reagan-era protectionism, meanwhile, strongly caution against its emulation. According to Mr. Lincicome's 2017 Cato Institute analysis, import restraints imposed during Reagan's tenure cost U.S. consumers hundreds of thousands of dollars per year for each job supposedly saved or created in the protected industry at issue — a burden disproportionately falling on the lowest-income American families. Such restraints also failed to stem import penetration or job losses in the overwhelming majority of the industries examined. Indeed, other studies from that era found only one instance — the U.S. bicycle industry — in which protectionism may have actually resuscitated an ailing industry and caused it to flourish after import protection disappeared. Import quotas and VERs were actually found to disproportionately help, not hurt, protected American companies' foreign competitors.

Even episodes frequently cited as Reagan's protectionist "successes" — motorcycle tariffs, semiconductor restrictions, and unilateral policing of foreign-trade barriers under "Section 301" of U.S. trade law — have been wildly oversold. The tariffs that supposedly saved Harley-Davidson generated only 6 percent of the company's profits, primarily because Japanese producers focused on other segments of the U.S. motorcycle market. Meanwhile, higher prices caused U.S. consumers to pay approximately \$150,000 (\$351,000 in 2017 dollars) per motorcycle-manufacturing job allegedly saved by the tariffs in 1984. The 1986 U.S.–Japan Semiconductor Trade Agreement (STA) fared even worse: crippling U.S. computer companies (pushing some offshore); increasing U.S. computer prices; bolstering both Japanese and Korean semiconductor competitors; and failing to increase U.S. production capacity or market share.

Reagan's efforts to remove foreign-trade barriers unilaterally through Section 301, meanwhile, produced, at best, mixed results. U.S. negotiating objectives were "successfully" achieved less than half the time (35 cases, or a 48.6 percent "success ratio"), most often when the targeted country was dependent on the U.S. market. Perhaps even more damning, retaliation (tariffs, suspension of preferential access, etc.) under Section 301 achieved U.S. negotiating objectives only 17 percent of the time it was used.

In short, the actual results of Reagan's unilateral protectionism strongly argue against, not for, Trump's taking similar actions today.

Finally, the Trump–Reagan trade comparison fails to grasp just how far removed the 1980s are from today's economic and legal realities. Rising prosperity abroad — a welcome development overall — has significantly diminished the United States' ability to bully its trade partners as Reagan attempted to do. For example, while the United States is China's largest export market, it accounts for only 18.3 percent of all Chinese exports. At the same time, American dependence

on international trade has been steadily rising — and along with it the potential cost of American protectionist policies or retaliation against them. According to World Bank data, imports of goods and services in 1985 accounted for less than 10 percent of U.S. GDP, while exports were at roughly 7 percent. Today, those figures are 15 percent and 12 percent, respectively. That spells pain for U.S. companies and workers, either as exporters or import-consumers.

Furthermore, the WTO — ironically a Reagan-era accomplishment today decried by President Trump! — provides a new and impressive venue for resolving trade disputes without, in almost all cases, the need for unilateral action. The United States has prevailed in 86 percent of the complaints that it has brought to the WTO — all without angering our trading partners, disrupting markets, or burdening American consumers.

Trumpist intellectuals' frequent invocations of Reagan to defend President Trump's protectionism ignore ample historical context, actual policy results, and the evolution of the modern global trading system. Seen in the proper light, Reagan's legacy argues strongly in favor of free trade and multilateral engagement, rather than a return to a bygone era of trade-policy failure.

Protectionism is destructionism, after all.

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