

## Trump loses loudest but not the only economic nationalist voice

Shawn Donnan

August 20, 2017

By firing Steve Bannon, the White House's ideological enforcer, Donald Trump has pushed out one of the brashest internal advocates of the economic nationalism that fortified his campaign for the presidency last year.

But Mr Bannon was far from the only economic nationalist in the Trump White House. Neither was he the most senior. That title still belongs to President Trump, an instinctive trade sceptic whose documented screeds against free trade go back to the 1980s.

"Get it straight: China is not our friend," Mr Trump wrote in "Time to Get Tough", a 2011 economic manifesto that called for a rewriting of US trade policy and strict curbs on immigration long before Mr Bannon entered the Trump inner circle.

"China is stealing our jobs, sending a wrecking ball through our manufacturing industry, and ripping off our technology and military capabilities at Mach speed," Mr Trump wrote.

Mr Bannon's exit is likely to have little immediate impact on the broad direction of Mr Trump's international economic agenda or his tendency toward public confrontation over quiet diplomacy. "This is just the beginning," Mr Trump declared last week as he ordered his administration to examine whether to initiate an investigation into alleged intellectual property theft by China. Four days later, shortly after Mr Bannon was ousted, it went ahead and launched the probe.

"This is good news for economics. But I wouldn't celebrate too quickly," Gary Hufbauer of the Peterson Institute for International Economics said of Mr Bannon's exit.

During his eight months in the White House, Mr Bannon lost several internal battles with the more business-friendly wing of the administration led by Gary Cohn, the head of the National Economic Council, blunting the administration's most radical proposals.

Mr Bannon's biggest win came on day three of the presidency when Mr Trump withdrew from the Trans-Pacific Partnership, a proposed trade deal with Japan and 10 other countries. Mr Bannon, a former investment banker, declared it "one of the most pivotal moments in modern American history".

But a Bannon-backed plan for Mr Trump to follow up by pulling out of the North American Free Trade Agreement with Canada and Mexico was abandoned in April after frenzied lobbying by business groups and cabinet members. Though the president still waves the threat of quitting the pact, officials from the three countries last week embarked on a renegotiation.

The China investigation launched last week may eventually result in the imposition of tariffs, the opening shots in a trade war advocated by Mr Bannon. Bashing China is also an increasingly popular stand in Washington. But the investigation is likely to take up to a year and will also involve negotiations with Beijing, according to senior administration officials keen to map out a more cautious path forward.

A national security probe of steel imports, conceived as a way to slap on punitive tariffs and curb Chinese overcapacity, has stalled amid opposition from business, Republicans in Congress and allies in Asia and Europe.

Officials are now working on a less aggressive formula of quotas and tariffs and are wary of pressing ahead quickly in case it alienates pro-trade Republicans in Congress as they renew the push for tax reform.

The record so far, analysts argue, shows how hard it is for Mr Trump to deliver his radical trade agenda.

“Trade policy was never going to get as nationalist or protectionist as Bannon wanted,” says Dan Ikenson, who leads the trade policy team at the libertarian Cato Institute in Washington.

There are, however, still plenty of economic nationalists left in the administration, other analysts point out.

Mr Bannon’s departure “does weaken the White House contingent arguing for tougher trade policies,” says Edward Alden, author of “Failure to Adjust”, which argues that the US is increasingly being left behind in the global economy as a result of decades of failed trade policy.

“But as long as [US Trade Representative Robert] Lighthizer and [Commerce Secretary Wilbur] Ross remain in charge, there will be powerful trade nationalists in the key jobs.”

Mr Lighthizer, who is leading the China IP investigation, is a long-time China hawk. He also is a veteran of the Reagan administration’s trade wars against Japan. But he is a practised Washington insider with strong connections to Republicans in Congress and has a reputation as a diligent lawyer.

After losing the argument for aggressive action on steel imports, Mr Ross has decided to adopt a lower profile role and focus on more robust enforcement of existing trade laws.

Also remaining as an adviser in the White House is Peter Navarro, the pugilistic author of *Death by China*. After taking a high-profile role early in the administration the former academic economist had been sidelined by Mr Cohn and other top aides with strong links to the Washington business community even before Mr Bannon’s exit.