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HuffPo: Trade War Started Years Before Trump Was President

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President Donald Trump's tentative plan to slap tariffs on imported steel and aluminum has faced criticism from key U.S. allies, some of his advisers and conservative and liberal economists.

The common worry is that Trump's actions will lead to a global trade war as other countries retaliate against the U.S. by raising levies on products shipped overseas. But as U.S. Commerce Secretary Wilbur Ross has argued for years: America already is in a trade war.

Zach Carter, senior political economy reporter at the HuffPost, echoed that sentiment in **a March 3 report that analyzes the history** of globalization that sought to lift lesser developed countries out of poverty and enjoy the fruits of commercial enterprise.

"Globalization was supposed to foster international stability and improve the standard of living for rich and poor countries alike, while encouraging — in the words of then-President Bill Clinton — 'political reform' in nations hostile to democracy," Carter said. "A quarter of a century later, it's clear that this system has failed."

President Trump on Thursday said he will approve plans to impose 25 percent duties on steel imports and 10 percent on aluminum, justifying the tariffs with a little-used Cold War era law that gives presidents the power to cut imports that could be a threat to "national security."

"We are on the losing side of almost all trade deals," **Trump said in a Twitter message on March 4.** "Our friends and enemies have taken advantage of the U.S. for many years. Our Steel and Aluminum industries are dead. Sorry, it's time for a change!"

The dissatisfaction with globalization is seen in the rise of reactionary political movements in the U.S. and Europe. President Trump ran on a pro-business platform of cutting taxes and regulation, but he also pledged to do something about the massive U.S. trade deficit that he blamed for sending jobs and wealth overseas.

"Globalization isn't neutral. It rewards some interest groups and disadvantages others," Carter said, claiming the World Trade Organization's treaties and the North American Free Trade Agreement give drug companies a monopoly power on life-saving medicines that burden public budgets.

“The labor rules included in those same agreements have encouraged manufacturing jobs to flow from the U.S. to countries that suppress wages and workers’ rights with authoritarian tactics and outright violence,” Carter said. “Meanwhile, multinational corporations are granted the right to challenge the laws and regulations produced by democratic governments before international courts.”

Carter said reversing the “humanitarian damage” from globalization will take years to reverse.

“Even modest goals, like attempting to rebuild the American manufacturing base, would take years of work re-engineering global supply chains,” he said. “But whatever happens, Trump’s latest provocations will still be just a product of this broken system, not its cause.”

China was admitted to the World Trade Organization in 2001, and U.S. administrations since then have filed complaints against the country or initiated antidumping cases. China has been criticized for **imposing non-tariff barriers** that make doing business in the country more difficult for multinational companies.

The Obama administration in 2016 filed four complaints against China in the WTO, and the Commerce Department took action in 24 cases, as Daniel J. Ikenson, director of the libertarian Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies, **said last year.**

The World Bank, which has a policy goal of lifting another 1 billion people out of poverty by 2030, has examined the claim that free trade reduces poverty in regions like Africa. One study concluded that trade tends to help countries with a strong financial industry, high education levels and strong governance. Those three attributes help an economy adapt to changing market conditions.

“A more developed financial sector allows banks and investors to more quickly identify new and promising sectors and redirect credit to them,” **according to report author Raju Jan Singh.** “A more educated population is more able to acquire the new skills sought by growing sectors and adjust more rapidly to the changing conditions of the labor market. Finally, better governance allows contracts to be made and conflicts to be resolved more easily.”

Trade deficits with Mexico and Canada can largely be attributed to energy imports, according to the Petersen Institute for International Economics.

“If crude oil and petroleum products were not available from Canada and Mexico, they would be imported from Africa, the Middle East and Venezuela,” **the institute said in a report about free trade agreements and trade deficits.** “Moreover, as domestic U.S. production replaces imported oil and petroleum products, a decline in the overall U.S. merchandise trade deficit can be expected.”

In a separate report, the Petersen Institute describes ways the U.S. can reduce its trade deficit.

“The United States runs a trade deficit, not because of bad trade deals, but because its citizens spend more than they earn and finance the difference with foreign credit,” **report author Caroline Freund said**. “In 2016, the households, firms and government in the United States earned $18.6 trillion but spent $19.1 trillion on goods and services, resulting in a disparity of $500 billion.”

Freund said these are the three ways to reduce a trade deficit:

1. **Consume less and save more.** "If US households or the government reduce consumption (businesses save more than they spend), imports will drop and less borrowing from abroad will be needed to pay for consumption. This means that consumption taxes — like those that nearly all other countries in the world have —could help reduce the deficit, by discouraging consumption, increasing saving and reducing the government deficit. In contrast, an unfunded tax cut...will expand the deficit because the government will be consuming more relative to its earnings."

2. **Depreciate the exchange rate. "**A weaker dollar makes imports more expensive and exports cheaper and improves the trade balance. Given the dollar is the world's reserve currency, and still regarded as the safest for investors, it tends to run stronger than other currencies. But when foreign governments actively push the dollar up to maintain their surpluses, the United States could counteract intervention by selling dollars and buying foreign currencies. The administration could also encourage the adoption of other major currencies, such as the euro, yen, or renminbi, as alternative reserve currencies. A weaker dollar would be good for the U.S. economy, but relinquishing the role as the dominant currency would reduce the power of the United States in global markets and the seigniorage (profit) earned."

3. **Tax capital inflows.** "One of the reasons that the United States runs a trade deficit is because borrowing from abroad is cheap and easy. If it were more expensive, U.S. citizens and the government would borrow less. A tax on (non-foreign direct investment) capital inflows that rises with the size of the inflow could reduce excessive borrowing for consumption and help close the government imbalance. While some worry that capital controls could distort asset prices and reduce investment, they could also curb excessive speculative investment, such as happened before the financial crisis."