



## The Trade War Inside the Democratic Party

**If they win the House, will Democrats find a common front against Trump's trade policy?**

Keith Johnson

November 5, 2018

If Democrats win a majority in the House of Representatives in Tuesday's midterm elections, as polls suggest, they would likely use their position to stymie new administration initiatives on health care, taxes, immigration, and more.

But in the topsy-turvy world of trade, it's a lot harder to gauge where the next Congress will come down on issues such as approving the new trade deal with Mexico and Canada and pushing back on President Donald Trump's trade wars. While party affiliation used to be a predictor for trade policy, many Republican voters have turned their backs on free trade, whereas many Democratic voters now seem to favor it.

With control of the House but not the Senate (which polls predict will remain in Republican hands), Democrats would be in a position to play a blocking role but not to advance their own agenda.

But not all Democrats are the same. Party leadership, channeling the interests of labor unions, has been traditionally skeptical of free trade and remains so despite the shifting political winds. Many newcomers are making loud free trade noises; a few others are making waves but from further left. In the middle are two key names for the next session: Massachusetts Rep. Richard Neal, who stands to become chair of the powerful Ways and Means Committee, and New Jersey Rep. Bill Pascrell, who is poised to lead the trade subcommittee.

"There's all this uncertainty," said Simon Lester of the Cato Institute. "If the Democrats win, what kind of Democratic Party are we going to see?"

Here's a look at what a Democratic House could mean for four of the most contentious issues on the trade front: ratifying the new trade accord with Canada and Mexico; future free trade deals

with Japan, Europe, and the United Kingdom; tussling with Trump over his use of tariffs; and questions over the escalating trade war with China.

### **Don't call it NAFTA**

The Trump administration hopes to get final signoff by the end of the month on the new U.S.-Mexico-Canada Agreement (USMCA), an update to the 24-year-old North American Free Trade Agreement (NAFTA). Then it will almost certainly be up to the next Congress to actually vote on the accord, which retains most of the old NAFTA with a few modern tweaks to address things such as digital commerce. If the Trump administration had managed to conclude a deal earlier in this legislative session, it likely could have counted on Republican lawmakers to approve it; the delay spells uncertainty for the agreement.

“Democratic control of the House will mean an uphill battle for Trump to secure ratification of USMCA,” said Gary Clyde Hufbauer of the Peterson Institute for International Economics.

Neal already fired a warning shot after the draft accord was presented this fall. “The bar for supporting a new NAFTA will be high,” he said in a statement.

Democrats are leery of handing the Trump administration any victory, especially on a high-profile issue, and Neal and many other Democratic lawmakers also genuinely want to ensure that labor and environmental provisions in the accord are robust and really can be enforced. But many Democrats will be voting for the bill; farm-state lawmakers in particular want to safeguard agricultural trade with Canada and Mexico.

One complication is that the accord will almost certainly be presented to Congress under fast-track authority, meaning lawmakers can vote up or down but can't make substantial changes to the legislation. They could try to win better provisions in areas such as labor and the environment by including nonbinding side letters with Canada and Mexico, but they basically have to work with the deal the administration has laid out. That limits the House's ability to parlay support on the new deal for administration concessions on other issues.

And Trump also has an ace card: If Democratic lawmakers don't support the new pact, he can always reprise his threats to just kill NAFTA altogether. Hufbauer thinks that threat might be enough to get enough Democratic votes.

But many in Congress—which actually writes the laws regarding trade, tariffs, and the like that flesh out any free trade deal—deny that Trump can walk away from any deal unless they get a say.

### **More free trade deals on the horizon?**

Trump came into office promising a slew of trade deals with major trading partners but on his third day on the job withdrew the United States from the world's most ambitious trade pact. Since then, the administration has spent almost two years trying to kick-start talks with a handful of countries to secure some sort of new accord. Recently, the administration told Congress that it was beginning talks with Japan, the European Union, and the U.K.

Of course, those negotiations could take years to bear fruit and go before Congress. In the meantime, new legislators might be able to lay down a marker on what kind of trade pacts they are willing to countenance, Hufbauer said. Neal and Pascrell both welcomed notification of new

trade talks, but both also stressed that the administration will have to defer to Congress on just what they entail. Pascrell has also nixed the idea of any free trade deal with the Philippines, citing the country's dismal human rights record.

"I think Democrats will give Trump a very hard time on his proposed [trade deals] with the U.K., Japan, and others," Hufbauer said. Unless the administration yields on key objectives such as labor rights and environmental protection, "they will essentially tell him to forget about ratification."

Of course, lawmakers, business groups, manufacturers, and farmers have spent months giving the administration an earful about its trade policies, with no sign that Trump's trade team listened or changed course. Cato's Lester expects that the administration might just plow ahead with its own plans for the free trade deals and "find out, at the end of day, if Congress likes what they did."

### **What about all those tariffs?**

One of the Trump administration's most controversial moves has been to invoke national security to justify slapping tariffs on imports of steel and aluminum, even from allies. The administration is also considering using the national security excuse to impose tariffs on car imports.

That has prompted some Republican lawmakers to try to rein in the president's ability to unilaterally raise tariffs without consulting Congress, essentially trying to wrest back some of the authority over trade that Congress has traditionally wielded.

Republican Sen. Mike Lee of Utah has introduced legislation that would give Congress the final say over any tariff increases on national security grounds, and several similar bills have been introduced in both houses. But none has made it out of committee, and Senate Majority Leader Mitch McConnell signaled that, without a veto-proof majority, such initiatives are probably dead on arrival. Lee would love to get some momentum behind efforts to restore congressional trade authority, his office said, but it's unclear that even the elections and a Democratic majority would create enough of a groundswell.

Pascrell has sought explanations from the administration for much of its tariff policy, including on steel and aluminum, and has openly contrasted congressional efforts to lower trade barriers with an administration that seeks to raise them. But many Democrats, including Senate Minority Leader Chuck Schumer, have generally lauded Trump's protectionist moves, and others in Rust Belt states also look kindly on tariffs that could shield U.S. industries. That makes it hard to see a cross-aisle bloc of aggressive free traders taking shape even after the elections, Lester said.

"It's hard to imagine a coalition of Democrats and Republicans coming together to rein in Trump on trade," he said. One near-unanimous caveat: If Trump does decide to impose tariffs on hundreds of billions of dollars' worth of auto imports, many observers expect that such a move would galvanize both Republicans and Democrats to try to check the president's authority.

### **How's that trade war with China going?**

Trump's highest-profile trade fight is with China, the world's second-largest economy. He has slapped tariffs on about \$250 billion worth of Chinese imports and threatened to roughly double

that amount unless Beijing changes its abusive trade practices and stops stealing U.S. intellectual property.

Beijing has retaliated with tariffs of its own on billions of dollars' worth of U.S. exports—including nascent energy exports—and all but stopped buying U.S. farm goods, including soybeans. Both countries have suffered from the trade war so far, with farmers, manufacturers, and many businesses in the United States complaining of higher costs and lower revenues and China's export economy losing steam.

Plenty of lawmakers have asked the administration for more clarity on what its strategy entails, including plans to ensure that the tariffs on China don't hamstring U.S. exporters. But that doesn't mean a Democratic House will be in any hurry to force the administration's hand on the China trade war. Both Democrats and Republicans have grown increasingly alarmed at what they see as Beijing's state-driven economy that threatens U.S. jobs and continues to steal U.S. technology and ideas.

“The anti-China sentiment has grown so strong. The only direction it could move would be to make it stronger,” Lester said. “I don't see the Democrats advocating a softer line on China—it's not a winning issue.”