Nearly 100 days in, Trump's near-180 on trade good for US

Simon Lester

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Last week, President Trump went back on his campaign promise to name China a "currency manipulator." When he did so, most economists breathed a sigh of relief. China is not currently trying to keep its currency undervalued, and an aggressive approach to this issue could have inflamed trade tensions. Whatever the president's actual reasons for this change, the outcome was a good one.

On the other hand, the Trump administration also signaled last week that it would take every opportunity to be creative in the calculation of anti-dumping duties, as it used a new methodology to set higher tariffs on imports of certain steel imports from South Korea.

If this pattern holds, what we may get out of Trump's trade policies is a more nuanced and targeted approach than was hinted at during the campaign. Threats of withdrawal from the World Trade Organization (WTO) or the North American Free Trade Agreement (NAFTA) are unlikely to be carried out.

Instead, there will simply be tougher enforcement of domestic trade rules in relation to specific imported products. If that is the case, the degree of the shift in U.S. trade policy toward protectionism may be much less than has been feared. While it may not be the 180-degree reversal of policy we have seen from Trump on other issues, it does come close.

Trump supporters may push back on this narrative and point out that Trump has taken some aggressive actions on trade, such as immediately withdrawing from Obama's Pacific trade deal, the Trans-Pacific Partnership (TPP).

While that is true, there are indications that the substantive rules developed in TPP will be brought over to NAFTA as part of the renegotiation of that agreement and also into bilateral trade agreements to be negotiated between the United States and TPP parties, such as Japan. In this way, Trump's trade policy may be, to a great extent, a continuation of Obama's trade policy.

But of course, we are less than 100 days into Trump's presidency, so we cannot reach any firm conclusions yet. While we have learned a bit about Trump's trade policies over the past couple months, there is still a great deal of uncertainty.

The key player, Robert Lighthizer, Trump's nominee for U.S. trade representative, has not yet been confirmed. There are some crucial issues for which we need to know more about what the Trump administration has in mind.

Perhaps most importantly, we must know whether the Trump administration will base its decisions about specific trade actions on the existence of bilateral trade deficits with particular countries. Most economists agree that such an approach is misguided, but, nevertheless, some leading trade officials in the administration appear to be driven by the overarching goal of reducing bilateral deficits.

There has even been talk of using such deficits as a "trigger" to renegotiate the agreements. If they pursue this, it is hard to imagine any trade agreements being completed, as our trading partners would strongly object.

Another big issue is how the Trump administration will approach the issue of "border-adjustment taxes". In response to complaints that the border taxes imposed by foreign governments in conjunction with their value-added taxes are "unfair," some members of the House of Representatives have supported changes to the U.S. tax system and a border tax of our own (it is unclear at this point what the administration thinks of this idea).

However, if this border tax is not crafted carefully, it could lead to violations of our trade agreements.

How the Trump administration takes on these two issues will influence whether trade negotiations can be successful at all. There has been lots of talk from Trump trade officials about negotiating "better" trade deals. But if these controversial issues are included, we may not see any new deals at all.

Beyond trade negotiations, there is also the question of whether the Trump administration will impose unilateral trade restrictions that violate trade obligations so egregiously that they threaten the trading system. While a recalculation of anti-dumping methodologies might have some justification under existing trade rules, across the board tariffs on particular countries, or tariffs imposed on companies who move abroad, almost certainly would not.

After almost 100 days of trade policy, there are reasons to be cautiously hopeful that the Trump administration will not blow up the system after all. While much of their early talk indicated a comprehensive redesign of U.S. trade policy, more recent actions suggest a much more limited revision, which makes tweaks within the existing system. That is good news for the businesses and consumers who benefit from that system.

Simon Lester is a trade policy analyst with Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies.