



## Trump's trade agenda takes the GOP back a century

Timothy B. Lee

January 4, 2017

A couple of years ago, free trade was seen as a key principle of the Republican Party. Then Donald Trump became the Republican nominee for president, and things got more complicated.

“The Trans-Pacific Partnership is another disaster done and pushed by special interests who want to rape our country,” **Trump said** in June. The 1994 NAFTA free trade deal with Mexico and Canada was “one of the worst things that ever happened to manufacturing industries,” Trump **added** during a September debate.

Since his election, Trump has made clear that this wasn't just talk. The most recent sign that he's serious about pursuing a protectionist agenda: This week he chose Robert Lighthizer to be the US trade representative. Lighthizer is a trade lawyer and veteran of the Reagan administration. And he has long been an outspoken defender of the view that protectionism, not free trade, is the true conservative position.

If you go back far enough, Lighthizer has history on his side. From the Civil War until the Great Depression, a high protective tariff was a standard Republican position. “Our only defense against the cheap production, low wages and low standard of living which exist abroad, and our only method of maintain our own standards, is through a protective tariff,” **wrote Calvin Coolidge**, the Republican president who presided over the booming economy of the mid-1920s.

But a lot has changed in the past 80 years. Today, most of Trump's fellow Republicans — including House Speaker Paul Ryan, Vice President-elect Mike Pence, and even some of Trump's Cabinet picks — are committed free traders.

Donald Trump hopes to change that. But it won't be easy. One big obstacle: The business community overwhelmingly favors free trade, and it has a lot of influence inside the Republican Party. On the other hand, Trump has tapped into a significant faction of grassroots Republican voters who are not at all supportive of the modern GOP's free trade agenda.

**Republicans were protectionist until the 1930s**

For most of the 19th century, America would export agricultural goods to Europe and receive manufactured goods in return. This had a huge impact on the politics of trade. American manufacturers — concentrated in the big cities of the North — favored high trade barriers to protect them from foreign competitors. The South, by contrast, had an export-oriented agricultural economy, so it tended to favor free trade.

The Republican Party adopted the standard position of Northern business interests and favored a protective tariff, while the Democrats supported the free trade views that predominated in its Southern stronghold.

This pattern continued well into the 20th century, as Lighthizer pointed out in a **2008 op-ed for the New York Times**. Republican President Theodore Roosevelt wrote that “pernicious indulgence in the doctrine of free trade seems inevitably to produce fatty degeneration of the moral fiber.”

The Republican enthusiasm for protectionism culminated in the infamous **Smoot-Hawley Tariff Act** of 1930. Passed in the depths of the Great Depression and signed by Republican Herbert Hoover, it is sometimes **blamed** for sparking a trade war and prolonging the Great Depression.

After World War II, the Republican Party’s stance on trade began to shift. Dwight Eisenhower, the first Republican president of the postwar era, **championed free trade agreements** and helped lay the groundwork for the complex system of deals that govern the international trade system today. Meanwhile, in recent decades, Democrats have become more protectionist. Still, recent presidents from both parties — Ronald Reagan, Bill Clinton, George W. Bush, and Barack Obama — have all favored trade liberalization.

None have been orthodox free traders, however. Lighthizer points out that Reagan “arranged for voluntary restraint agreements to limit imports of automobiles and steel,” “limited imports of sugar and textiles,” and signed a deal that “made Japanese imports more expensive by raising the value of the yen.” George W. Bush **enacted a controversial tariff** on US steel in 2002.

Simon Lester, a trade expert at the Cato Institute, agrees with this. “There are no pure free traders” among recent presidents, he argues. “Presidents are all protectionist to some extent,” but all the recent presidents — Democrats and Republicans — have been broadly supportive of trade liberalization.

### **Republican leaders are skeptical of protectionism**

Trump’s choice of Lighthizer is the clearest sign yet that the president-elect is serious about changing that. Lighthizer is an experienced trade attorney, so he’ll know exactly which legal levers Trump can pull to erect trade barriers. Lighthizer has also spent decades honing the argument that protectionism represents the true conservative position on trade, making him an ideal spokesperson for Trump’s trade agenda.

But his message won’t be an easy sell to other powerful Republicans.

“There’s a tension here between nationalism and free markets,” Lester says. Normally, Republicans are for both free markets *and* nationalism, but trade forces them to choose between

these values. “In the past 30 to 40 years, the free market people have been dominant” in the GOP, Lester says.

That starts with Trump’s pick for vice president, Mike Pence. Pence has **consistently backed free trade deals** over the past 15 years, and in 2014 he **called for swift passage** of the Trans-Pacific Partnership, the Obama trade deal that Trump repeatedly savaged on the campaign trail. On the campaign trail, Pence **argued** that he and Trump were both free traders.

And Pence is far from the only free trader in the Trump administration. **TPP supporters in Trump’s administration** will include Secretary of State pick Rex Tillerson, Secretary of Defense pick James Mattis, Secretary of Energy pick Rick Perry, and Terry Branstad, Trump’s choice for ambassador to China.

Meanwhile, the top Republicans in Congress, Speaker Paul Ryan and Senate Majority Leader Mitch McConnell, are also ardent free traders. Republicans in Congress opposed most of Obama’s legislative agenda, but they made an exception in 2015 to help Obama advance his trade agenda.

Ryan and McConnell rallied their members behind trade promotion authority, a key step to passing the TPP. Most Democrats, under pressure from the labor movement, environmental advocates, and other liberal groups, opposed the legislation. But most Republicans voted for it, allowing it to pass.

So if Ryan and McConnell were willing to look beyond partisanship to support Obama’s pro-trade agenda, they’re not necessarily going to fall in line behind Trump’s protectionism.

A big wild card, however, could be Republican voters. Conservative elites are mostly free traders, but Trump’s protectionist rhetoric resonated with some grassroots Republican voters. Trump could try to mobilize those voters to put pressure on Republican members of Congress to support higher trade barriers.

### **Business groups are a powerful constituency for free trade**

Over the next four years, free traders will have a powerful ally in the business community. Different businesses have different agendas, of course, and there are a few US industries that favor protectionism — especially for their own products. But broad business groups in the US, including the US Chamber of Commerce, are ardent free traders.

The viewpoint of American businesses has changed as the United States has industrialized. The United States was once a developing country whose manufacturers were competing with imports from more sophisticated European companies. Tariffs kept these European goods out of domestic markets, providing a larger market for domestic manufacturers.

Today, the situation has reversed. The US is home to some of the most sophisticated multinational companies in the world. These companies sell their products overseas, often in competition with local manufacturers in other countries. So today the biggest and most influential US companies mostly support free trade as a way of expanding the market for US exports.

This has become especially true over the past 20 years. US multinational companies don't just sell their goods all over the world. Often they manufacture their goods all over the world as well. Many US companies moved parts of their manufacturing operations to Mexico after the 1994 NAFTA agreement — and to China after the US normalized trade relations with China in 2000.

As a result, many US companies have supply chains that straddle international borders — supply chains that would be hugely disrupted if they suddenly had to pay tariffs every time a good crossed a national border.

The Republican Party today is the party of business, just as it was 150 years ago. But what it means to be pro-business has done a complete 180 over that period. It used to mean favoring protectionism. Now it means favoring free trade.

So while it's true that the GOP was once the party of protectionism, it's not going to be easy for Trump to bring the party back to its roots. If he tries to do so, he'll be opposed not only by free market ideologues in the conservative movement but also by well-funded and powerful business groups that have prospered under today's network of free trade agreements.