

FINANCIAL POST

The Trumpet sounds Last Post on free trade

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Day after day and week after week, Donald Trump has been getting away with economic policy murder. The corpse on the table is trade, free trade, the victim of Trump's demagogic rants and a cable news network regime that nightly gives the Republican presidential candidate free time to warp the minds of millions of American voters. After Trump regurgitates his misrepresentations, the networks return to their lineups of blathering political strategists and commentators who again take up mindless horserace speculation over whether Trump can win without the support of women or whatever.

On Tuesday night, in the wake of his Nebraska win and the withdrawal of Ted Cruz, Trump plunged another dagger into the heart of U.S. trade policy and again threatened unspecified radical intervention to shut down free trade. CNN then brought back eight talking heads to comment, not one bothering to highlight the obvious, which is that Trump delivers populist economic nonsense straight over their heads without challenge.

Nobody seems to care that Trump is threatening to blow up an international trade order:

We're going after Hillary Clinton...She doesn't understand trade. Her husband signed perhaps in the history of the world the single worst trade deal ever done. It's called NAFTA...I've witnessed what it's done really first hand and it has been indeed carnage. And we're going to change it around. We're not going to let Carrier and all of these companies think that they can move, go to another country, make their products, sell it back to us — and we get only one thing, we get unemployment. Not gonna happen anymore, folks. Not gonna happen. We're going to bring back our jobs, and we're going to keep our jobs. We're not going to let companies leave. Now, if they want to go to a different state, good luck. Compete. But when they start going to different countries — in many cases countries that devalue their currencies and make it impossible for our companies to compete — that's not gonna happen, not gonna happen. And if they want to do it anyway, there will be consequences, and there will be very, very serious consequences.

What is this man talking about? His claims on U.S. trade deterioration are wrong. His repeated charge that the U.S. has lost employment due to free trade deals is grossly misleading and, on a net basis, inaccurate. His claim to be able to bring back manufacturing jobs from abroad cannot possibly be fulfilled. His menacing threat to somehow force U.S. manufacturers to produce in America run contrary to decades of wildly successful U.S. and international trade developments.

The scope of implied government interventions is staggering. Scrapping trade deals, including NAFTA — a binding treaty also signed by Canada and Mexico — would be impossible without causing legal and economic turmoil. It's an integrated document that cannot be sliced up, nor can Mexico be expurgated without impact on Canada or Canadian consent.

Canada should be worried. Jayson Myers, head of the Canadian Manufacturers and Exporters Association, said yesterday in an interview from Barcelona — where he is attending a world manufacturing forum — that there is growing concern that Trump poses a threat to global manufacturing trade. “The world is open for new investment (in new technologies, plants, supply chains) and it's very difficult to make a case for that investment in the United States with the political environment.”

Trump's trade statements, said Myers, are “naive at best” and ignore the fact that the world of manufacturing is now competitive across all nations. “You don't go to domestic manufacturing any more. Manufacturing has to be international in order to grow.” Trump, said Myers, has introduced political risk and political uncertainty into the U.S. investment environment. “It's very worrying,” said Myers.

U.S. industrial groups have been reluctant to get into an election brawl. But the U.S. National Association of Manufacturers has been quietly sounding general alarms over trade. On Monday, the NAM said it welcomed a public trade policy debate but “unfortunately most of the conversations are totally removed from the reality of manufacturing in America today.” NAM reported statistics showing U.S. manufacturing output and exports soaring since 1980.

Several economists and think tanks are also beginning to take the Trump trade risk more seriously. At the Cato Institute, international trade attorney Scott Lincicome says Trump's claims are “wholly out of step with the complex, wondrous reality of U.S. manufacturing and global supply chains.”

Trump won Indiana, despite Lincicome's revealing stats on how the state's economy has more manufacturing (29 per cent of GDP) than all other states. NAM also reported that average 2014 annual compensation for Indiana manufacturing was \$72,256. Still, the state voted for Trump. The state's top three export markets were Canada, Mexico and China.

How would Trump stop any of Indiana's manufacturers from moving production elsewhere? Aside from imposing a tariff on a manufacturer's subsequent imports — he threatened Ford with a 35 per cent tariff on cars imported from Mexico — no policy has been announced.

Ford CEO Mark Fields scoffed at the Trump tariff and maintained its plan to build a new plant in Mexico. But as the November election nears and a Trump presidency seems more plausible, if not certain, businesses may need to do more than scoff. Jayson Myers, of the Canadian manufacturers group, said that most U.S. manufacturers have been of the view that “this couldn't happen.” But now some “very serious thinking” is taking place, not just among Canadian firms but among his colleagues in the United States.

Could Trump shift gears once in office? Not easily. Cato's Scott Lincicome said in an interview that "the idea that a President Trump could suddenly pivot away from a year of brazen political rhetoric — that's not how it works."