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Trump Isn't The Only One Who's Wrong On Trade

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Over the past few decades, support for freer trade has been a bipartisan priority in America. That there are benefits from removing impediments to international trade is one of the few areas where there is near-universal agreement among economists. Yet, anti-trade sentiment is rising in both parties—and Donald Trump is not alone among the remaining presidential candidates in his embrace of protectionist trade policies. In what follows, Duke University lecturer and international trade attorney Scott Lincicome explains why these politicians are wrong and economists are right when it comes to free trade.

Jared Meyer: You wrote an [article](#) for *The Federalist* titled “Almost Everything Donald Trump Says About Trade With China Is Wrong.” Is Trump’s misunderstanding of trade limited to his support for high import tariffs on Chinese goods and hatred of the U.S.-China trade deficit?

Scott Lincicome: It goes far beyond that. The most fundamental error in Trump’s trade pitch is the idea that the American manufacturing sector is in decline, and that imports are to blame. The reality is broadly different. Every legitimate measure of American manufacturing is up, and in terms of output and exports the sector continues to set records.

The only thing that has declined over the last several years for manufacturing is employment. But this decline started as a share of total American employment in the 1940s, and in sheer numbers in 1979. Both of these trends began long before the North American Free Trade Agreement (NAFTA) existed, or we began trading with China. The vast majority of manufacturing job losses have nothing to do with trade. They come from productivity gains and changing consumer tastes.

When you combine all these factors, what you see is that Trump’s argument that “China killing our manufacturing sector” is simply false.

JM: What is the simplest way to explain why overall and country-specific trade deficits do not matter?

SL: It is to look at the data. Dating back several decades, what you see is as the trade deficit expands U.S. GDP growth also expands, as does U.S. manufacturing output. Both of these trends contradict the well-worn myth that the trade deficit is somehow a drag on the American economy or an indicator that the American manufacturing sector is suffering.

Additionally, the trade deficit does not really tell us much about trade, believe it or not. It instead shows us global and American consumption and investment patterns and the overall health of the U.S. economy. When the trade deficit is getting bigger, we are consuming more. And this of course does not mean that the trade deficit is causing problems to manufacturing or the U.S. economy.

JM: Unions clearly benefit from protectionist trade policies. Are there any other special-interest groups that stand to gain from high U.S. import tariffs?

SL: Any time you actually look at who is making protectionist claims, with the very rare exception of dyed-in-the-wool protectionists, you see that they are typically representing Congressional districts that have a very large proportion of unionized workers in kind of “old-school” heavy industries. These are the folks who do not want global competition, and their elected representatives are more than willing to use any rhetorical tool that they can, including myths about the trade deficit.

If you look at the composition of American imports, about 60% are industrial inputs and machinery. These imports are used by American manufacturers, so clearly not all American manufacturers oppose imports.

The big companies that tend to oppose free trade are those in old-school, integrated, and labor-intensive industries that might not be able to compete with low-wage countries. They turn to protectionism instead of investing in the latest equipment to better compete.

JM: A new YouGov [poll](#) finds that support for free trade is stronger among Democrats than it is among Republicans (49% and 38%, respectively). Do you think this massive decline in Republican voter support for free trade is because of Trump? Or is it because the latest push for freer trade agreements has been led by President Obama?

SL: It is a little bit of both. In a 2011 [paper](#), the Cato Institute’s Dan Ikenson and I looked at polling on trade more closely, and we made two very important findings.

The first is that most American voters do not rank trade in their top ten most important issues. That means they are quite susceptible to political rhetoric and media coverage in developing in their views. If someone does not really value an issue, they are not going to educate themselves about it, and their views are going to be malleable.

The second result we found is that there are about 10 to 15 percentage points of both Republicans and Democrats whose views on trade directly coincide with whoever is in the White House. So if there is a Democrat in the White House, add 10 to 15 percentage points to Democrat voters' support for free trade, and all of a sudden a majority of Democrats support trade deals. If there is a Republican in the White House, think back to the Bush days, you see an additional 10 to 15 percentage points of Republicans all of a sudden supporting trade deals.

We have a situation where Obama is pushing the Trans-Pacific Partnership and there is constant media coverage of Donald Trump's protectionist trade rhetoric. The first leads to partisan Republican opposition to free trade deals. The second influences those "wishy-washy" Republicans voters who do not really have strong views on the issue.

JM: Speaking of TPP, every presidential candidate besides John Kasich now opposes the deal. Bernie Sanders has consistently opposed freer trade, but why do Hilary Clinton and Ted Cruz, two politicians who previously recognized the benefits of trade deals, now oppose it?

SL: The easy answer is politics. In 2008, we saw Clinton and Obama take fairly protectionist views of NAFTA and the free-trade deals with Korea, Panama, and Colombia that were negotiated by the George W. Bush Administration. Then, of course, President Obama got into office and all of a sudden all of that talk about renegotiating NAFTA disappeared. After a few years of delay, he also ended up supporting passage of the Korea, Colombia, and Panama FTAs.

The political reality is that trade deals provide a very big and very obvious political target, one that you can tie to the incumbent in office or to the current problems in America—whatever those problems are. So of course while pandering to voters Republicans and Democrats will say that trade deals are a problem, and that they will fight or change them.

When most politicians get into office, they change their tune and realize that these trade deals, while far from perfect, are actually a good deal overall. And all of a sudden, after making a few superficial changes, such as those Obama made with the Korea FTA, they come out in full support. I would expect much the same from a President Cruz or President Clinton. However, I would not expect the same from a President Sanders or President Trump. I think Sanders in particular would not reverse course. And with Trump, who knows?

JM: Let's say Trump is elected in November. Are there any meaningful actions he could take to curtail trade? Or is there little else available to him besides populist rhetoric?

SL: He can do some things, but he certainly cannot cause the damage he is promising. The president does have unilateral authority to remove the United States from trade agreements or associations such as NAFTA or the World Trade Organization (WTO). However, he does not have the authority to actually raise tariffs in response to any such removal from trade agreements.

A President unilaterally removing the United States from trade agreements would leave us with the worst possible outcome, even from the perspective of those who oppose free trade. The United States would no longer get any of the market access or other benefits of its trade agreements, while at the same time it would be unable, without Congressional passage of a new law, to change tariff rates.

However, there are certain trade actions that the President, or at least the Executive branch, can take. Contrary to Trump's claims, these actions do not permit broad-based, 45% tariffs on all Chinese products. Instead, they allow for tariffs on a very narrow band of products, from one country—and only when there are unfair trade practices. They also have strict procedural rules and take at least a year to go through organizations such as the Department of Commerce or the International Trade Commission.

So Trump can cause problems in trade, but he most certainly cannot fulfill his promises to unilaterally raise tariffs to 45%, or to force American manufacturers to pay high tariffs if they choose to outsource jobs. All of that is nonsense and completely beyond the authority of presidents—thank goodness!