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How Free Traders Fueled Trump And Can Beat Him

Protectionists want to force poor American consumers to subsidize well-connected cronies. They must no longer be given free rein to mislead with impunity.

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Donald Trump is on the protectionist warpath, attacking not just America's trading partners but also its long-held political consensus in favor of open trade. The demise of this consensus is in one sense odd—trade has never been popular with voters, and modest declines in recent polls are typical for election years—but it is no less real: for the first time in decades, both major party presidential nominees are openly skeptical of trade (Trump outright hostile), and congressional leaders are unwilling to consider the Trans-Pacific Partnership (TPP). In a time when our stagnant economy could use a trade-provided boost, such proposals are nowhere to be found.

How did America devolve from the trade advocacy of Kennedy, Reagan, (Bill) Clinton, and Bush to the divisive protectionism of Trump? Some causes are obvious: the Democratic Party, once supportive of trade, has slowly embraced protectionism, its platform and legislative record shifting from trade-friendly in 1996 to mirroring the anti-globalization movement by 2008. Today Democrats, including Hillary Clinton, almost unanimously refuse to support their standard-bearer's signature trade deal, the TPP.

President Obama also deserves blame: his successful campaigns against the North American Free Trade Agreement (NAFTA) and outsourcing showed other politicians that protectionism can pay political dividends. The president also condoned or implemented discrete trade restrictions like the 2009 safeguard on Chinese tires, while refusing to spend political capital to advocate trade liberalization policies like completed FTAs with Colombia, Panama, and Korea.

Even now in selling the TPP, President Obama emphasizes new rules for labor, the environment, and state enterprises, as opposed to the unassailable economic and moral arguments that have supported free trade for centuries. TPP might now be in force, instead of languishing in congressional limbo, had the president experienced his trade conversion years ago instead of in 2015.

Give Us Reasons, Not Numbers

But trade proponents in Washington also helped create Trump and the current wave of American trade skepticism. By embracing a mercantilist message to sell trade agreements, one that touts every deal by noting only its ability to generate American exports and trade surpluses, these

groups fuel prevalent protectionist myths that imports shrink the economy and cost jobs, and that the trade balance is handy scoreboard for gauging U.S. policy.

At the same time, these “free traders” fail to attack such myths, thus yielding the floor to protectionists like Trump who wrongly blame trade for America’s alleged deindustrialization (though manufacturing output is at record highs) and general economic malaise.

Trump’s rhetoric, heavy on trade deficit demagoguery and unsupported allegations of pervasive foreign cheating, is straight from the dusty protectionist playbook, yet has been rarely challenged by timid rivals. As such, his preposterous claims are challenged by only voiceless wonks, instead of more powerful groups—especially elected officials—that might actually affect public perceptions.

Trade proponents also have erred through a consistent overreliance on economic data, particularly forecasts, to push trade liberalization policies. Not only are these data boring (a stark contrast to the protectionists’ gripping, though limited, tales of personal woe), but accurately predicting the impact of wide-ranging agreements among sovereign nations is an impossible task because trade flows and national economic performance rely on factors that often have little to do with trade policy.

Treating these stats as gospel imperils future advocacy efforts whenever the predicted results fail to materialize (as they often inevitably do). Today, for example, unions discount the U.S. International Trade Commission’s new analysis of the TPP because the review of the U.S.-Korea free-trade agreement (FTA) inaccurately predicted a shrinking bilateral trade deficit (never mind that Korea’s economy entered a recession shortly after the FTA took effect, thus crippling Korean demand for U.S. exports).

We Need a Sensible Response to Globalization

Finally, there has been a bipartisan failure of U.S. policy to adapt to the realities of today’s more globalized, more automated world. Our policymakers continue to pursue trade liberalization through only reciprocal FTAs like the TPP, even though these agreements’ rigid tariff schedules and rules of origin deter optimal sourcing decisions in fields defined by ever-changing global supply chains. (Other countries, such as Canada, have pursued a more logical mix of trade agreements and unilateral market opening.)

FTAs also can undermine public confidence in trade liberalization by treating the beneficial reduction of domestic trade barriers as a “concession” for U.S. negotiators to resist by traditionally keeping negotiations secret and promulgating arcane, heavily lobbied rules (e.g., pharmaceutical patent protections or investor-state disciplines) that give the not-wholly-unwarranted impression that current U.S. trade policy nefariously benefits only multinational corporations at the expense of American workers.

At the same time, domestic policy not only has failed to help workers and companies adjust to disruptive and growing forces like globalization and technology, but likely hinders such adjustment. The Trade Adjustment Assistance program, for example, leaves participants worse off in terms of future wages and benefits than similarly situated individuals outside of the program, and breeds the misconception that trade is somehow different from, and worse than, other forms of creative destruction. American companies are also hobbled by sky-high corporate

tax rates and costly overregulation. Winning public support for increased global competition under such circumstances is a fool's errand.

Let's Address Misconceptions on Trade Head-On

Trade advocates must learn from these errors to counter Trump and restore the pro-trade consensus. Long-term polling from organizations like Gallup and Pew indicate many Americans' opinions on trade are loosely held, shaped by partisanship and capable of shifting in response to improved trade rhetoric and policy.

A new poll out of Texas—one of the most free market, trade-dependent, and economically successful states in the union—lays the situation bare: more than half of all Republicans in the state, having spent the last year listening to an unchallenged Trump rail against “trade deals,” now view them as “bad for the United States economy” (while only 17 percent see them as “good”). Clearly, something other than actual economic experience is driving these views.

A better trade message is needed, one that emphasizes the benefits of U.S. exports *and* imports (more than half of which other manufacturers use), attacks common protectionist myths, and recognizes the economic, historical, *and moral* case for free trade. Protectionists want to force poor American consumers to subsidize well-connected cronies; they must no longer be given free rein to set the terms of debate and mislead with impunity.

If Trump wants a fight, free traders should give him one. We have not just the factual but also the moral high ground.

Better policy, on the other hand, would reflect the realities of the twenty-first-century economy through a mix of simpler trade agreements; unilateral reductions in trade barriers that enrich cronies at most Americans' expense; and legal reforms that strengthen the ability of *all* workers and companies, not just those exposed to imports, to confront inevitable market disruptions and to thrive in the global marketplace. The U.S. government must also be more willing to use legal dispute settlement mechanisms, particularly World Trade Organization anti-subsidy rules, to ensure that our trading partners are held to account—but *only* after getting our own trade and subsidy house in order (it's a mess).

Unless and until policymakers and industry groups address their failures and make such changes, the pro-trade consensus in American politics will remain broken, demagogues like Trump will prosper, and trade's many benefits will continue to go unrealized.

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