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# Congress' increasingly delusional trade policy

**Ramesh Ponnuru | Wednesday, May 30, 2012**

In a speech two weeks ago, Sen. John McCain delivered a blistering assessment of President Obama's trade policy.

"The United States has been sitting on the sidelines, and Asia is sprinting forward without us," he said. "After four years, this administration still has not concluded or ratified a single free-trade agreement of its own making."

McCain conceded that on Obama's watch Congress passed three free-trade agreements made under President George W. Bush. But, he said, "Since 2003, China has secured nine FTAs in Asia and Latin America alone. It is negotiating five more, and it has four others under consideration." Japan and India are seeking trade agreements, as well. "As of last year, one report found that Asian countries had concluded or were negotiating nearly 300 trade agreements — none of which included the United States of America." He concluded that we, too, should pursue "an ambitious trade strategy in Asia."

McCain's criticism of Obama is fair. It is also a bit strange, and in a way that reflects the oddly narrow scope of the debate about trade policy in the United States.

McCain worries that we are falling behind other countries. But the classical case for free trade doesn't fit this concern very well. That case warns against treating international commerce as a competition among nations — against, that is, identifying a country's interests with those of its exporters.

Economists, or at any rate the vast majority of them, say nations should lower their barriers to imports because it promotes the efficient allocation of resources. That argument doesn't depend on whether other countries are making trade agreements with one another. It doesn't even depend on whether those countries have barriers against our imports. The theory suggests that if nations lower their barriers to one another's imports, they will make more gains than if only one country does so. It also suggests that a country makes itself better off by lowering its barriers unilaterally.

U.S. politicians who support free trade rarely make any such argument, and haven't done so for decades. Instead they make mercantilist arguments for free trade, in which we must regrettably open our markets to foreign imports as the price for getting other countries to do the same for our exports. In debates over trade agreements, both sides typically accept the notion that imports are bad and exports are good. The question becomes whether the agreement will do more to boost imports or exports.

It isn't uncommon for administrations that seek to liberalize trade overall to erect barriers for the benefit of this or that industry. The Bush administration briefly imposed steel tariffs to placate members of Congress from the Rust Belt. The Obama administration has placed tariffs on tires (at a cost of at least $900,000 for each job saved). This tactic fits comfortably within the political consensus for free-trade mercantilism.

In recent years, the debate has narrowed still further because both sides have converged rhetorically. Protectionists in the U.S. do not advertise themselves as such: They say they favor free trade so long as it is fair. Free traders don't wish to be portrayed as supporting unfairness, and so everyone calls himself a supporter of "free and fair trade."

Whatever its theoretical inadequacy, free-trade mercantilism has worked pretty well since World War II. It has enabled a vast expansion of global trade and thus of global wealth. But it is yielding diminishing returns as a strategy for liberalizing trade. Public support for open trade has fallen in the United States. Majorities in the 1990s thought "the opportunity for economic growth through increased U.S. exports" outweighed the "threat to the economy from foreign imports." They no longer do.

The Democratic Party, which in the middle of the last century was the more pro-trade of the two parties, has turned sharply critical of it. In the 2004 and 2008 Democratic presidential primaries, most candidates were competing on the basis of who could be most hostile to trade agreements. In 2008, Obama even called for renegotiating the North American Free Trade Agreement enacted in 1993.

He shelved that idea in office. But as McCain observed, Obama still hasn't shown much leadership on trade. Daniel Ikenson and Scott Lincicome wrote a paper for the Cato Institute at the start of the administration expressing the hope that Obama would restore the country's "pro-trade consensus." Ikenson now says he was "too optimistic." Free traders are spending more time fending off protectionist measures against China than they are on offense. Mitt Romney, Obama's Republican opponent in November, is contributing his share of tough talk on trade with China. (This position might go the way of Obama's NAFTA idea if he takes office.)

The prevailing rhetoric on trade corresponds less and less to reality. Ikenson notes that 58 percent of imports are of intermediate goods and capital equipment that companies here use to make finished products. Cutting the cost of those imports by lowering trade barriers helps these companies compete rather than hurting them.

That's one reason for free traders like McCain to ditch the old mercantilist strategy. The other is its increasing political failure. Falling support for trade has many causes, but the failure of almost anyone in politics to make the real and unequivocal argument for it has almost certainly been one.

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