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The political fantasyland of American trade policy

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According to a recent Pew Research Center survey, "about seven-in-ten (73%) Republicans and Republican-leaning independents say increased tariffs between the U.S. and its trading partners will be a good thing for the country." Almost the same number of Democrats and Democrat-leaning respondents (77%) make the opposite claim. From the looks of it, the Republican Party is now endorsing the AFL-CIO's trade policy, and Democrats realize that free trade can create opportunity.

In truth, our trade policy is based in political fantasy rather than reality. We must change that or foot the bill for America's rising economic protectionism.

Nobody likes getting the raw end of a deal. President Donald Trump routinely hammers away at the notion that America is the victim of international trade agreements and points to trade deficits as evidence of failed policy. That political posture has set trade policy discussions into a tailspin.

Understanding massive international trade paradigms is easier when we think about groceries. Odds are good that most of us buy far more from our grocers than they purchase from us. In short, our trade deficit with our grocers is quite high. That doesn't mean we owe them anything in the future as we might under a conventional debt arrangement. Rather than spending our time growing food, we're at work earning a paycheck. Put simply, we're more economically productive in part thanks to a high trade deficit with our grocers.

America isn't any different. That's not to say open trade policy doesn't have economic impacts. Production naturally flows to locations around the globe that provide the balance of quality and price demanded by consumers. When that happens, some domestic companies will thrive while others struggle.

We're not required to compete globally but Americans don't usually shy away from a challenge. Policies that play to a fear of competition itself concede a weak view of America. Unfair trade policies are another story.

What happens when countries like China--a favorite trade villain of Trump's-- actually do engage in unfair practices? Do we have any recourse or are we simply losing all the time as Trump suggests?

In 2017, Cato Institute's Dan Ikenson noted America's track record at the World Trade Organization:

When the United States has been a complainant (as it has in 114 of 522 WTO disputes over 22 years -- more than any other WTO member) it has prevailed on 91% of adjudicated issues. When the United States is a respondent (as it has been in 129 cases -- more than any other WTO member), it has lost on 89% of adjudicated issues.

In short, America frequently wins at the WTO when it brings trade disputes and loses when other nations do. As Ikenson notes, this is evidence that WTO members don't bring complaints against the United States unless they're extremely confident in the likelihood of success. So, cherry picking only one side of WTO dispute resolution statistics to argue bias for or against the U.S. simply isn't honest.

Trade agreements are another tool to combat state-owned enterprises (SOEs) that unfairly compete against private companies. Ironically, the Trans-Pacific Partnership (TPP) contains provisions preventing member governments from providing "non-commercial support" that would injure other TPP members. Trump withdrew the U.S. from the TPP in 2017.

The point is, we already have tools to address trade issues that don't necessarily involve slapping Americans with trade taxes or damaging U.S. access to foreign markets. Unfortunately, the trade positions of most Republicans and Democrats reflect politics more closely than thoughtful positions on actual policies.

Wrestling with trade truths isn't as sexy as our current political fantasies, but making policy based on such fictions will have an uncomfortably real impact on our wallets, jobs and economic opportunities.