

Washington ‘swamp’ sucks life from Trump trade strategy

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August 4, 2017

Donald Trump won the US presidency vowing to rip up decades of trade policy and drain the Washington “swamp” of lobbyists and “globalists” as part of his America First push to bring back manufacturing jobs.

Yet six months into his administration, the swamp seems not only undiminished but to be swallowing up his strategy on trade.

“I think with trade, the swamp is still there in full force,” says Dan DiMicco, former chief executive of Nucor Steel and Trump campaign adviser on trade policy, and an economic nationalist who has confessed his disappointment with the president’s failure to deliver on his grand promises.

Mr Trump and US officials continue to pledge bold action on trade. There are signs of a toughening line on China, with the administration considering whether to launch a probe into Beijing’s intellectual property and technology-transfer regime. On his third day in office Mr Trump also delivered on his promise to pull the US out of the 12-country Trans-Pacific Partnership negotiated by the Obama administration.

But Mr Trump’s trade threats are greeted with growing scepticism by pro-trade members of the business community, who have won a number of battles by exploiting divisions inside the administration.

Democrats have also spotted a vulnerability in the president’s failure to deliver on one of his campaign’s core populist promises. Senate Democrats unveiled their own trade policy proposals on Wednesday, including curbs on Chinese purchases of US companies, as part of their bid to lure back blue-collar voters who backed Mr Trump.

Democrats have also been emboldened by Mr Trump’s tangled plans for the North American Free Trade Agreement with Canada and Mexico. After threatening in April to withdraw from what he still regularly calls the “worst trade deal”, Mr Trump’s administration will later this month embark on a renegotiation that, according to its own publicly released objectives, appears likely to result in few, if any, significant departures from US trade orthodoxy.

Mr Trump is also facing an uphill battle in the Senate from both Democrats and Republicans for his plan to install former congressman Scott Garrett, a long-time conservative opponent of the US Export-Import Bank, as its new head. Mr Garrett has previously called for the bank, which provides finance and help for US exporters, to be shut down.

But the biggest frustration for economic nationalists is the delay to the plan to clamp down on steel imports, which officials promised in late June was just days away.

The plan, which involves using a cold war-era law that allows US presidents to invoke national security to restrict imports, is aimed primarily at forcing China to cut the vast steel output that has driven down global prices. But it has become bogged down in an internal debate fuelled by lobbying and counter-lobbying from steelmakers, the broader US business community and US allies and trading partners in Asia and Europe.

The steel scramble has pitted advocates of a tough approach, such as Wilbur Ross, the commerce secretary, and economic nationalists in the White House, against pro-trade figures such as Gary Cohn, the former Goldman Sachs executive who leads Mr Trump's National Economic Council. It has also seen Mr Trump's US trade representative, former steel lawyer Robert Lighthizer, who is said to be increasingly close to Mr Cohn, remain conspicuously on the sidelines in what some see as a sign of his scepticism about the exercise.

Mr Ross complained to members of Congress at a recent private briefing that the plan was now facing "complexities", including the clashing interests of steel producers and users and threats of retaliation from trading partners such as the EU.

The result, according to people briefed on the discussions, has been the morphing of a bold plan to impose a single tariff of as much as 25 per cent on imports into something far more complicated.

The most likely scenario now is an elaborate system of quotas and tariffs that would exclude imports from Canada and Mexico, they say. It would also include a 90-day period for businesses to lobby for the exclusion of certain products and for the administration to mount a new round of negotiations with other steel manufacturing countries.

Mr Trump himself has created potential problems by repeatedly saying the steel move is intended to combat "dumping" by countries such as China. By doing that, trade lawyers say, the president has hurt the US case in the event of a challenge at the World Trade Organisation.

Under WTO rules countries can only use approved measures for individual products to combat dumping — the export of products below cost. But Mr Trump's targeting of "dumping" claims and his plan to use the cold war-era law appear to violate those rules, lawyers say.

"No one should be surprised when other WTO members point to the administration's own statements to show that this . . . violates the WTO," says Gregory Spak, head of the international trade practice for law firm White & Case.

Some in Washington see Mr Trump's slowing trade agenda as a sign he is being forced to confront the complexities of both governing and the global economy.

“It is not the morass of Washington, it is economic reality that is beginning to hit him in the face,” says Daniel Ikenson, head of trade policy studies at the libertarian Cato Institute.

But some damage has already been done, Mr Ikenson warns. Mr Trump’s protectionist threats have changed global norms on trade by encouraging other countries to follow a similar path, he says.

The president’s withdrawal from the TPP has also hurt US competitiveness in countries such as Japan, which last week imposed temporary tariffs of up to 50 per cent on imports of frozen US beef, he points out, adding: “There has been a big cost to all this.”

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