

11 Things Trump Got Wrong in His Trade Speech



Jay Chittooran

Policy Advisor, Economic Program

In his big economic speech yesterday, Donald Trump released a seven-part plan aimed at creating jobs through a ‘fair trade’ policy. Fifty leading experts, publications, and outlets from the right and the left—from Paul Krugman to U.S. Chamber of Commerce President Tom Donohue—have previously denounced Donald Trump’s trade and economic policy. Here are 11 ways in which Trump’s facts and proposals are simply wrong:

1) Trump: “Our politicians have aggressively pursued a policy of globalization.”

Fact: Globalization isn’t a policy. It’s a phenomenon. It wasn’t voted on by any politician in Congress or in the White House. Rather, it has been unleashed by technological forces like automation and the internet, which propel goods and information quickly and cheaply across the globe. Since the end of World War II, when globalization truly began, it has brought tremendous benefits to people throughout the world. More recently, globalization has been more disruptive for advanced economies like the United States. For all the good, there has also been pain for workers and communities that rely upon certain industries. While trade agreements

didn't create globalization, they can shape the phenomenon to our advantage and match U.S. interests and values, as U.S. Trade Representative Mike Froman has noted.

2) Trump: “When subsidized foreign steel is dumped into our markets, threatening our factories, the politicians do nothing.”

Fact: In the past two months, the U.S. Department of Commerce has approved two separate tariffs against Chinese steelmakers, one that allows tariffs of up to 450% on corrosion-resistant steel and another that allows tariffs of up to 522% on cold-rolled steel, which is used in cars and appliances. While other countries might be subsidizing their steel exports into the United States, steps are being taken to help U.S. steel producers.

3) Trump: “Today, we import nearly \$800 billion more in goods than we export.”

Fact: Details matter. Trump implies that trade agreements like NAFTA are responsible for our trade deficit. But modern trade deals have actually helped. These 21st-century trade deals have improved the United States' trade balance in goods with 13 of 17 countries, turned previous goods deficits into surpluses, and caused a net improvement of \$30.2 billion annually to our trade balance in goods. Post-FTA, U.S. exports grew by 52%, double the growth rate of imports, which grew by only 26%. Simply put, trade deals have helped the U.S. economy by getting more *Made in the USA* products on foreign shelves.

4) Trump: “Our original Constitution did not even have an income tax. Instead, it had tariffs—emphasizing taxation of foreign, not domestic, production. Yet today, 240 years after the Revolution, we have turned things completely upside-down.”

Fact: We also didn't have a military back then. Trump's antiquated understanding of the U.S. economy is on full display here. U.S. government revenue in 1792 was \$4.6 million, 96% from tariffs. Last year, U.S. revenue was \$3.25

trillion—over 730,000 times larger—and tariffs raised just 1% of total government revenue. The federal government has to pay for things, like social programs, infrastructure, and a number of other social goods. And as the U.S. economy gets bigger and stronger, the government will have to pay for more things. It's apropos that Trump pines for yesteryear, because ultimately, his economic policies would send us to the Stone Age.

5) Trump: “America has lost nearly one-third of its manufacturing jobs since 1997—even as the country has increased its population by 50 million people.”

Fact: The U.S. manufacturing sector had its highest number of employees in June 1979, 15 years before NAFTA was implemented. A host of factors has contributed to changes in our manufacturing sector. One has nothing to do with trade deals and is the result of technological change. The manufacturing sector currently is at near-record levels of output, with fewer workers. We are producing more with less. We're more productive, and that's because of technology. And most notably, in the past six years, the U.S. manufacturing sector has added 850,000 employees.

6) Trump: “It was also Hillary Clinton, as Secretary of State, who shoved us into a job-killing deal with South Korea in 2012. As reported by the Economic Policy Institute in May, this deal doubled our trade deficit with South Korea and destroyed nearly 100,000 American jobs.”

Fact: First, negotiating trade deals doesn't fall under the purview of the Secretary of State—that's the job of the U.S. Trade Representative. Second, KORUS negotiations began under President Bush, so it's wholly unfair and wildly inaccurate to say this trade deal was the brainchild of Secretary Clinton. Third, on the job losses, Glenn Kessler has already ripped apart the method that the Economic Policy Institute uses to arrive at these figures, saying the data is manipulated and its method is misleading. To be fair, since KORUS was enacted in March 2012, it has underperformed. The U.S. trade deficit with South Korea has increased

substantially because the Korean economy has weakened considerably. And the U.S. dollar, which has appreciated some 20% since mid-2014, has made U.S. goods more expensive abroad, which means fewer American goods are being bought. More importantly, KORUS is only one of 17 post-NAFTA trade deals; if Trump is going to decry KORUS, then he should laud the other 16 post-NAFTA trade deals, which combined have increased our goods trade balance by an average of about \$30 billion annually.

7) Trump: “The TPP would be the death blow for American manufacturing.”

Fact: China setting the rules for trade in Asia would be the death blow for American manufacturing and would be the result of TPP failing. That is why the National Association of Manufacturers (NAM) has backed this trade deal. TPP cuts more than 18,000 tariffs and opens markets in East Asia, which has some of the fastest growing economies in the world. TPP is a modern trade deal that will allow American manufacturers to compete on a level playing field. NAM and countless other American businesses understand that when we trade more, workers’ earnings go up. It’s as simple as that. According to the International Trade Administration (ITA), exporting offers an 18% wage premium in the U.S. manufacturing sector. ITA also notes that foreign tariffs can reduce earnings in the U.S. manufacturing sector by up to 12%.

8) Trump: “[TPP] would put the interests of foreign countries above our own... Not only will the TPP undermine our economy, but it will undermine our independence.”

Fact: TPP doesn’t undermine our independence—it actually allows us to put our stamp on a growing region. Want to know who hates TPP? China. The Chinese regime is trying to write its own rules in the region. The China-led Regional Comprehensive Economic Partnership includes most of the TPP countries along with India, South Korea, and several smaller countries, but excludes the United States. The key difference between China’s deal and TPP? China’s deal has no

labor protections, no environmental standards, no limits on state-owned enterprises, and no mention of the digital economy. Compare that to TPP which has high American standards in all of these areas. China is racing to write the rules in the region—and if it does, Americans lose.

9) Trump: “I am going to withdraw the United States from the Trans-Pacific Partnership, which has not yet been ratified.”

Fact: By 2030, about two-thirds of the world’s middle class will live in Asia, and nearly 90% of global growth will occur outside of the United States. How can we expect to grow if we are isolationist and wall ourselves off from these foreign markets? Since 2000, the Asian import market grew by 261%, from \$1.5 trillion to \$5.4 trillion. Despite this, the U.S. market share fell by 4.6%, the biggest drop of any of the 25 largest exporters into Asia except Japan. Had the United States maintained its share of Asian trade, it would have added an additional \$275 billion exports, which could have supported an additional 1.4 million jobs. We can’t compete if we don’t trade. That’s what America needs and deserves.

10) Trump: “I am going to instruct my Treasury Secretary to label China a currency manipulator. Any country that devalues their currency in order to take unfair advantage of the United States will be met with sharply, and that includes tariffs and taxes.”

Fact: Currency manipulation isn’t tolerated in TPP. For the first time ever in a trade deal, currency is addressed. Negotiated by the U.S. Department of Treasury, the currency provisions are signed by all 12 TPP countries and lay out criteria for responsible exchange rate policy, while also making commitments to enhanced reporting, frequent monitoring, and regular meetings. This “naming and shaming” technique has received widespread praise, including from currency expert Fred Bergsten and political economist Dan Drezner, among others.

11) Trump: "I'm going to direct the Secretary of Commerce to identify every violation of trade agreements a foreign country is currently using to harm our workers... I am going to instruct the U.S. Trade Representative to bring trade cases against China, both in this country and at the WTO. China's unfair subsidy behavior is prohibited by the terms of its entrance to the WTO, and I intend to enforce those rules."

Fact: Trump might be sleeping behind the wheel on this, because trade enforcement is something that we already do. And we do it well. Since 2009, the United States has filed 20 cases at the World Trade Organization (WTO), including 11 against China. And we've won every single case that has been decided. Those who violate trade rules will be punished. Last year, President Obama signed a trade enforcement bill, which established an interagency center for trade enforcement, cracked down on intellectual property rights violations, and prohibits the importation of goods made by forced labor.

TOPICS

TRADE 86
