

Donald Trump's dangerous delusions on trade

The US may cede its central role in shaping the global trading system

Of all the issues on which Donald Trump opined so forcefully on the election trail, he was particularly strident and unusually specific about trade.

Mr Trump threatened to slap a 35 per cent import tax on Ford cars if the company moved production to Mexico; he said that he would renegotiate the North American Free Trade Agreement (Nafta) and if necessary withdraw altogether; he promised to abandon the ratification of the Trans-Pacific Partnership (TPP), a trade agreement among 12 Asia-Pacific nations; he warned that he would use every lawful presidential power, including imposing emergency tariffs, on China if it did not stop its allegedly illegal activities.

As with all his policies, Mr Trump may modify or abandon parts of this package once in office, particularly if he grasps the potential impact on the US economy of starting a fully-fledged trade war. But it may be harder to shift the mindset that clearly underlies all his suggestions: a **mercantilist zero-sum view** of the world in which economies are intrinsically in competition and current account deficits prima facie reflect cheating by trade partners. With the positive wealth-creating role of trade increasingly and mistakenly being dismissed by politicians, that is a deeply worrying development.

There are reasons to hope Mr Trump might soften his approach once in power. First, there is a long tradition of presidential candidates talking tough on trade and then pulling back. Barack Obama promised to renegotiate Nafta on the campaign trail in 2008 — admittedly without threatening to destroy it if he did not get his way — and rapidly forgot the pledge once in office.

He has a mandate to overthrow orthodoxy but can he turn rhetoric into action?

Second, some of Mr Trump's other policies, such as naming China as a currency manipulator, are no more than symbolic. And some, such as appointing tough trade negotiators and bringing World Trade Organisation cases against China, are little more than restatements of current practice.

But it is the White House's ability to use emergency powers, including "safeguard" tariffs or quotas against imports, that might provide the immediate test of Mr Trump's willingness to march into a trade war. Such tariffs applied widely — as Richard Nixon did with his "import surcharge" in 1971 — would almost certainly provoke litigation at the WTO. If the White House simply defies WTO rulings, one of the remaining pillars of multilateral trade co-operation will be knocked away.

Whatever form Mr Trump's policies take, **his worldview suggests that the US will no longer attempt to play a central role in shaping the world's trading system.** His pledge to abandon TPP — plus the fact the Transatlantic Trade and Investment Partnership with the EU was barely moving — mean the US will no longer be trying to export its version of the ideal model for trade agreements. The virtues of the TPP can be disputed, but the visions of trade governance promulgated by the US's rivals for dominance, notably China, are unlikely to be impressive. Whatever the stated ideology of any given president, the pattern once in office has tended to be the same. The White House is the adult who prioritises keeping trade flowing and Congress is the fractious adolescent who keeps demanding confrontation with trading partners and refuses to sign new deals.

Mr Trump, to put it mildly, seems unlikely to want to play the traditional presidential role. Therein lies the danger. Much will depend on his temperament and his advisers. But one thing is clear: **with global trade already weak, there are serious risks to international commerce from the accession to power of a US president with such a simplistic analysis of the world.**