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Trump's Antitrade Warriors

The President-elect may ask Congress for a new tariff bill.

Financial markets since Donald Trump's election have been floating on the promise of tax reform and deregulation, but a major question lingers over his economic agenda. To wit, the President-elect has assembled the most antitrade team of presidential policy advisers since the 1920s.

We wish we could say this is an exaggeration. But markets may be underestimating the fervor of Mr. Trump's antitrade warriors and his determination to use tariffs and other import barriers against China in particular but even against friendly trading partners like Japan and Mexico.

Most modern Presidents, Democrat or Republican, have had a mix of free-traders and trade enforcers in their senior ranks. Mr. Trump's economic team is striking for not having a single clear-throated free-trader anywhere in the senior economic team—even in the slots where trade promotion has long been part of the job description.

The Commerce Department is usually the destination for business lobbies that want relief from competition, and Mr. Trump's choice as secretary, Wilbur Ross, fits that protectionist billet. He's spent his business career investing in such industries as steel and textiles that have been hurt by foreign competition.

He seems to believe that trade is a zero-sum game, not an exchange of mutual benefit, and that running a trade surplus is by definition a sign of economic success. Never mind that the U.S. ran trade deficits throughout the high-growth years of the 1980s and 1990s.

Commerce is offset in most administrations by the U.S. Trade Representative, typically a free-trade voice. But Mr. Trump has nominated Robert Lighthizer, a lawyer for the steel and other industries seeking government protection behind high tariff walls. At USTR in the Reagan years, he argued for government-led industrial policy to defeat what he saw as Japan's inevitable economic dominance. We know what happened to Japan, but Mr. Lighthizer is back with a new target: China.

Then there's Peter Navarro, whom Mr. Trump has selected to run a new National Trade Council inside the White House. Trade is typically one of the issues handled in the White House by the National Economic Council, but Mr. Navarro's separate brief suggests a diminished role on trade by the NEC that will be run by Goldman Sachs veteran Gary Cohn.

Mr. Navarro, an economics professor at the University of California Irvine, is the author of "Death by China" and "The Coming China Wars." He and Mr. Ross wrote a white paper in September for the Trump campaign that called China "the biggest trade cheater in the world." China deserves to be challenged on its intellectual-property theft and nontariff barriers, but Mr. Navarro appears to want the U.S. to fight China's mercantilist policies by imitating them.

One problem is that there aren't any obvious free-trade voices to counter this protectionist triumvirate. Mr. Cohn's views aren't apparent and he isn't as close to Mr. Trump as the trade warriors are. Treasury and State would typically make the case for open trade relations, but Rex Tillerson will have Russia and the Mideast to worry about. Even if he's confirmed, Steve Mnuchin may not have much clout as Treasury Secretary.

The trade warriors haven't said how they plan to proceed, and perhaps the White House intends mostly bluster and brinksmanship. But Mr. Trump's public comments suggest that renegotiating trade deals around the world will be an early priority. And he has many tools available to do it without going to Congress. He can declare that China is a currency manipulator, for example, even though China has spent $1 trillion in reserves in two years trying to *prop up* the yuan amid capital flight.

We hear the White House may also press Congress to start moving a trade bill to give Mr. Trump new tariff powers while he negotiates. The threat of legislation would be used as leverage in the talks. The danger is that trade bills can easily become a stampede. Most Democrats are already protectionist, especially in the House, and Republican free-traders could break under presidential pressure.

House Republicans are also pushing a tax reform with a "border adjustability" provision that would exempt U.S. exports from corporate tax while taxing imports. They hoped this might satisfy Mr. Trump's protectionist urges, but the Trump White House may oppose that provision because it prefers outright tariffs. The border fee would raise more than $1 trillion over 10 years to pay for lower tax rates, so the Trump tax reform could also turn out to be less pro-growth than advertised.

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All of this suggests that investors and businesses with an interest in open trade need to start paying attention. The same goes for Senators and Congressmen from trading states like Louisiana, California and the Farm Belt.

Mr. Trump has a pro-growth agenda on taxes, regulation, energy and much else. But the potential Achilles' heel is trade policy. Too many Republican administrations with otherwise sensible policies have been undermined by one or two bad economic blunders: Bush 43 (monetary and housing policy), Bush 41 (taxes), Nixon (monetary policy and regulation), and Hoover (trade, etc.). Republicans in Congress need to be alert lest bad trade policy destroy their entire reform agenda.