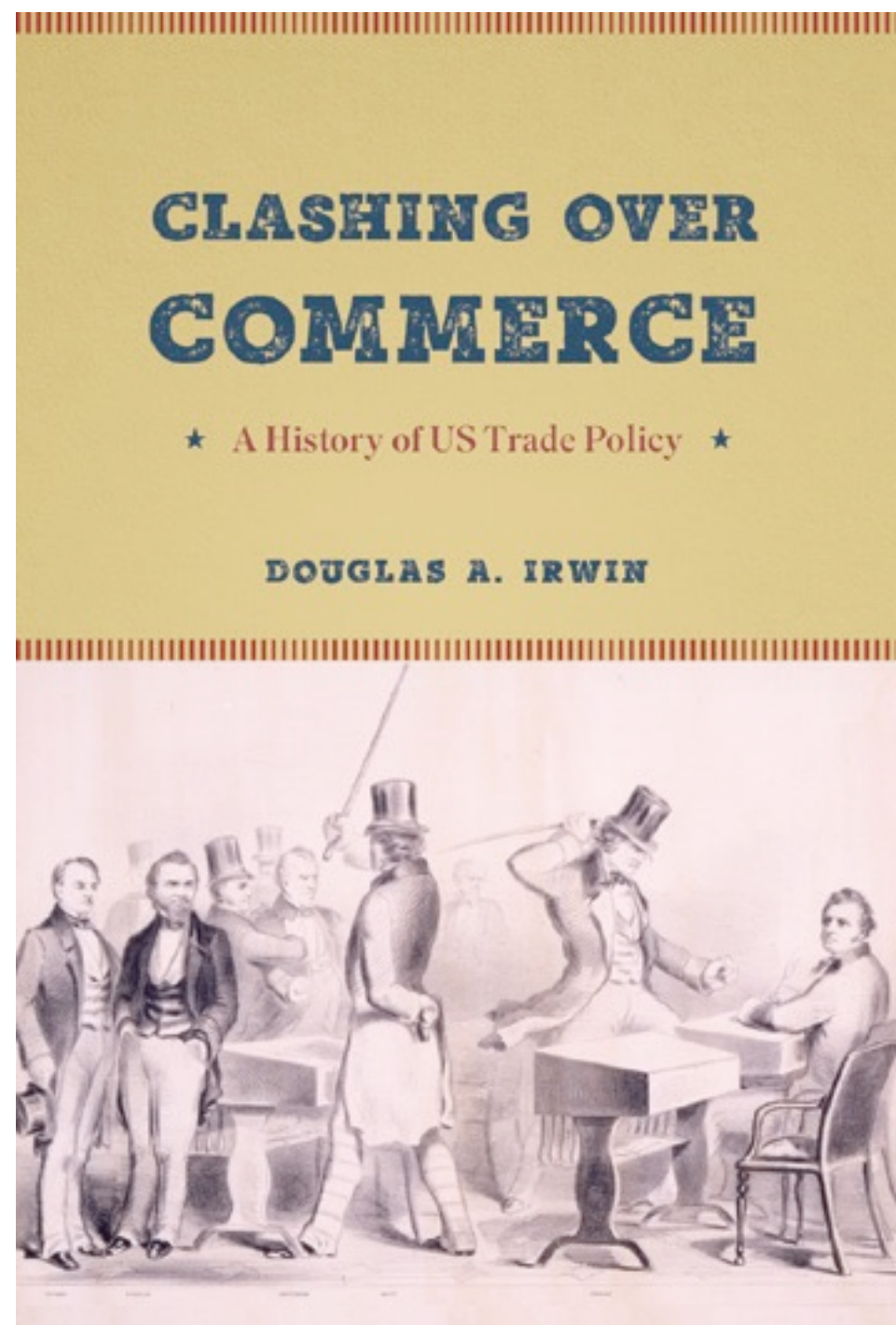


# Long View of Current Moment in U.S. Trade Policy

Douglas Irwin  
Dartmouth College

# Major Themes

- The three R's – revenue, restriction, reciprocity
- Trade policy – always a divisive political issue
- Yet trade policy also shows continuity (*status quo bias*)



# The three “R’s” of trade policy

1. Revenue

2. Restriction

3. Reciprocity

# Three eras of U.S. trade policy

| Period    | Objective   | Voting                                   | Party       | Region |
|-----------|-------------|--|-------------|--------|
| 1790-1860 | Revenue     | Tariff schedule                          | Democrats   | South  |
| 1861-1933 | Restriction | Tariff schedule                          | Republicans | North  |
| 1934-1993 | Reciprocity | Negotiating authority & trade agreements | Democrats   | Mixed  |

# Revenue, restriction, and reciprocity!

 **Donald J. Trump** ✓  
@realDonaldTrump [Follow](#)


....Tariffs will make our country much richer than it is today. Only fools would disagree. We are using them to negotiate fair trade deals and, if countries are still unwilling to negotiate, they will pay us vast sums of money in the form of Tariffs. We win either way.....

12:58 PM - 4 Aug 2018

14,598 Retweets 63,816 Likes




 12K  15K  64K 





 **Donald J. Trump** ✓  
@realDonaldTrump [Follow](#)

Tariffs are working big time. Every country on earth wants to take wealth out of the U.S., always to our detriment. I say, as they come, Tax them. If they don't want to be taxed, let them make or build the product in the U.S. In either event, it means jobs and great wealth.....

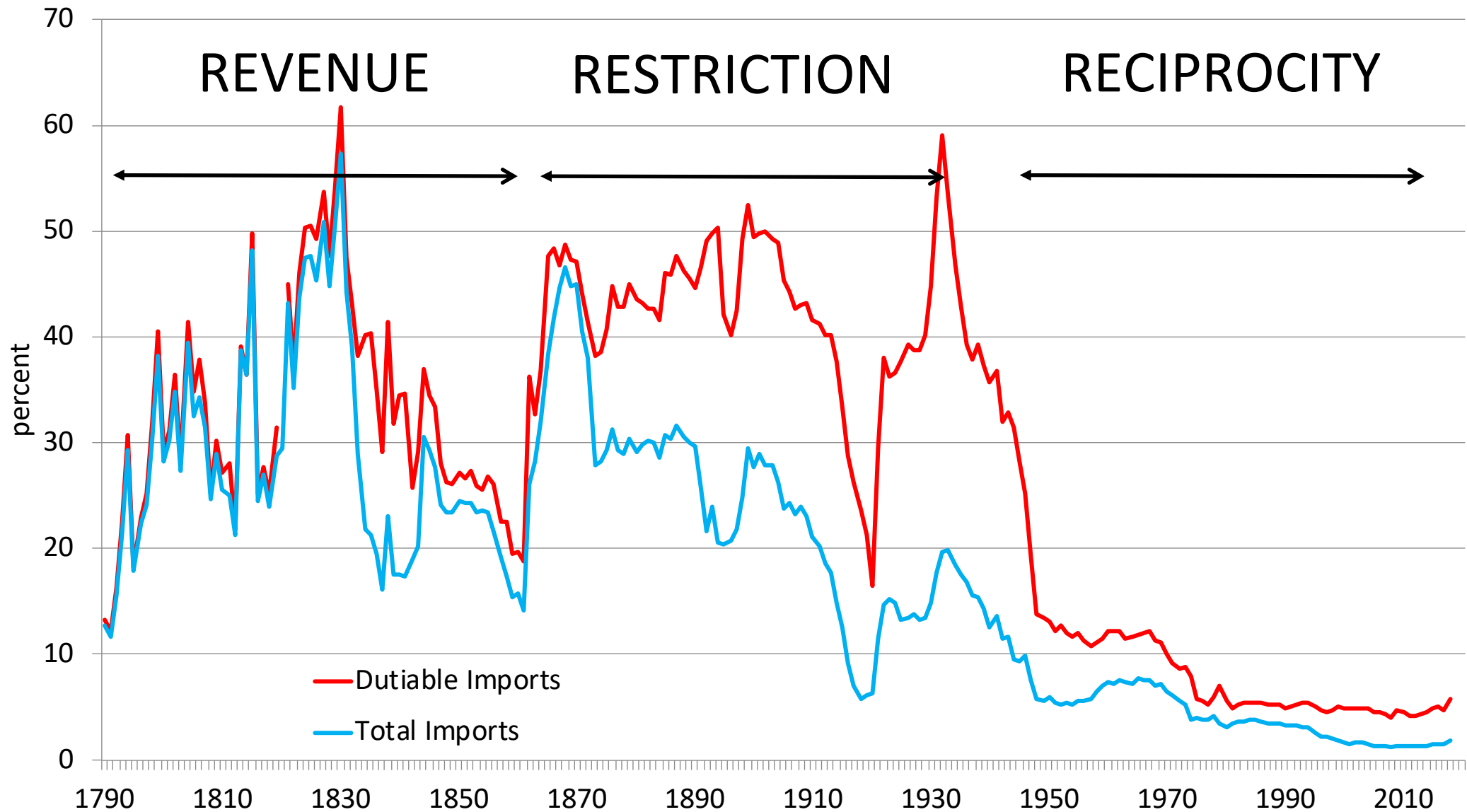
4:59 AM - 5 Aug 2018

15,931 Retweets 71,032 Likes



 9.1K  16K  71K 

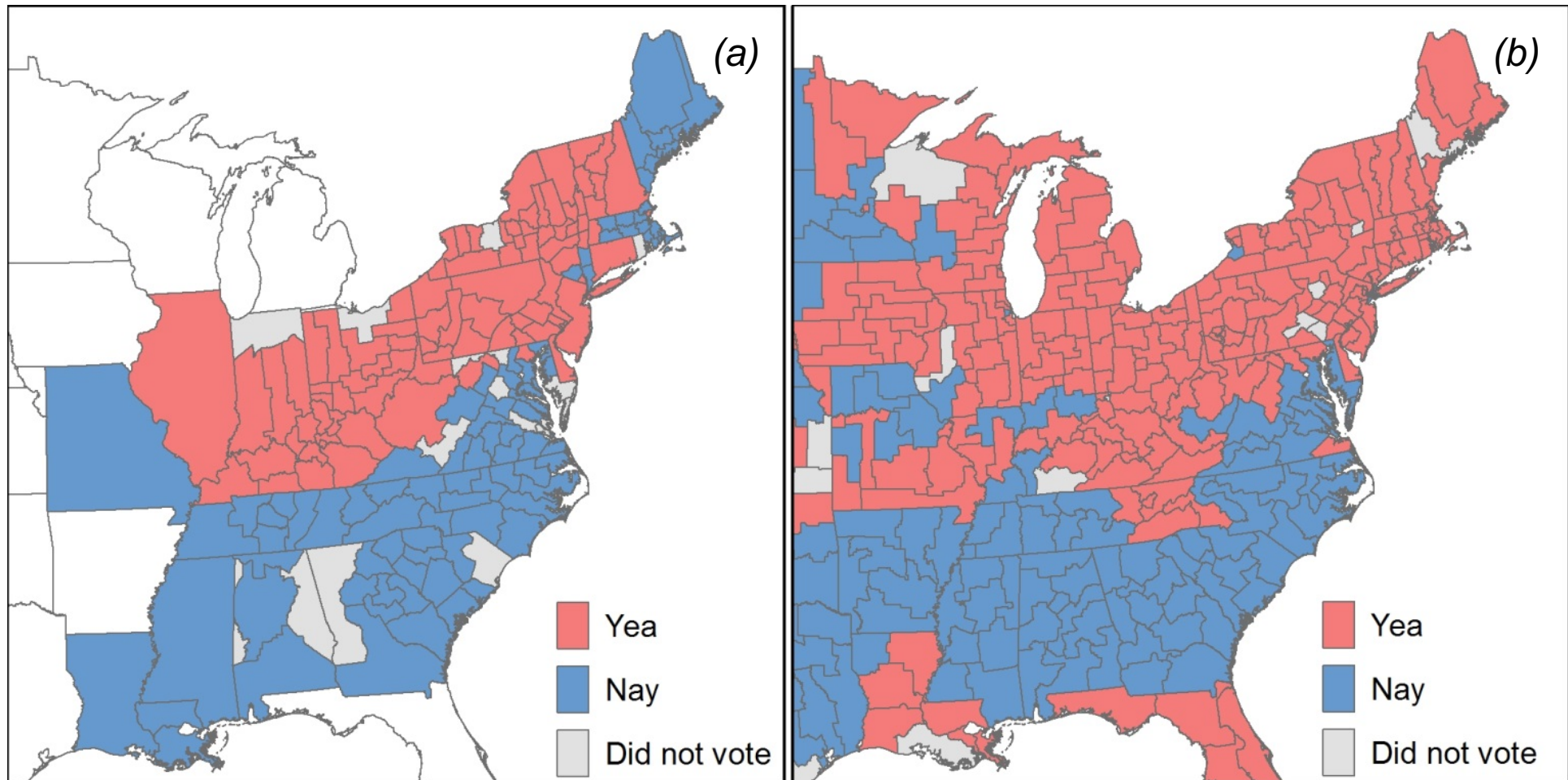
# Average tariff on imports





# Stable political geography

House of Representatives votes on the 1828 Tariff (a) and 1929 Smoot-Hawley Act (b)



Map courtesy Citrin GIS/Applied Spatial Analysis Lab, Dartmouth College

# Transitions

- Civil War

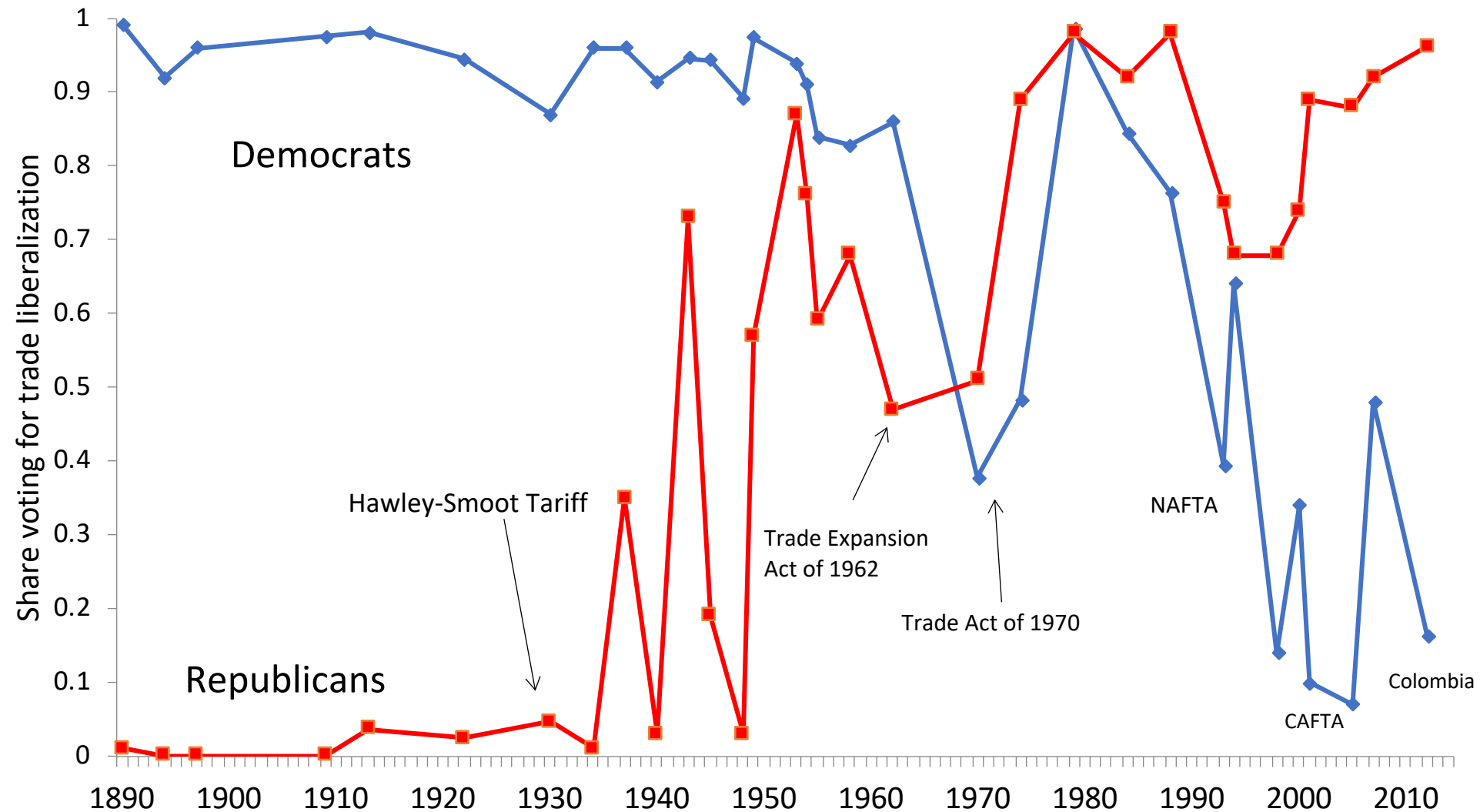
- Shifts political power to Republicans in North
- Introduction of high protective tariffs
- Shift from revenue to restriction

- Great Depression

- Shifts political power to Democrats (South)
- Delegation of negotiating authority from Congress to president
- Shift from restriction to reciprocity



# Partisan switch



# Even Now, Tariffs Are a Tiny Portion of US Government Revenue

US tariff revenue as percent of total government revenue, 1795–May 2019



#PIIECharts

Learn more at [piie.com/research/piie-charts](https://piie.com/research/piie-charts)



**Source:** See Figure 1 of Chad P. Bown and Douglas A. Irwin's article, "Tariff revenue and Trump tweets — 5 things you need to know," *Washington Post Monkey Cage*, July 16, 2019.

# HARPER'S WEEKLY.

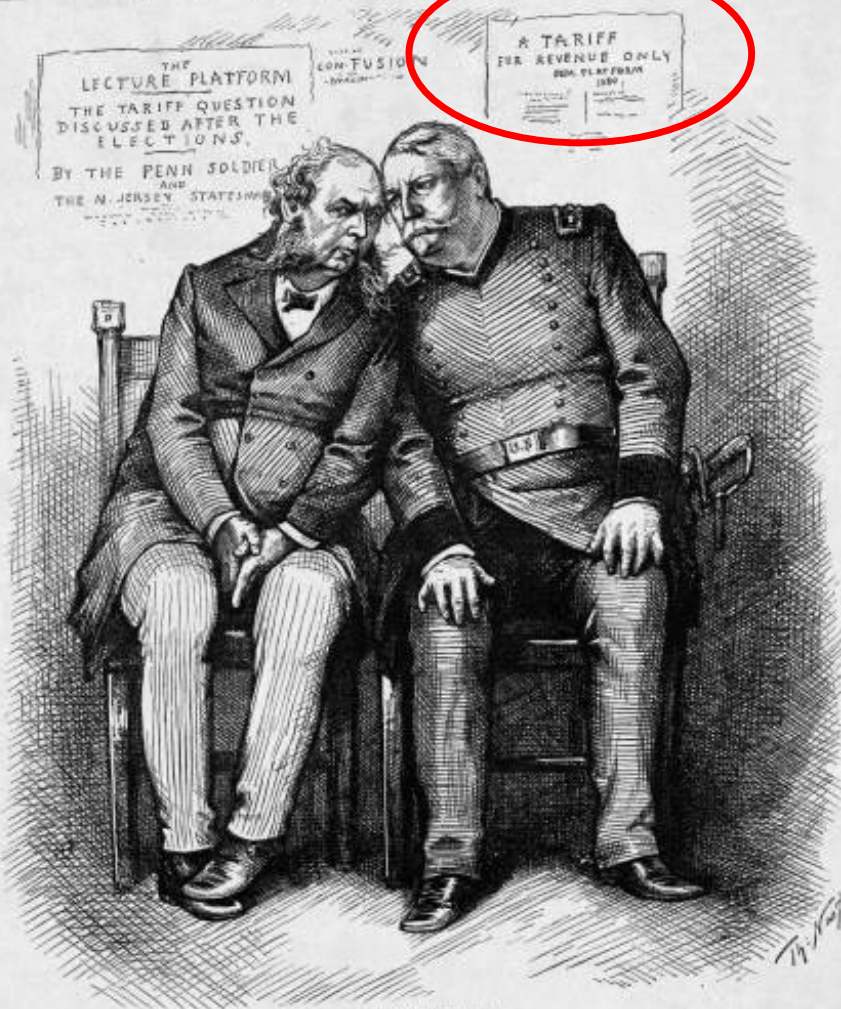
## JOURNAL OF CIVILIZATION

Vol. XXIV.—No. 1246.]

NEW YORK, SATURDAY, NOVEMBER 22, 1886.

[WORLD CUPID THE CRYSTAL BALL FOR THE YEAR IS ADVANCED.]

Entered according to Act of Congress, in the Year 1866, by Harper & Brothers, in the Office of the Librarian of Congress, at Washington.



"A LOCAL QUESTION."  
"WHO IS TARIFF, AND WHY IS HE FOR REVENUE ONLY?"



# Republicans – protection & reciprocity



# Mr. Protection & Mr. Reciprocity





## COMMERCIAL PRIVILEGES AND RESTRICTIONS.

*Report of the Secretary of State on the Privileges and Restrictions on the Commerce of the United States in Foreign Countries.*

PHILADELPHIA, Dec. 16, 1793.

SIR:

According to the pleasure of the House of Representatives, expressed in their resolution of February 23, 1791, I now lay before them a report on the privileges and restrictions on the commerce of the United States in foreign countries. In order to keep the subject within those bounds which I supposed to be under the contemplation of the House, I have restrained my statements to those countries only, with which we carry on a commerce of some importance, and to those articles also of our produce, which are of sensible weight in the scale of our exports; and even these articles are sometimes grouped together, according to the degree of favor or restriction with which they are received in each country, and that degree expressed in general terms, without detailing the exact duty levied on each article. To have gone fully into these minutiae, would have been to copy tariffs and books of rates of the different countries, and to have hidden, under a mass of detail, those general and important truths, the extraction of which, in a simple form, I conceived would best answer the inquiries of the House, by condensing material information within those limits of time and attention, which this portion of their duties may justly claim. The plan, indeed, of minute details, would have been impracticable with some countries, for want of information.

Since preparing this report, which was put into its present form in time to have been given in to the last session of Congress, alterations of the conditions of our commerce with some foreign nations have taken place—some of them independent of the war, some arising out of it.

France has proposed to enter into a new treaty of commerce with us, on liberal principles; and has, in the mean time, relaxed some of the restraints mentioned in the report. Spain has, by an ordinance of June last, established New Orleans, Pensacola, and St. Augustine, into free ports, for the vessels of friendly nations *having treaties of commerce* with her, provided they touch for a permit at Corcubion, in Galicia, or at Alicant; and our rice is, by the same ordinance, excluded from that country. The circumstances of the war have necessarily given us freer access to the West Indian Islands, whilst they have also drawn on our navigation, vexations and depredations of the most serious nature.

To have endeavored to describe all these, would have been as impracticable as useless, since the scenes would have been shifting while under description. I therefore think it best to leave the report as it was formed, being adapted to a particular point of time, when things were in their settled order, that is to say, to the summer of 1792.

I have the honor to be, &c.

TH: JEFFERSON.

*To the SPEAKER of the House of Representatives of the United States of America.*

The Secretary of State, to whom was referred, by the House of Representatives, the report of a committee on the written message of the President of the United States, of the 14th of February, 1791, with instruction to report to Congress the nature and extent of the privileges and restrictions of the commercial intercourse of the United States with Foreign nations, and the measures which he should think proper to be adopted for the improvement of the commerce and navigation of the same, has had the same under consideration, and thereupon makes the following report:

The countries with which the United States have their chief commercial intercourse, are Spain, Portugal, France, Great Britain, the United Netherlands, Denmark, and Sweden, and their American possessions; and the articles of export, which constitute the basis of that commerce, with their respective amounts, are,

|  |                         |             |
|--|-------------------------|-------------|
| Bread stuff, that is to say, bread grains, meals, and bread, | to the annual amount of | \$7,649,887 |
| Tobacco,   | - - - - -               | 4,349,567   |
| Rice,  | - - - - -               | 1,753,796   |
| Wood,  | - - - - -               | 1,263,534   |
| Salted Fish,   | - - - - -               | 941,696     |



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# 2018 National Trade Estimate Report on FOREIGN TRADE BARRIERS

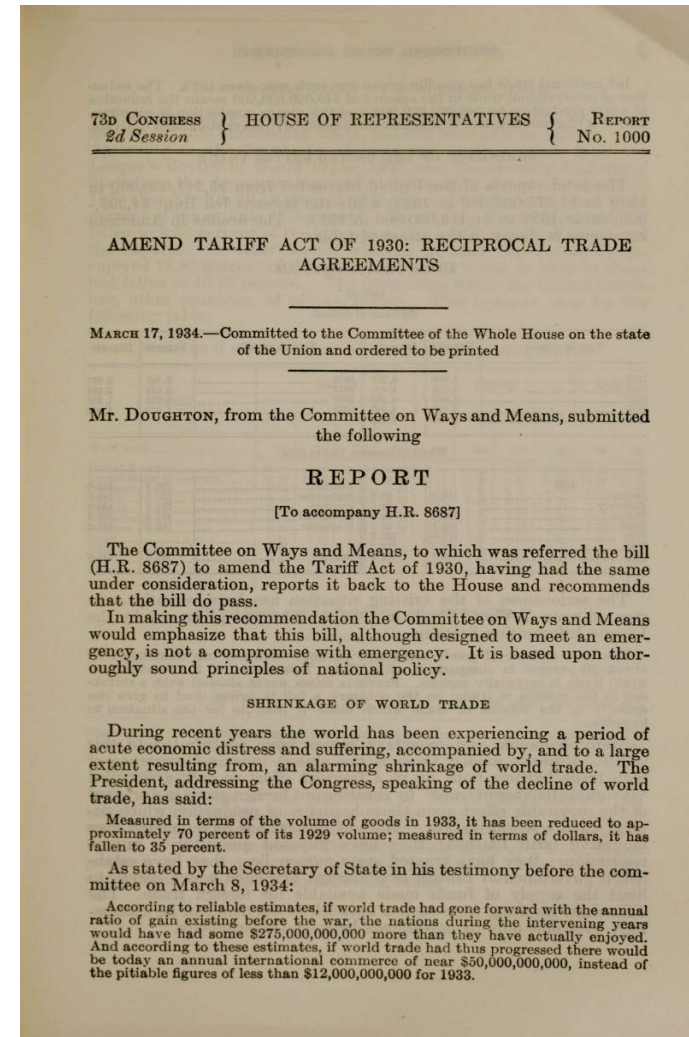


Ambassador Robert E. Lighthizer

Office of the United States Trade Representative

# RTAA

- Delegated negotiating power to the president
- Changed US political economy of trade



GENERAL PROVISIONS  
FOR INCLUSION IN TRADE AGREEMENTS

As revised to December 13, 1941

Preamble

Provisions Relating to Treatment of Trade in General

- (1) Most-favored-nation clause
- (2) Internal taxes
- (3) Quotas in general
- (4) Exchange control
- (5) Monopolies and government purchases
- (6) Customs administrative matters, advances in duties,  
and customs penalties

Provisions Relating to Concessions

- (7) Duty concessions by foreign country
- (8) Duty concessions by the United States
- (9) Compensating taxes
- (10) Dutiable value and conversion of currencies
- (11) Quotas on scheduled products
- (12) Withdrawal or modification of concessions
- (13) General provision to safeguard concessions

General Provisions as to Application of Agreement

- (14) Territorial application
- (15) Exceptions to most-favored-nation treatment
- (16) General reservations
- (17) Consultation regarding technical matters; committee  
of sanitary experts
- (18) Proclamation, ratification and definitive entry  
into force
- (19) Provisional application
- (20) Duration and termination

Authority: WPD 760910  
B2 NAPA Doc 2-8-07

DECLASSIFIED



# PROPOSALS



## for Expansion of World Trade and Employment

Developed by a Technical Staff within  
the Government of the United States  
in Preparation for an International  
Conference on Trade and Employment  
and Presented for Consideration by the  
Peoples of the World

4/10/1986

FOREIGN AFFAIRS | Flora Lewis

## Worthwhile Canadian Initiative

**C**anada is asking for negotiations on a free-trade zone with the United States. Few in the U.S. have paid attention, but it is an enormous issue here.

It is a remarkable shift for a country deeply touchy about its sovereignty and its national identity. Opponents argue nationalism as the key reason to maintain protection. Canada would risk being swallowed and homogenized by the U.S., they say.

But advocates turn the same argument around. The idea of abandoning barriers in return for access to the vast U.S. market shows that Canada has gained confidence in the sturdiness of its sovereignty and political will, in their view. They feel Canada can compete, and therefore benefit, not only in terms of industry but also in terms of retaining its own self-consciousness.

Canadian-U.S. relations are a special case in the world, of course, with the long, undefended border and the history of amity. Nonetheless, a free exchange in practically all goods and services would be an important shift in international affairs, a reflection of the way economics is leaping frontiers and tying countries together willy-nilly, despite their myriad arguments.

One part of the controversy here is whether a bilateral agreement would spur or undermine the larger efforts to open up world trade on a multilateral basis. It would be permissible under a special clause in the GATT accord, allowing countries to wipe out barriers between themselves that the rest of the trading community insists on keeping.

At a time when the clamor for protectionism is rising almost everywhere, it could provide a vital push in

OTTAWA

### A free-trade zone with the U.S.

the opposite direction. This would be particularly true in setting the precedent for including services, something the U.S. has been seeking from GATT for a long time with no success so far.

Third-world countries, with India and Brazil in the lead, do not want to open competition in financial, communications and other services as they do with certain manufacturers because the advanced countries do have an edge. But this is a stand that can't be held indefinitely without harming all trade.

It is exactly the shift of traditional industries to some rapidly developing countries that is forcing already-industrialized nations to turn more and more to service-based economies. Without a trade-off allowing them to supply their better organized service industries to the world market, they aren't likely to keep their home markets open to the flow of competing goods from low-wage producers.

These issues will come up at the Tokyo economic summit meeting next month, where the seven leading industrial nations will try to set a date for a new GATT round of tariff reductions. This is becoming urgent if the protectionist tide is to be stemmed. No one informed can deny any longer that trade, the international debt crisis and the problems of currency exchange rates are all intertwined and that none can

be solved without tackling the others.

A U.S.-Canadian move toward really free trade would show not only that it's possible but that countries determined to dig in behind their barriers risk being penalized.

Canada is taking the lead because 30 percent of its national product is now export-related, giving it a huge stake in an enlarged market, and 75 percent of its exports go to the U.S. The two countries are far and away each other's largest trading partner.

So far, the U.S. has been rather indifferent to the Canadian initiative. The Administration and Congress have other priorities just now. Canadian officials and politicians seem to be understanding, if disappointed, that their extraordinary gesture hasn't provoked more immediate interest. But they are pressing their point and Washington should bestir itself because this is an opportunity to move the world in the direction of American principles and openness of many kinds.

People in Canada's capital have an interesting double image of their country's standing in the world. On one hand, they feel themselves a rather small power compared with the U.S. colossus next door, despite their vast territory. But they also feel they have global interests and an important role on the grand scene, because they face both the Atlantic and the Pacific, because they are in NATO and the British Commonwealth and the French-speaking group of states.

They want to take a strong part in promoting peace, political stability, development and general prosperity. Offering free trade with the U.S. is an imaginative and practical proposal to push things along in the way they must ultimately go. □

# July 1945, from *Genesis of the GATT*

While disappointed with the multilateral-bilateral approach proposed by the United States, Canadian officials made a suggestion that soon took on immense importance. If the multilateral-bilateral approach had to be taken, the Canadians suggested, it would be undesirable to attempt to negotiate tariff reductions with many countries at the bargaining table:

“judging from past experience, the presence at a general international conference of the less important, and for the most part protectionist-minded, countries, would inevitably result in a watering-down of the commitment which a smaller number of the major trading nations might find it possible to enter into” (FRUS 1945, VI, 71–72; CDER 11, 104).<sup>74</sup>

Therefore, Canadian officials suggested that a small “nuclear” group of eight to twelve nations start things off.<sup>75</sup>

This Canadian proposal is the first hint that something along the lines of a GATT might be a useful precursor to an ITO. And Canada’s idea had an immediate impact on U.S. policy. As a result of these discussions, in late



gaining table. In Canada's view, "a general conference of all countries might be dangerous, since the views of the many small countries might unduly weaken the bolder measures which the large trading nations might find it possible to agree upon. . . . judging from past experience, the presence at a general international conference of the less important, and for the most part protectionist-minded, countries, would inevitably result in a watering-down of the commitment which a smaller number of the major trading nations might find it possible to enter into."<sup>47</sup> Therefore, Canadian officials suggested that a small "nuclear" group of eight to twelve countries that were deeply committed to reducing trade barriers be convened first. Until Canada's suggestion, the State Department had envisioned a single, large multilateral gathering that would negotiate tariff reductions, establish rules about trade policy, and create an International Trade Organization (ITO). Canada proposed moving in two steps: a smaller group would negotiate a reduction in trade barriers first, and then a larger group would finalize the text of an agreement creating an ITO.

This idea had an immediate impact on American policy. In July 1945,

# Palais des Nations

## April-October 1947





TRADING COMMITTEE OF THE PREPARATORY COMMITTEE OF THE UNITED  
NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

LEGISLATIVE AND NON-LEGISLATIVE DRAFTS SUBMITTED BY  
THE MEMBERS OF THE TRADING COMMITTEE

GENERAL AGREEMENT ON TARIFFS AND TRADE

The governments in respect of which this Agreement is signed,

Having been asked by the Economic and Social Council of the United Nations  
to prepare, for the consideration of the International Conference on Trade and  
Employment, a Charter for an International Trade Organization of the United  
Nations;

Noting, as the Preparatory Committee for the Conference, recommended to the  
Conference the provisions of such a Charter, the text of which is set forth in  
the Report of the Preparatory Committee; and

Being desirous of furthering the objectives of the Conference by providing  
an example of concrete achievement capable of generalization to all countries on  
equitable terms;

Have, through their respective Plenipotentiaries, agreed on the following:

ARTICLE I

General Most-Favoured-Nation Treatment

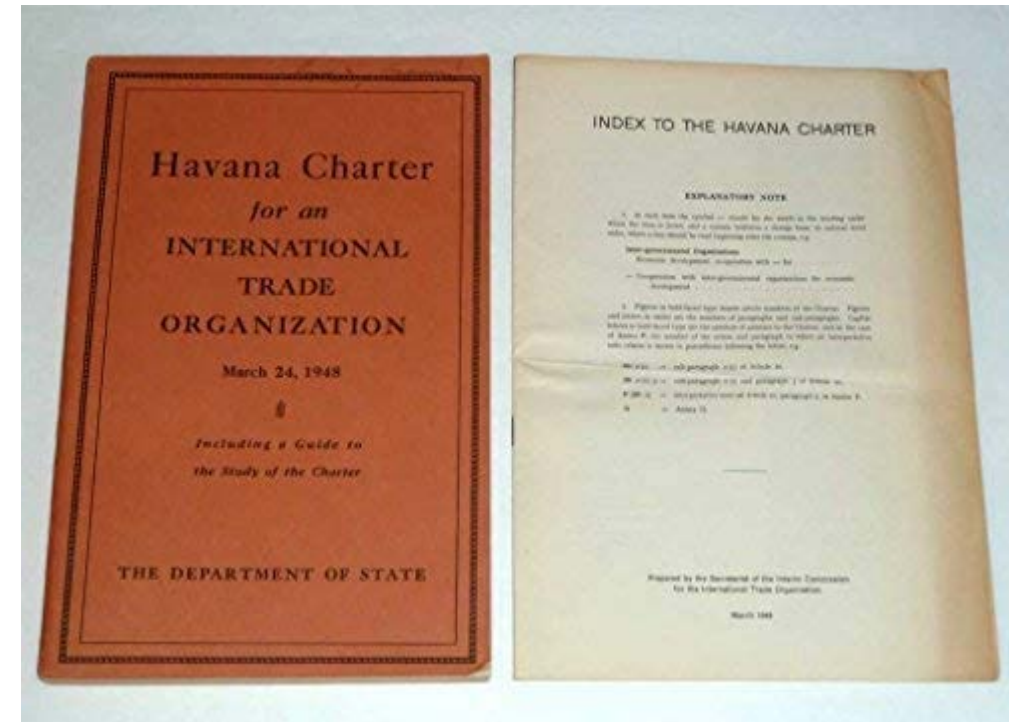
1. With respect to customs duties and charges of any kind imposed on or  
in connection with importation or exportation or imposed on the international  
transfer of payments for imports or exports, and with respect to the method of  
levying such duties and charges, and with respect to all rules and formalities  
in connection with importation or exportation, and with respect to all matters  
provided for in Article II, any advantage, favour, privilege or immunity  
granted by any contracting state to any product originating in or destined for  
any other country, shall be accorded immediately and unconditionally to the  
like product originating in or destined for all other contracting states

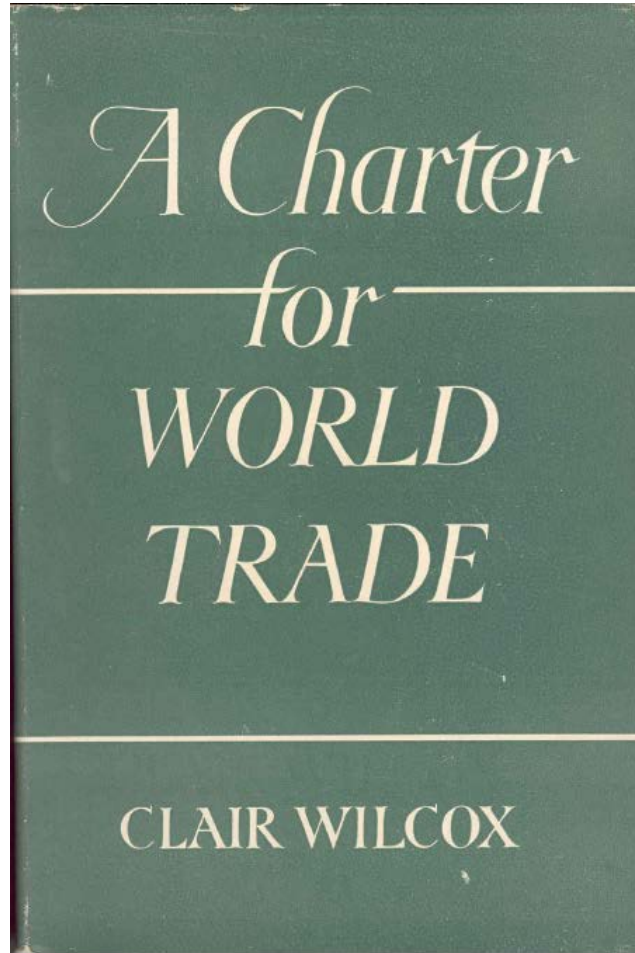
(respectively,



# ITO 1948 Havana Charter

- 106 articles
- Employment
- Economic development
- Restrictive business practices
- Commodity agreements
- Foreign investment





“The conference opened with a chorus of denunciation in which the representatives of thirty under-developed nations presented variations on a single theme: the Geneva draft was one-sided; it served the interests of the great industrial powers; it held out no hope for the development of backward states. Some eight hundred amendments were presented, among them as many as two hundred that would have destroyed the very foundations of the enterprise. Almost every specific commitment in the document was challenged.”





SPORTS

## Whoa Canada! Bianca Andreescu Captures the U.S. Open Title

In a blowout that got tense late, the 19-year-old rising star defeats her idol, Serena Williams, to take her country's first-ever major tennis title



Bianca Andreescu with the U.S. Open championship trophy after beating Serena Williams. PHOTO: ROBERT DEUTSCH/USA TODAY SPORTS/REUTERS



By *Jason Gay*

Updated Sept. 7, 2019 8:02 pm ET

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Politics

## Trump, Trudeau had a testy phone exchange over steel tariffs



U.S. president cites torching of White House during War of 1812

Kathleen Harris · CBC News · Posted: Jun 06, 2018 12:13 PM ET | Last Updated: June 6, 2018



Prime Minister Justin Trudeau walks with U.S. President Donald Trump at the White House in Washington, D.C. on Wednesday, Oct. 11, 2017. (Sean Kilpatrick/Canadian Press)

2896 comments

Donald Trump and Justin Trudeau held a tense telephone call last month over the U.S. president's decision to slap Canada with steep tariffs on steel and aluminum.

Trump mentioned the burning of the White House during the War of 1812 during the confrontational May 25 call, which was first reported by CNN and confirmed by CBC News.

Trudeau reportedly asked Trump how tariffs could be imposed on Canada on "national security" grounds. Trump reportedly responded: "Didn't you guys burn down the White House?"

It's not clear if Trump was attempting to inject humour into a discussion on a topic that could have serious economic repercussions.

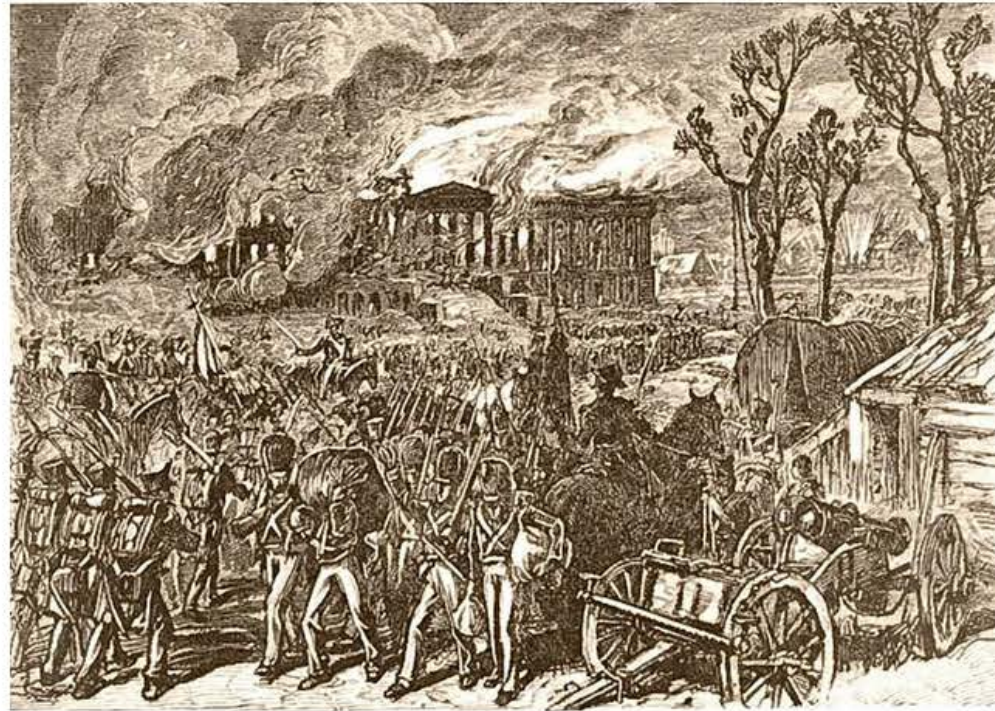
eyeconic

TAKE  
YOUR  
PICK.

Eyeglasses, sunglasses,  
contacts—we've got it all.

SHOP EYEWEAR

## *No, Mr. Trump, Canada Did Not Burn the White House Down in the War of 1812*



Proto-Canadians, disguised as British troops, set the torch to Washington in 1814, during the War of 1812.

By [Daniel Victor](#)

June 6, 2018



# 1978

## The Crumbling Institutions of the Liberal Trade System

JOHN H. JACKSON

MANY PERCEPTIVE OBSERVERS feel that we are currently undergoing the greatest challenge to the liberal trade system, including GATT (the General Agreement on Tariffs and Trade), since the formulation of that system in the immediate post world war II period. Certainly the signs are ominous: in the United States, in Europe, and elsewhere. Little progress has been made in more than four years of international trade negotiations; formidable domestic political forces are organizing co-ordinated campaigns for greater limitation of imported competing products; and national governments have been taking actions in blatant disregard of their legal and moral obligations concerning international trade. Where it will end we don't know—everyone present can easily conjure up a doomsday scenario, some relying on analogies of the disastrous policies of the 1920s and 1930s. But I do not feel such pessimism is warranted—yet. Nevertheless it behoves us to pay attention to the possible causes of the current crisis, and it is instructive to remember that the crisis was predictable and indeed predicted,<sup>1</sup> so that its arrival should not be astonishing even though it may be agonizing.

### I. THE CAUSES OF THE CRISIS

What are the causes of the crisis of confidence in the international liberal trade system so successfully implemented during the past three decades? I suggest there are at least five such causes—many of them quite obvious.

First, it is obvious that the sustained and often apparently intractable sluggishness of the world economy in recent years would place considerable stress on any system of economic or political organization. Whether this

<sup>1</sup> See Chs. 29 and 30 in Jackson, *World Trade and the Law of GATT*, 1969, Bobbs-Merrill.

John H. Jackson is Professor of Law, University of Michigan, Ann Arbor, Michigan 48109 U.S.A.; Author of *World Trade and the Law of GATT*, 1969, and *Legal Problems of International Economic Relations*, 1977; formerly, General Counsel, Office of the Special Representative for Trade Negotiations, United States Government.

This text is substantially drawn from a public address delivered by Professor Jackson in London, England, on 20 October 1977 at a dinner meeting sponsored by the Trade Policy Research Centre of London.



# 1990

## GATT IS DEAD

*The world economy as we know it  
is coming to an end, taking the  
General Agreement on Tariffs and Trade with it.*

by Lester C. Thurow

Since 1945 the world has been moving slowly but persistently toward an ever more open, integrated world economy. The very success of this trend, however, has undermined its continuation and led to an important shift in power: A single polar world economy centered around the United States has been replaced with a multipolar economic world in which Europe, Japan and the United States are nearly economic peers. But many of the current institutions and practices will not work in a multipolar world. The most important of these institutions are known as the GATT-Bretton Woods Institutions. They include the world's trading rules, known as GATT (General Agreement on Tariffs and Trade), and the major financial institutions set up at the Bretton Woods Conference in 1944, or the IMF (the International Monetary Fund) to manage balance of payments problems and the World Bank to finance infrastructure projects.

To make an open, integrated multipolar world work, the United States, Germany and Japan would have to tightly coordinate their monetary and fiscal policies. Each country also would have to believe it had an equal chance to win—a level playing field. This would mean

harmonizing tax and regulatory policies and broadly similar operations for households and businesses. But no country is prepared to make the necessary changes or yield economic sovereignty.

As a result, the world economy probably will move toward "quasi-trading blocs." Trade will be freer within the blocs but managed between the blocs. This is going to have a major impact on how service industries such as accounting function in the world economy of the 1990s and the early 21st century.

### THE SHIFT FROM WIN-WIN TO LOSE-LOSE

In the first three decades after World War II, everyone played a win-win economic game. Imports that looked small to the United States (3% to 5% of the gross national product) provided large markets to the rest of the world. From the American perspective, these imports were not threatening since they came in what were in American terms labor-intensive, low-wage industries that were being phased out anyway.

Balancing America's trading accounts was not a problem. America could grow farm products the rest of the world could not grow, supply raw materials such as oil that the rest of the world did not have and manufacture unique products the

rest of the world did not have the technology to build.

Everyone won. In the jargon of today's strategic planners, each country had a noncompetitive niche where it could be a winner.

With success, however, came an American locomotive that gradually grew too small to pull the rest of the world. In 1983-84, the United States pulled the world out of the 1981-82 recession, but in doing so created a huge trade deficit. This deficit cannot be solved without throwing the world back into a sharp recession or without levels of macroeconomics cooperation that are beyond what anyone is prepared to do. Without a solution, the United States will have to go ever deeper into international debt and its assets will become ever cheaper when priced in foreign currencies.

A successful noncompetitive niche export environment has evolved gradually into an intensely

LESTER C. THUROW, Ph.D., is dean of the Alfred P. Sloan School of Management of the Massachusetts Institute of Technology. He was a member of President Lyndon Johnson's Council of Economic Advisers and the editorial board of the New York Times, and was a contributing editor for Newsweek. Among the books he has written are *The Zero-Sum Society* and *The Zero-Sum Solution: Building a World-Class American Economy*. He appears regularly on *The Nightly Business Report* television program.

# The Multilateral moment - 2001-2017

- GATT System (1947-1994)

- Largely US-EEC-Japan
- Limited to tariffs
- GATT a la carte
- Diplomatic settlement

- WTO System (1995-present)

- Global reach
- Tariffs & more
- Single undertaking
- Dispute settlement

# The *End* of the Big Trade Deal

BY DANIEL K. TARULLO

*Why Doha will be the last of the  
grand multilateral trade negotiations.*

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**T**he Doha Round of multilateral trade negotiations has long been on life support. Those who recall the years in which the Uruguay Round was comatose may regard a near-death experience as a necessary stage before eventual recovery. Perhaps the mid-summer efforts to revive the talks will succeed. But regardless of whether Doha ends in at least a limited agreement, it may well be the last major round of the multilateral trade negotiations that have defined the world trading system since World War II. One way or another, trade policy officials and, indeed, everyone else concerned with international economic arrangements would be wise to begin contingency planning now.

#### DIAGNOSING DOHA'S PROBLEMS

The Doha negotiations have obviously been going badly for several years. It is less well-recognized that this round of negotiations was in trouble even before it was formally begun. The first attempt at launching a round, at a November 1999 Ministerial in Seattle, was a debacle. The Bush Administration had no more success in its early months. As with almost every aspect of international relations, the

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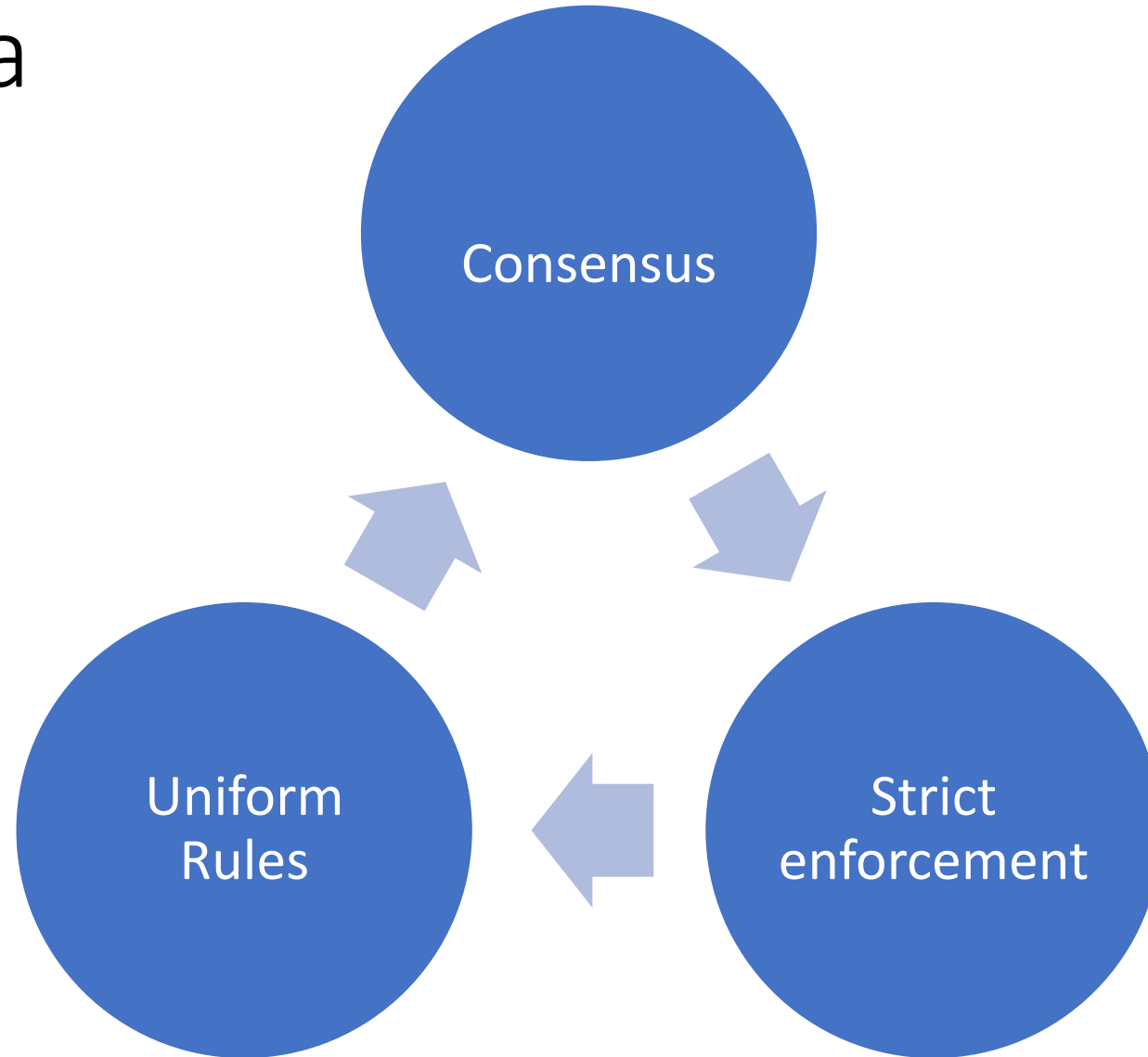
*Daniel K. Tarullo, formerly President Clinton's Assistant for International Economic Policy, is Professor of Law at Georgetown University.*

1. Too many countries
2. US-EU leadership less meaningful
3. Regulatory issues
4. Waning interest of multinationals
5. Regionals as substitutes for multilaterals



# WTO Trilemma

- Consensus
- Uniform rules
- Strict enforcement





AN INTERESTED LISTENER-IN  
From the *Montreal Star*

This Canadian newspaper calls the Dominion Conference a business gathering, with Uncle Sam perhaps a little worried.

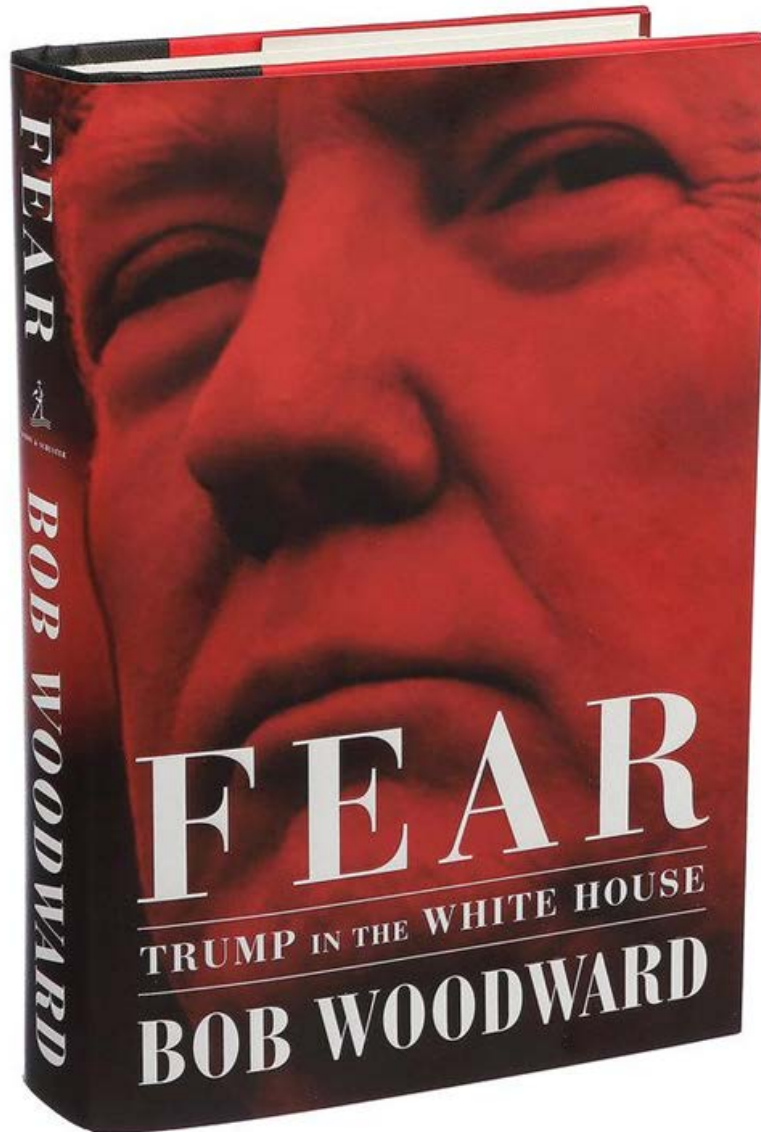
# Anti-US discrimination as motivating force

- Small accession rounds in 1950s
  - OTC fails to launch in 1955-56
- Formation of EEC in 1958 sparks Kennedy Round (1964-67)
- NTBs, EEC expansion sparks Tokyo Round (1974-79)
- Agriculture, services spark Uruguay Round (1986-93)
- What sparked Doha Round?

# How different is the Trump administration?

- “Trade is Bad” / “Tariff Man” / “Trade Wars good & easy to win”
- Likes tariffs for revenue, restriction, and reciprocity
- Imposes tariffs at peak of the business cycle
- Doesn't like rules, wants to mandate outcomes





You've got a \$40 billion trade surplus with us. We're military allies with you. We're in every battle with you."

"Of course," Trump said, "we'll let you out. That makes total sense. You guys are great. We've got a big surplus with you guys"—the holy grail.

Gary Cohn, who was in the meeting, was pleased. Turnbull had previously been a partner at Goldman Sachs and had worked for Cohn when he was Goldman president.

Coming back from the G20 summit, Trump was editing an upcoming speech with Porter. Scribbling his thoughts in neat, clean penmanship, the president wrote, "TRADE IS BAD."

TRADE IS BAD

Though he never said it in a speech, he had finally found the summarizing phrase and truest expression of his protectionism, isolationism and fervent American nationalism.

Nearly eight months later, on February 23, 2018, Turnbull arrived at the White House to see the president.

In the prep session in the Oval Office for the meeting, Cohn reminded Trump of his pledge.

"Mr. President," Cohn said, "the first thing he's going to bring up is the steel tariffs. And he's going to remind you that you let him out."

"I don't remember," Trump said, sitting behind the Resolute Desk.

"Well, sir," Cohn said, "you had the conversation with him . . ."

"I'm going to deny it," Trump replied. "I never had that conversation with him."



**Donald J. Trump** ✓

@realDonaldTrump

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....I am a Tariff Man. When people or countries come in to raid the great wealth of our Nation, I want them to pay for the privilege of doing so. It will always be the best way to max out our economic power. We are right now taking in \$billions in Tariffs. MAKE AMERICA RICH AGAIN

7:03 AM - 4 Dec 2018

15,431 Retweets 68,452 Likes



24K

15K

68K





**Donald J. Trump** ✓

@realDonaldTrump

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When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

5:50 AM - 2 Mar 2018

18,997 Retweets 79,444 Likes



26K



19K



79K





# Revenue, restriction, and reciprocity!

 **Donald J. Trump** ✓  
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....Tariffs will make our country much richer than it is today. Only fools would disagree. We are using them to negotiate fair trade deals and, if countries are still unwilling to negotiate, they will pay us vast sums of money in the form of Tariffs. We win either way.....

12:58 PM - 4 Aug 2018

14,598 Retweets 63,816 Likes




 12K  15K  64K 





 **Donald J. Trump** ✓  
@realDonaldTrump [Follow](#)

Tariffs are working big time. Every country on earth wants to take wealth out of the U.S., always to our detriment. I say, as they come, Tax them. If they don't want to be taxed, let them make or build the product in the U.S. In either event, it means jobs and great wealth.....

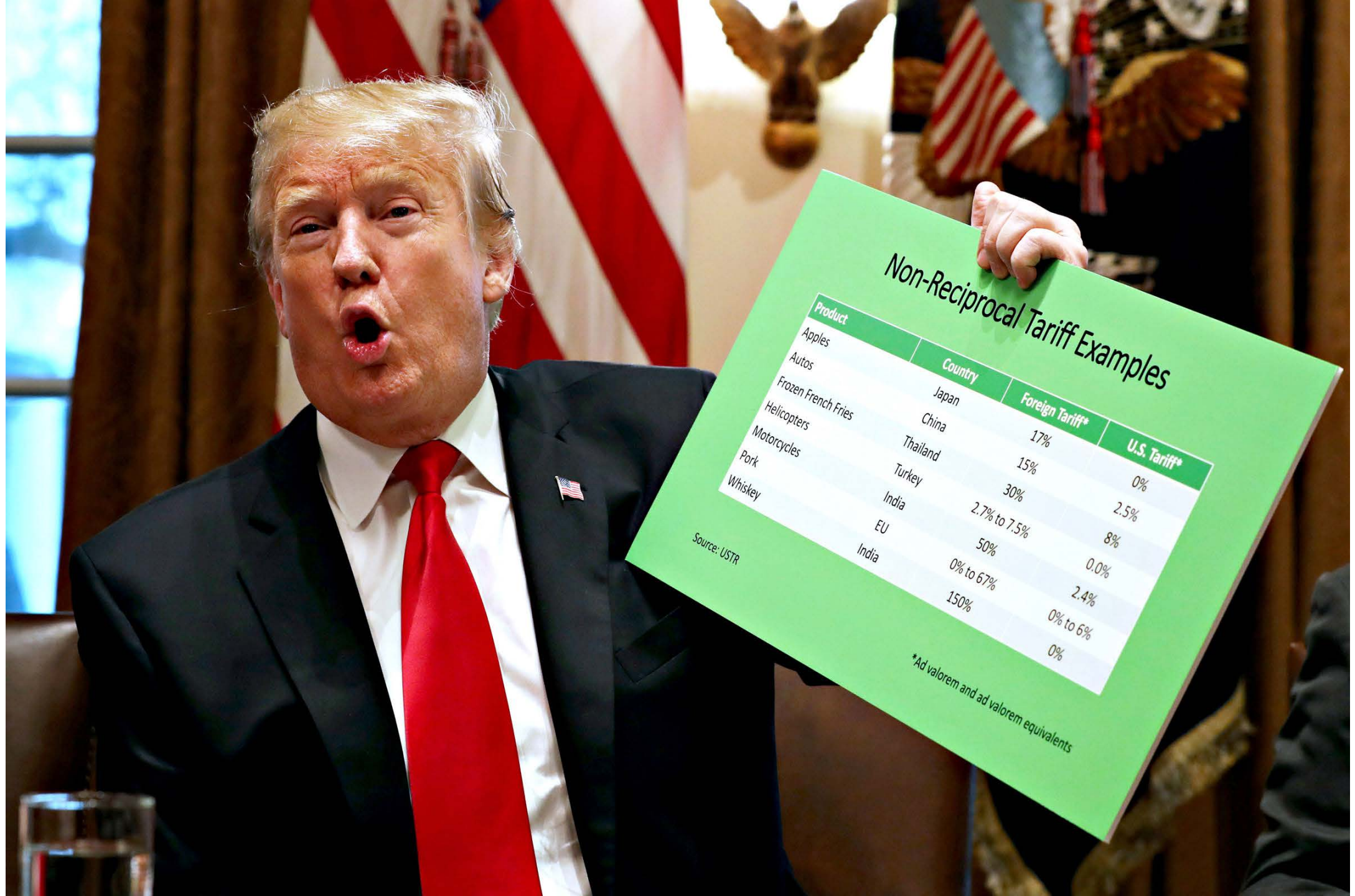
4:59 AM - 5 Aug 2018

15,931 Retweets 71,032 Likes



 9.1K  16K  71K 





## Non-Reciprocal Tariff Examples

| Product             | Country  | Foreign Tariff* | U.S. Tariff* |
|---------------------|----------|-----------------|--------------|
| Apples              | Japan    | 17%             | 0%           |
| Autos               | China    | 15%             | 2.5%         |
| Frozen French Fries | Thailand | 30%             | 8%           |
| Helicopters         | Turkey   | 2.7% to 7.5%    | 0.0%         |
| Motorcycles         | India    | 50%             | 2.4%         |
| Pork                | EU       | 0% to 67%       | 0% to 6%     |
| Whiskey             | India    | 150%            | 0%           |

Source: USTR

\*Ad valorem and ad valorem equivalents



OFFICE of the UNITED STATES TRADE REPRESENTATIVE  
EXECUTIVE OFFICE OF THE PRESIDENT

# Summary of Objectives for the NAFTA Renegotiation

*Monday, July 17, 2017*

## Summary of Specific Negotiating Objectives for the Initiation of NAFTA Negotiations

### Trade in Goods:

- Improve the U.S. trade balance and reduce the trade deficit with the NAFTA countries.

### *Industrial Goods*

- Maintain existing reciprocal duty-free market access for industrial goods and strengthen disciplines to address non-tariff barriers that constrain U.S. exports to NAFTA countries.
- Maintain existing duty-free access to NAFTA country markets for U.S. textile and apparel products and seek to improve competitive opportunities for exports of U.S. textile and apparel products while taking into account U.S. import sensitivities.
- Promote greater regulatory compatibility with respect to key goods sectors to reduce burdens associated with unnecessary differences in regulation, including through regulatory cooperation where appropriate.

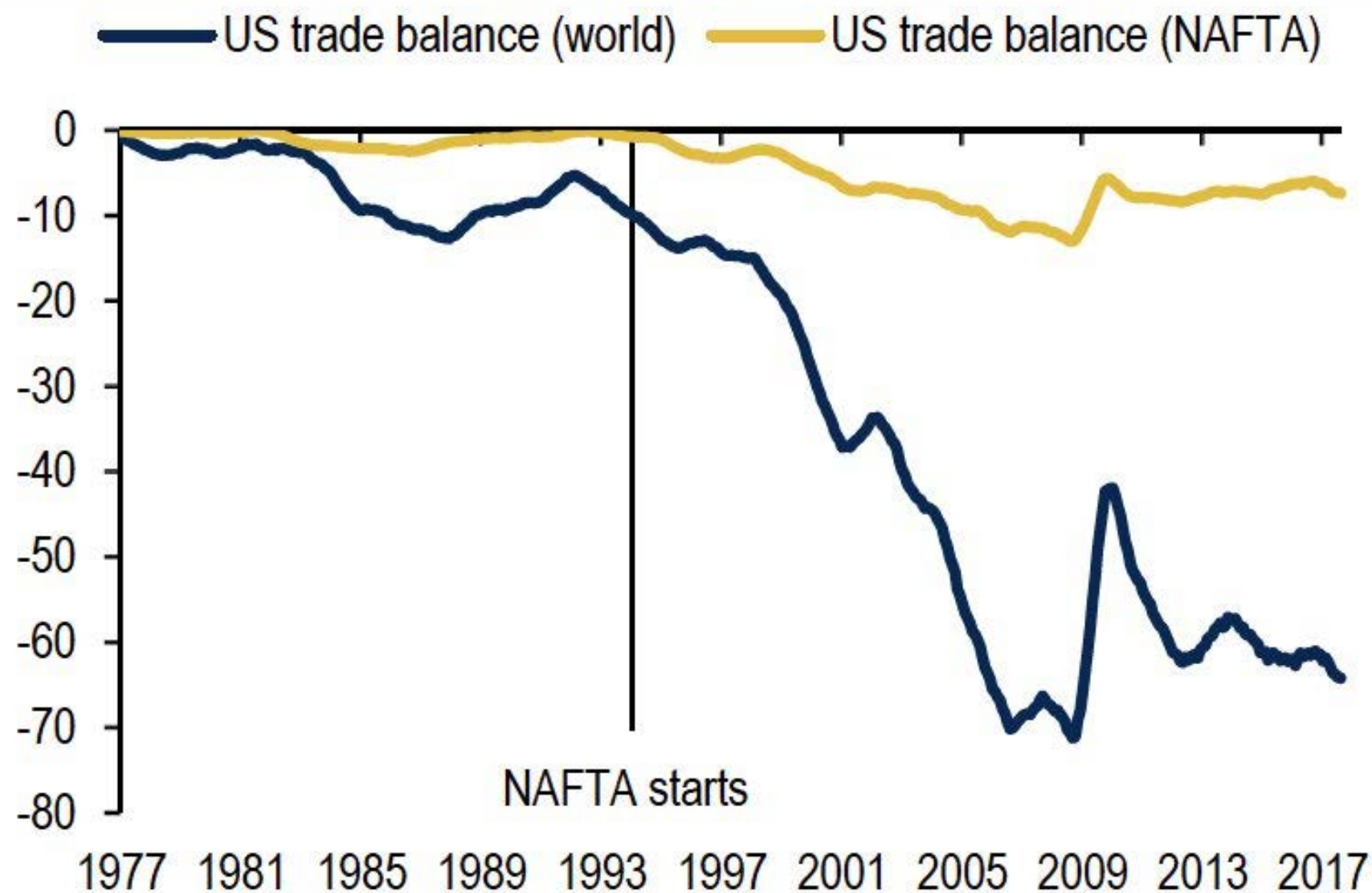
### *Agricultural Goods*

- Maintain existing reciprocal duty-free market access for agricultural goods.
- Expand competitive market opportunities for U.S. agricultural goods in NAFTA countries, substantially equivalent to the competitive opportunities afforded foreign exports into the U.S. market, by reducing or eliminating remaining tariffs.
- Seek to eliminate non-tariff barriers to U.S. agricultural exports including discriminatory barriers, restrictive administration of tariff rate quotas, other unjustified measures that unfairly limit access to markets for U.S. goods, such as cross subsidization, price discrimination, and price undercutting.
- Provide reasonable adjustment periods for U. S. import sensitive agricultural products, engaging in close consultation with Congress on such products before initiating tariff reduction negotiations.
- Promote greater regulatory compatibility to reduce burdens associated with unnecessary differences in regulation, including through regulatory cooperation where appropriate.





**Chart 1: US trade balance, 12m rolling average (\$ bn)**



Source: Census Bureau, Haver Analytics



**Donald J. Trump** ✓

@realDonaldTrump

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Just signed one of the most important, and largest, Trade Deals in U.S. and World History. The United States, Mexico and Canada worked so well together in crafting this great document. The terrible NAFTA will soon be gone. The USMCA will be fantastic for all!

6:45 AM - 30 Nov 2018

16,939 Retweets 71,293 Likes



15K



17K



71K



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Great reviews on the USMCA - sooo much better than NAFTA!

12:23 PM - 30 Nov 2018

8,329 Retweets 37,883 Likes



11K



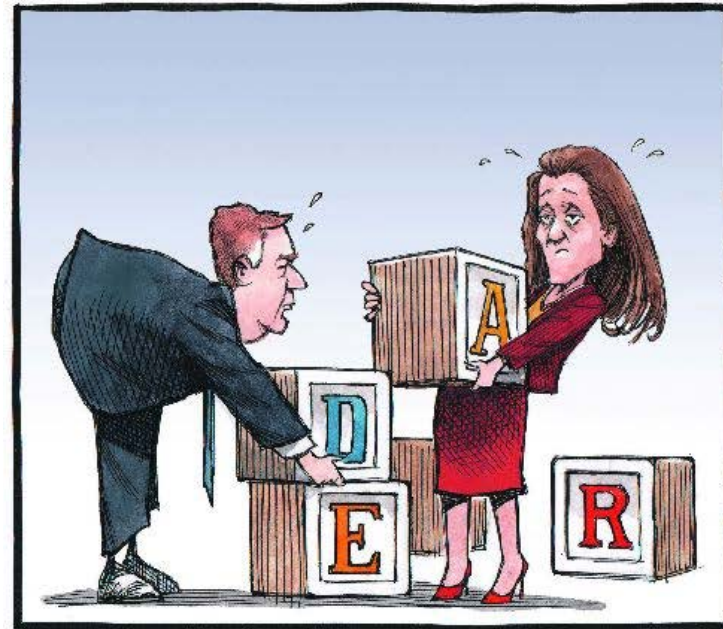
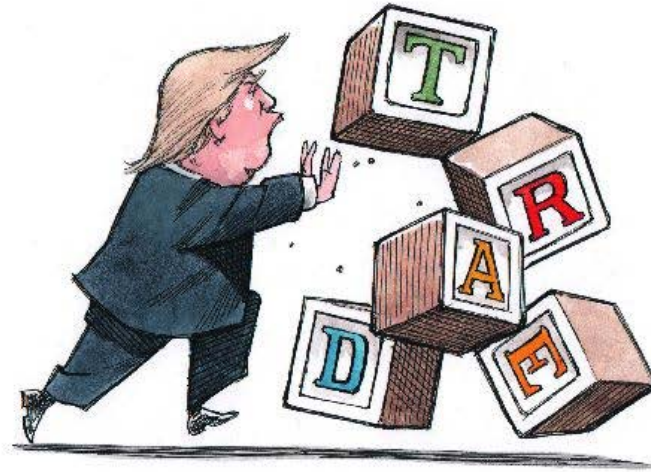
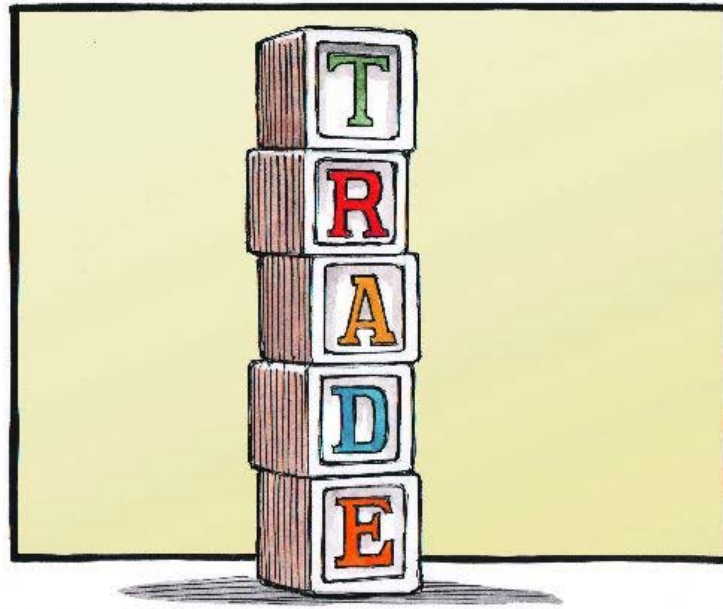
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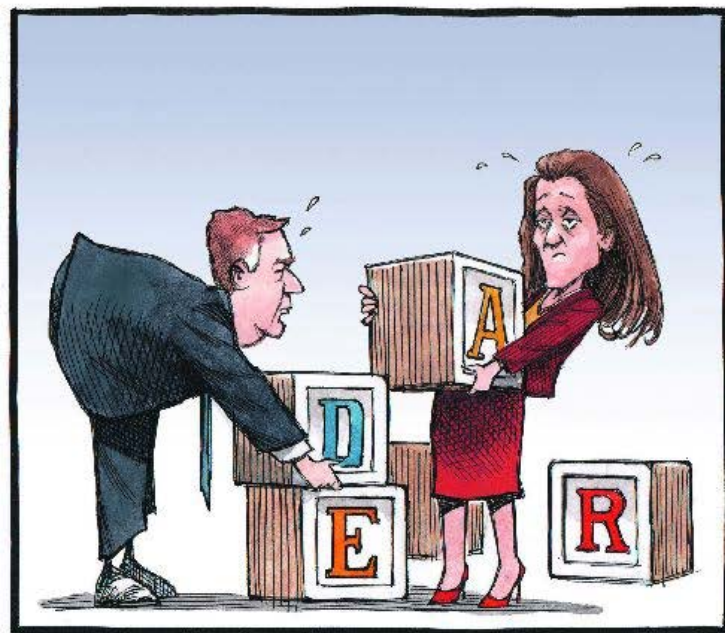
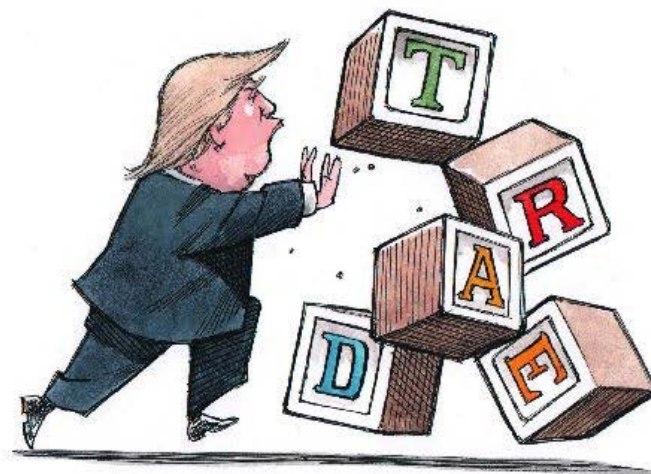
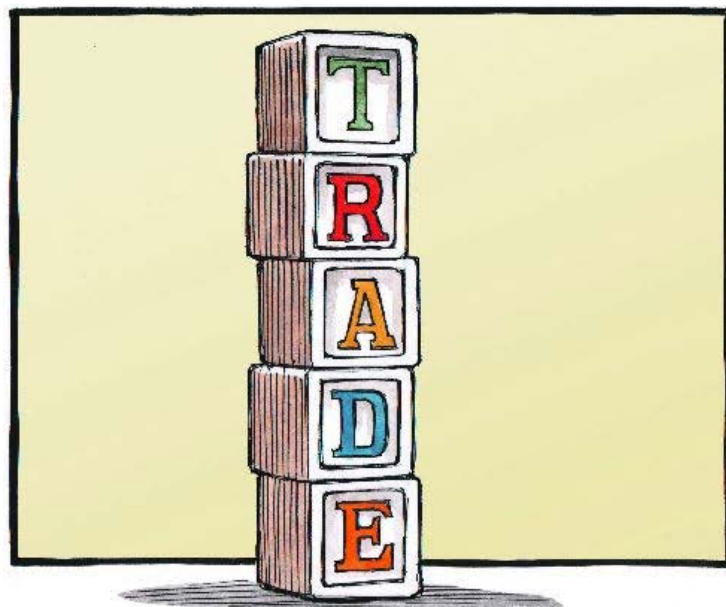


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**HURRAY!  
IT'S NOT  
TERRIBLE!!!**



*C. Clement*  
NATIONAL POST-18

# Trump's trade legacy

- No Big Deal

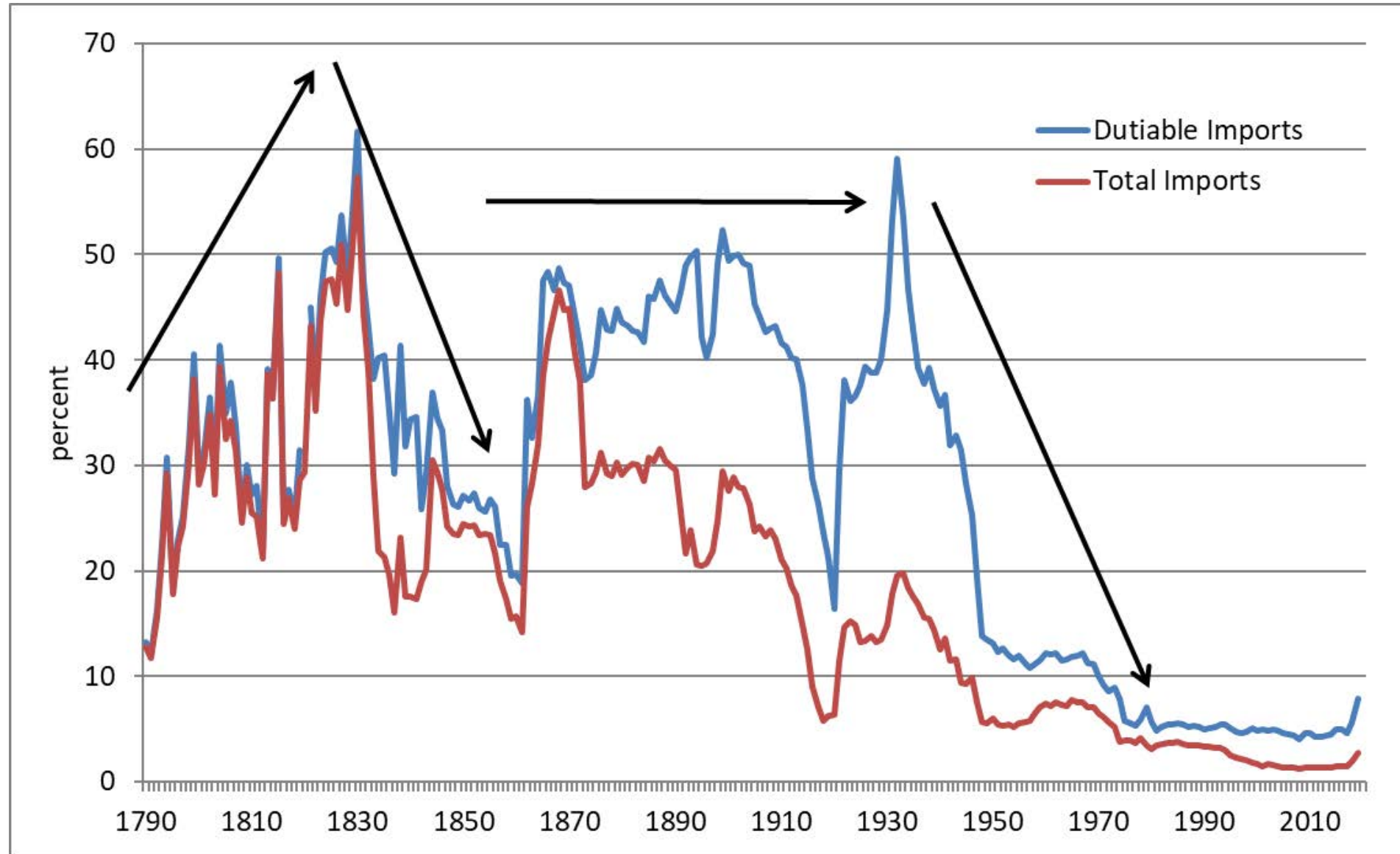
- Steel tariffs
- NAFTA → USMCA
- Trade deficit worries

- Big Deal

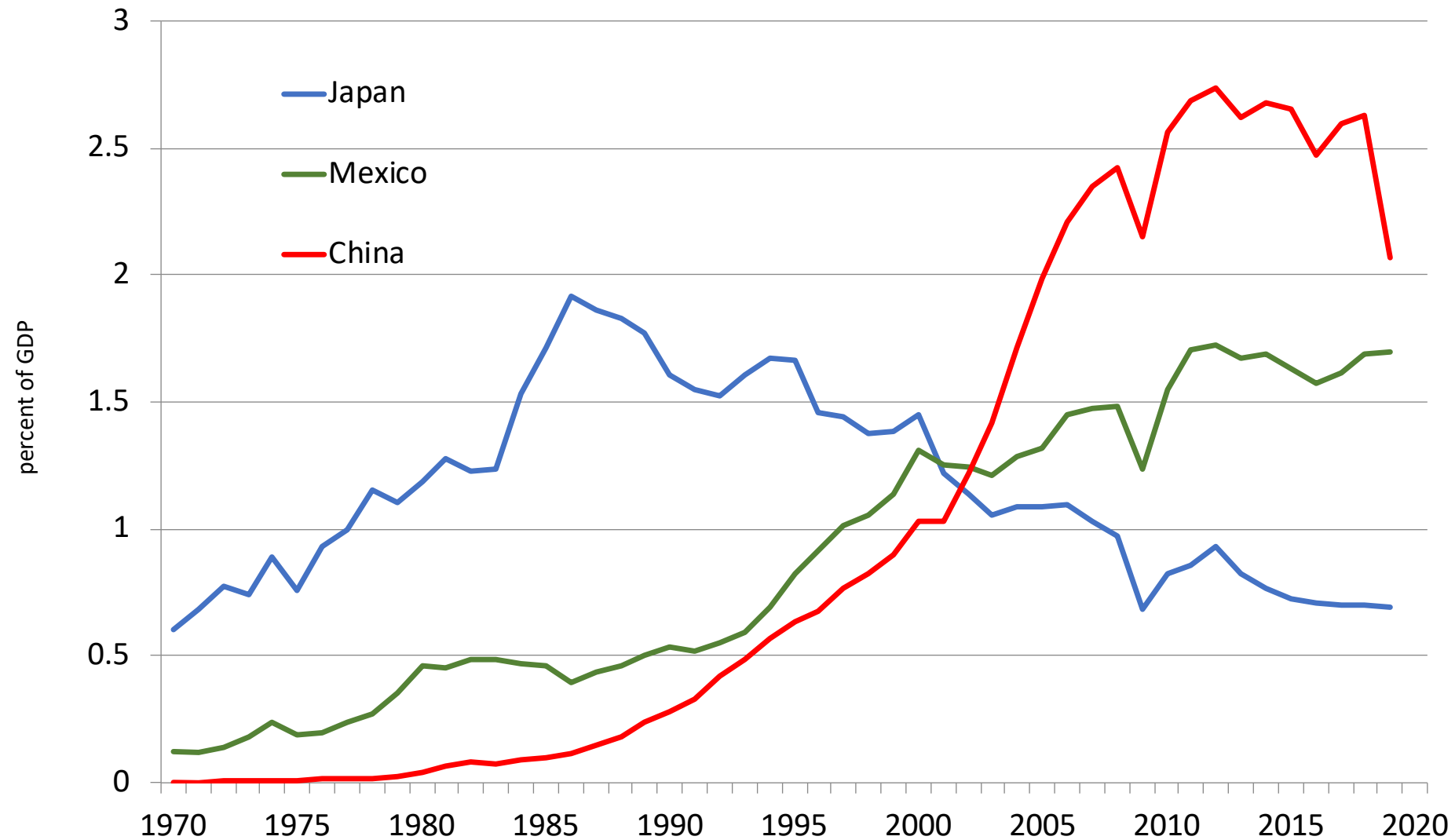
- “Trade is Bad” rhetoric
- WTO, allies (EU, NAFTA)
- Trans-Pacific Partnership (TPP)
  
- CHINA



# Average tariff on imports



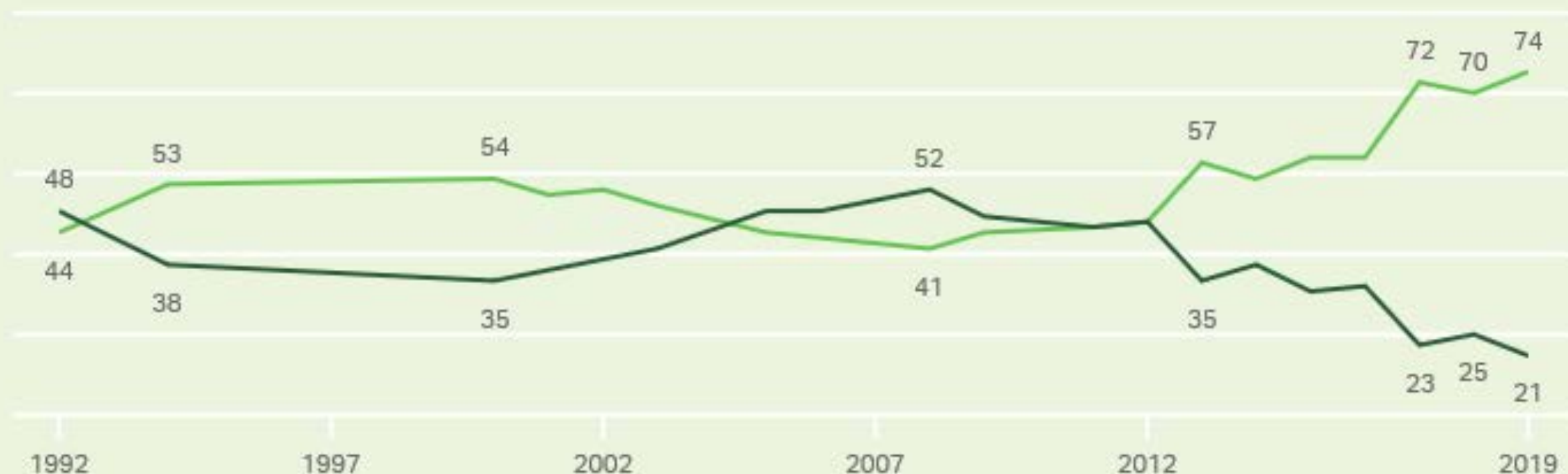
# Imports as share of GDP



# Americans' View on Effect of Foreign Trade on the U.S.

What do you think foreign trade means for America? Do you see foreign trade more as an opportunity for economic growth through increased U.S. exports or a threat to the economy from foreign imports?

■ % Opportunity for economic growth ■ % Threat to the economy



GALLUP

# Ronald Reagan 1988

- “Part of the difficulty in accepting the good news about trade is in our words. We too often talk about trade while using the vocabulary of war. In war, for one side to win, the other must lose. But commerce is not warfare. Trade is an economic alliance that benefits both countries. There are no losers, only winners. And trade helps strengthen the free world.”

