

Start Download

Convert Any File to a PDF. Get the Free FromDoctoPdf Toolbar!



Image Credit: [Hillary Clinton image via Joseph Sohm / iStock.com](#)

Has the US Turned Against Free Trade Agreements?

Distrust of free trade and globalization is the one thing all the U.S. presidential candidates seem to have in common.

By **Kithmina Hewage**

April 07, 2016

As the current presidential election campaign gathers momentum in the United States, a remarkable distrust of free trade and globalization appears to have gained a voice in mainstream politics. **Distrust and anger at unbalanced trade** has facilitated the rise of Donald Trump, the Republican Party front-runner, and helped Bernie Sanders in his bid to win the Democratic Party nomination.

Opposition to free trade and open markets is common in any political arena; however, what makes this year's campaign unique is that all the major candidates have taken tough stances on trade deals. Hillary Clinton – the Democratic front-runner – and Republican Senator Ted Cruz, Trump's major competitor, have both **criticized** the pursuit of free trade agreements such as NAFTA (the North American Free Trade Agreement) and the TPP (Trans-Pacific Partnership). In fact, Clinton has completely reversed her position on the TPP from her time as secretary of state; in 2012, then-Secretary Clinton referred to the agreement as setting “**the gold standard**” for trade deals.

What has led to this situation, especially when the American economy is performing better than it has in almost a decade?

The Politics of Trade Deals

Contemporary American electoral trends suggest that the Democratic Party – with heavy support from low-income voters, minorities, and unions – is more hesitant in supporting open markets. Meanwhile, the Republican Party – with its substantial support from high-income earners and pro-business agenda – is more accommodating of free trade agreements. This was made abundantly clear when **three-fifths** of congressional Democrats opposed NAFTA while 75 percent of Republicans supported its passage.

Similarly, during negotiations on the TPP congressional Republicans extended their support to granting President

Barack Obama key authority in finalizing the TPP. It is important to note that such support was extended in a highly toxic and divided political environment, where congressional Republicans have ardently opposed any measures proposed by the president. Even so, skeptics on trade were **relegated to the fringes** of the Republican Party.

The critiques of the current campaign are underpinned by two main narratives: attributing the loss of jobs in the United States to trade and criticizing a rising trade deficit with countries such as Mexico and China. Trump **has called** the trade deficit with China, for example, “the greatest theft in the history of the world.”

In fact, some studies do show that global competition with the Chinese economy has **increased unemployment and reduced wages** in particular areas of the United States. Economic orthodoxy, however, argues that increased trade benefits countries by reallocating resources toward more efficient production and thereby reducing the costs of goods while improving employment and the quality of life. The post-World War II trading regime, and the accompanying expansion of the global economy, attests to these claims to a great degree. A 2005 study by the Peterson Institute for International Economics estimated that trade had added **approximately 7.3 percent** to America’s GDP – amounting to about \$7,000 in increased annual income for every household in the United States. Moreover, estimates find that international trade improved the **purchasing power of lower-income households** by about 62 percent.

Herein lies the paradox of international trade – while the benefits of trade are broadly distributed, its costs are often concentrated.

A Trade Information Deficit

Skepticism toward international trade in general and trade deals in particular arises from a deficit in information made available to citizens by policymakers. In most instances, trade deals are negotiated without much transparency and the public are uninformed about the specifics of an agreement. There’s a political reason for this: trade negotiations require significant compromise by all parties involved and a perceived weakness in domestic support for any provision may lead to a counterpart exploiting the situation for their benefit in the international forum. As Robert Putnam notes, these “**two-level games**” provide a logical basis for governments to control the flow of information between the domestic and international realm during negotiations.

However, in the absence of adequate information, interest groups have sought to trump up potential losses from trade to create a sense of skepticism and fear among the general public. Therefore, governments often find it difficult to gain adequate support for trade deals regardless of the benefit to the economy and citizens. It is vital that governments ensure an inclusive process with domestic stakeholders, where adequate information regarding the direction of a deal is disseminated to the electorate. In this regard, both policymakers and economists have failed in their role as educators. Historically, advocates of trade have solely focused on the benefits without informing citizens about the potential costs. Thus, citizens feel deceived when confronted with the challenges associated with international trade, allowing greater influence for interest groups to disseminate protectionist ideals – irrespective of accuracy.

Importance of Trade Agreements

Trade agreements have become the embodiment of international trade, with proponents and opponents rallying around and against the passage of any particular trade deal. Unlike in previous decades, however, free trade agreements are no longer exclusively focused on tariff reductions. With the expansion of the **GATT/WTO trading regime** and the general acceptance of free trade, tariff rates across the world have reduced exponentially. Consequently, **non-tariff barriers** pose the most pertinent obstacles to trade.

Modern trading agreements, therefore, are geared toward addressing issues beyond simple tariff reductions and attempt to address bottlenecks hindering the growth potential through trade due to non-tariff barriers – many of which may have been unaddressed in previous trade deals. In essence, trading agreements now attempt to standardize and harmonize practices in order to facilitate better trade. Since developing countries suffer most from non-tariff barriers, it is vital that nations update their existing trading arrangements in order to fully benefit from trade by addressing existing obstacles.

The anger, frustration, and mistrust associated with bilateral and multilateral trade agreements threatens this process. These feelings are not exclusive to the United States. Any discussion on trade liberalization, especially in South Asia, evokes a strong response from certain interest groups promoting the continuation of protectionist policies. These groups are often well organized and consequently garner prominence in public discourse on policy matters.

Just as in the United States, critics in Asia showcase a growing trade deficit as evidence of the asymmetric benefits of

trade deals. However, as Neil Irwin **pointed out for the *New York Times***, “Trade deficits are not inherently good or bad; they can be either, depending on circumstances.” And in the United States in particular, circumstances indicate the trade deficit actually has positive effects.

To overcome such misconceptions, it is the responsibility of policymakers to recognize the political-economy of trade and engage with citizens by providing a comprehensive picture of the objectives of a given trade deal and its implications (both good and bad), as well as establishing a transparent and inclusive process when drafting such documents. Failure to do so will only exacerbate the trust deficit between the government and its people, hindering the growth of the country in the process.

Kithmina Hewage is a research assistant at the Institute of Policy Studies of Sri Lanka (IPS) with research interests in international political-economy and private sector development.

