

By scrapping TPP and TTIP, Trump has boosted American jobs in the short term – and destroyed them in the long term

<http://www.independent.co.uk/voices/donald-trump-trade-deals-tpp-ttip-american-business-workers-boost-short-term-destroy-long-term-a7543706.html>

These kinds of policies contributed to mass unemployment, the rise of fascism and the Second World War – the whole world will be the poorer for what President Trump has done

“A great thing for the American worker what we just did,” said Donald Trump as, with the stroke of his pen, he cancelled the Trans-Pacific Partnership (**TPP**). Trump will also scrap the European equivalent, Transatlantic Trade and Investment Partnership (**TTIP**), which has only just been agreed, and renegotiate (i.e. dismantle) the North American Free Trade Area (Nafta). Candidate Trump described it as the “worst deal ever” – a proud product of the presidencies of Bill Clinton and the first President Bush.

The lights, then, are going out all over the world of free trade. After the financial crisis and the Great Recession, they were flickering anyway. The best times for trade liberalisation, we can now see, were the decades either side of the millennium, as China, India and other emerging economies joined the world economy, and in particular the World Trade Organisation, which at least stopped them from imposing extreme tariffs and rules on the rest of the world.

True, the “Doha round” of **WTO negotiations** on global trade has stalled pretty much as soon as it began in 2001, but bilateral deals, the impact of China and a generally buoyant global economy helped international trade rise – and with it international living standards.

In the short term, I concede that it was a great thing Donald Trump did for the American worker. In the short term, say, what remains of American garment manufacturing will not have to contend with a blizzard of cheap gear arriving from Vietnam; US farmers wouldn’t have to worry about cheap Australian produce flooding their markets; Japanese plant and machinery won’t be turning up in quite the volumes previously envisaged. Sighs of relief all round. As Trump said, “We wanna start making our products again.”

They will, to an extent, though many countries will still be much more competitive in manufacturing thanks to radically lower wages. It may even be that it becomes profitable to make baseball caps with “Make America Great Again” on them in the US and not East Asia.

But why would the Americans, apart from pride, want to get back into low-tech manufacturing when they lead the world in (high-paid) work at the top end of almost every area of technology? Why have people in sweatshops making Trump campaign shirts when they can be designing driverless cars or the next smartphone or airliners?

Anyway, it was the platform Donald Trump was elected on. Hitting businesses with huge taxes for moving production abroad is simply the crudest weapon he will be using to achieve his aim of becoming “the greatest jobs president in history”.

Of course what is less visible is the damage such protectionism will inflict. Industries where America enjoys a vast advantage – software, finance, Hollywood and entertainment, high tech and aerospace, parts of agriculture and

mining – will be less able to access these fast-growing markets in South America and East Asia. American firms will no longer have the protections, if I can use the word, offered by TPP – protection of patents and copyrights, a “level playing field” for environmental standards and labour laws, and the rule of law via an agreed arbitration system.

Thus, the Americans won’t be able to crack Japan’s lucrative and, thus far, absurdly subsidised and regulated agricultural markets. Big pharma will find it trickier to stop “generic” copies of drugs that cost many millions of dollars to research stealing their markets away. Boeing and Pratt & Whitney will see orders go instead to rivals, old and new. So America will lose business opportunities, create fewer jobs and see lower profits as a result of Donald Trump’s action.

Longer term, trade wars, like real wars, are a lose-lose for everyone, and end in tears. There aren’t many people alive now who lost their jobs as a result of the vicious tit-for-tat protectionism on the 1930s but it was real and devastating. Alongside new tariffs, quotas and rules, countries engaged in competitive race-to-the-bottom devaluation of their currencies, as part of a destructive and zero-sum game where all players lost.

China’s currency manipulation in recent times has been real and unjustifiable but it cannot be dealt with by just printing dollars. Floating exchange rates work well if they are left to do their job. When governments get involved, then they cannot help economies adjust to change.

That historic experience, of “beggar my neighbour” policies, contributed to mass unemployment, the rise of fascism and the Second World War, to put it simply. After that war, the world resolved “never again”, set up the General Agreement on Tariffs and Trade – now the World Trade Organisation – and worked hard to gradually dismantle the barriers.

In Europe, the EU set about creating a common and then a single market (though with the unfortunate habit of erecting obstacles to third party trade). Rapid trade growth was one reason why the post-war era enjoyed such prosperity. All that is now falling by the wayside.

Few politicians want to make the case for free trade. In Britain, the Government claims that it wants to make the UK a great global advocate for free trade. Fine, but at the end of the Brexit process the UK could end up trading less with the rest of the world – including the EU – than it did before. Protectionism is winning.

Trade is good, by the way, because it enables consumers and businesses to buy things more easily and cheaply than before, leaving them with more cash in their pockets to spend or invest elsewhere. It leads to a more efficient use of productive resources – people, land, capital – and, under the law of comparative advantage, leaves everyone a winner, at least in the long run.

The well-known problem – political and social more than purely economic – is that it can destroy communities and leave families devastated. If they're lucky, new industries will arrive to take up the slack. Some of the more mobile workers will move to where the jobs are, if they can. If these declining towns and cities are unlucky, then they are left to rot. That was what Trump and Brexit were all about, in case you hadn't noticed.

TPP was the proposed free trade deal between all the leading economies fringing the Pacific, with the important exception of China. Still, with Japan, Australia, New Zealand, Indonesia, Malaysia, Chile, Brunei, Singapore, Canada, Peru and Vietnam, it accounted for some 40 per cent of global GDP, and offered an exciting prospect for developing, emerging and mature economies alike.

Nafta had bad effects but, overall, lifted living standards in Mexico, the US and Canada higher than where they otherwise would have stood. TTIP, meanwhile,

was going to be the breakthrough deal between the two largest markets in the world – the US and the EU. In fact it has been in trouble for a while. The left in Europe disliked the privileges it granted private companies and the idea that the profit motive would invade organisations such as the NHS and equivalent social programmes. Now President Trump has driven a stake through its heart.

A network of promising trade liberalisations encompassing the majority of the world population and GDP is falling apart. The biggest losers won't be those in the prosperous West, but in developing economies that will remain locked out of rich countries. Most of all, it will stymie the economic progress, long overdue, of Africa. But, in the long run, the whole world will be the poorer for what President Trump has done.

The best the UK can now expect is some sort of free trade arrangement with the US but if it threatens a single American job – as free trade necessarily does – Donald Trump may decide that he doesn't really need it.