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Conclusion

As this book has shown, US trade policy has always been the subject of intense political controversy. Different economic interests, located in different regions of the country and working through political parties and elected representatives, have fought either to expand exports or restrict imports. The tension between those groups that benefit from or are harmed by international trade has been constant throughout American history.

And yet, on top of this conflict has been stability. The United States has passed through three different periods in which a different objective of trade policy—revenue, restriction, or reciprocity—has taken priority. Within each of these periods, trade policy has been relatively stable and resistant to change, despite the ever-present conflict over its direction. This stability has come about in part because the American political system makes it difficult to change the status quo. As a result, one way to characterize US trade policy is "stability despite conflict."

For example, from 1860 to 1934, when imports were restricted by high tariffs, trade policy was bitterly contested, but the same policy remained basically intact throughout this seventy-five year period. Opponents of existing policy had only two opportunities to reduce tariffs, one of which was squandered, and the other quickly reversed. Similarly, in the reciprocity period since 1934, which has now lasted for more than eighty years, the debate has been whether to approve trade agreements that reduce tariff and non-tariff barriers further or to maintain the status quo—not whether to return to the era of high tariffs. When put in historical perspective, the range of policies being considered at any given point in time is usually quite narrow.

If one focuses only on the immediate conflict, one might miss the longer-term stability. In the early 1960s, Jacob Viner warned that "in Congress . . . the tide is running in a protectionist direction." In the early 1970s, C. Fred Bergsten warned that "US trade policy has been moving steadily away from the liberal trade approach which has characterized it since 1934." And there were many more such warnings about the return of protectionism in the 1970s and 1980s, followed by claims about the impending reversal of globalization, and the end of free-trade policies in the 2010s. However justified at the time, these warnings seem, with the benefit of hindsight, to have been overstated.[1] Instead, despite some pauses and reverses, the period since 1934 appears to have been a fairly steady movement in the direction of reducing trade barriers. Only time will tell if the anti-trade rhetoric of Donald Trump in the 2016 election campaign will translate into policy action and alter this conclusion. While there may be an increase in trade friction with China, much like that with Japan in the 1980s, that does not necessarily mean a broad US retreat from open trade policies or the end of the "reciprocity" phase of trade policy.

In some sense, the emphasis on reciprocity since World War II represents US trade policy coming full circle. Reciprocity has been a long-standing policy objective and tradition in American trade politics. The Founding Fathers always wanted foreign trade to be conducted in an open and non-discriminatory way. After winning its independence, the United States was surprised to find itself facing many discriminatory policies against its trade and shipping once it left the British Empire. The difficult experience of the 1780s—the failed commercial-policy negotiations and the economic losses the country suffered from having been excluded from the markets of the colonial powers—left an indelible mark on American thinking about trade. Thomas Jefferson's *Report on Commercial Restrictions* in 1793 firmly argued that foreign "unfair" trade barriers should not be tolerated and should be either negotiated away or addressed with countervailing measures. This was a precursor to the "National Trade Estimate Report on Foreign Trade Barriers" issued annually by the US Trade Representative today.

The United States did not worry about reciprocity for much of the nineteenth century, because Britain, its leading trade partner, pursued a policy of unilateral free trade. During that period, trade policy was largely a matter of domestic politics. But the return of colonial trade preferences toward the end of the nineteenth century led to renewed interest in trying to establish world trade on an open and non-discriminatory basis. The "Open Door" notes of Secretary of State John Hay in 1899 reflect this thinking, as did President Woodrow Wilson's insistence after World War I that the

United States had a national interest in equal and non-discriminatory access to world markets. In both cases, no serious policy initiatives were undertaken, but that changed with the dramatic deterioration in the world trade environment during the Great Depression of the 1930s. The imposition of extreme trade restrictions and the reintroduction of tariff preferences by Britain and its dominions in the 1932 Ottawa Agreements helped swing US trade policy toward the objective of eliminating preferential and discriminatory policies against US exports.

That goal—seeking to conclude trade agreements to reduce trade barriers—has been the essence of US trade policy since the end of World War II. "The overriding commitment of this administration in trade policy has been to open markets and expand trade—multilaterally where possible, and bilaterally where necessary—and to enforce trade laws against unfair trade practices by other trading nations."[2] This declaration came from the Clinton administration in 1993, but it could have described the trade policy of almost any presidential administration over the past eighty years. The statement reflects the basic continuity of purpose in US trade policy.

By helping to create the GATT and WTO, the United States has gone a great distance toward achieving the original goal of the 1780s, namely open and non-discriminatory trade around the world. Trade negotiations have brought down the import tariffs imposed by developed countries to low levels. US import tariffs, which have been the primary focus of this book, are also at historic low levels. In 2016, the average tariff on total imports stood at 1.5 percent, and the average tariff on dutiable imports stood at 5.0 percent. While there is a zero lower bound in terms of tariffs, these figures have not fallen much in recent years, and there is little chance that they will be eliminated anytime soon. Of course, the United States, along with other countries, continues to have many non-tariff barriers to trade. Still, when put in historical perspective, the United States is currently very open to trade; about 70 percent of imports currently enter duty free.

To continue this process of reducing trade barriers, the era of reciprocity has depended on presidential leadership. The natural inclination of Congress is to do nothing about an issue unless it perceives there is an important political problem to be solved. Because changes in trade policy always generate domestic controversy, Congress needs to be given a compelling reason to take action to reduce trade barriers. It has to be convinced that a trade agreement can solve a significant economic problem. Every major trade initiative in the reciprocity era—the first GATT negotiation in 1947, the Kennedy Round in the 1960s, and the Uruguay Round in the 1980s—arose as a way of dealing with significant obstacles facing US exporters: imperial preferences in the 1930s and the creation of the European Economic Community in the 1950s, and then European agricultural subsidies and the lack of intellectual property protection in the 1980s. In each case, a broad political consensus emerged that solving the problems facing exporters through negotiations with trade partners was in the national economic interest.[3] The lack of a compelling case that foreign trade policies are significantly impeding exports, or that foreign-policy considerations are enough to warrant action, has meant that gaining Congressional support for new trade agreements has been more difficult in recent years.

Perhaps a greater challenge facing US trade policy in this reciprocity phase is that new forms of protectionism are constantly arising. In the aftermath of the Great Recession of 2009, many countries around the world have used subtle forms of regulatory discrimination to protect and support domestic firms. These "grey area" measures are much less transparent than tariffs and other border measures, and hence much more difficult to negotiate away. Furthermore, the trade agreements of today are now as much about the harmonization of regulations, the establishment of product standards, and the protection of intellectual property as they are about traditional trade barriers, such as tariffs, quotas, and subsidies. As such, they become more intrusive in the domestic economy and are likely to be met with political resistance. The growing use of regulatory protectionism and the growing disenchantment with complex trade agreements makes the outlook for trade policy more uncertain today than in the past.

Still, there is a temptation to end a long book on history by projecting forward and making a prediction about future policy. If "stability despite conflict" is a lesson from past experience, one can easily be led to conclude that the future will look much like the past and that the reciprocity period will continue for some time to come. If it took the Civil War and the Great Depression to bring about a major shift in US trade policy in the past, it is hard to anticipate the next political or economic jolt that might put it onto a different track, the election of President Trump notwithstanding.

Yet a cautionary tale against such complacency comes from E. E. Schattschneider and his classic book on the Hawley-Smoot tariff, *Politics, Pressures, and the Tariff*. Schattschneider (1935, 283) concluded by saying that "a survey of the pressure politics of the revision of 1929–1930 shows no significant concentration of forces able to reverse the policy and bring about a return to a system of low tariffs or free trade." Unfortunately, this book was published the year after the passage of the Reciprocal Trade

Agreements Act, which marked the transition from restriction to reciprocity as the main objective of trade policy. That act eventually led to the lowest tariffs in US history. In light of that example, perhaps the only thing that can be said with confidence is that, as James Madison predicted long ago, many new clashes are sure to arise over the future of US trade policy.