

Healthy global trade flow belies the pitfalls ahead

American businesses should stand up and defend open borders

[Editorial]

In a difficult and uncertain world, it is refreshing to have good news, even when it mainly constitutes the failure of a predicted disaster to materialise. It was revealed on Wednesday that global trade in the three months to January had grown at the fastest rate in nearly seven years.

The news is reassuring because of a widespread worry over the past few years. While a full-on protectionist disaster akin to the Great Depression has been avoided following the global financial crisis, many have been concerned that trade has nonetheless been held back by governments afraid of free markets and globalisation. Yet while that downside risk has failed to materialise, another rather large one has heaved into view in the shape of the avowedly protectionist Donald Trump.

It remains to be seen whether Mr Trump's threats of massive tariff increases will come to much more than his abortive plans for fundamental changes to US healthcare. But the chances of their becoming reality will be reduced if US businesses, which have much to lose from an international trade war, stand up to defend globalisation as good for America.

The concern about global commerce in recent years reflects the fact that the world has been receiving much less trade per dollar of gross domestic product than it did during the 1990s and early 2000s. In the heady days of globalisation before the global financial crisis, trade tended to grow at something like twice the rate of GDP: that ratio has dropped to more like one-to-one in recent years.

On examination, though, this seems to be more to do with natural structural changes. As emerging market countries, particularly China, have gone up the value chain, so they have

taken more of previously internationally disaggregated production processes inside their economies. It is part of the evolution of the world economy, and nothing to worry about. The havoc that Mr Trump could cause, particularly if he starts a trade war with China, is much more concerning. It may well be that the president's **fiery rhetoric turns out to be nothing but hot air**. The **travel ban and healthcare debacles** have shown that the Trump White House does not have the command of detail or understanding of the legislative process to implement its policies in full. **But the president's ability to inflict severe damage on international trade without needing to consult Congress is considerable.**

In this context it is important for American businesses to stand up and defend open trade. David MacLennan, chairman and chief executive of the commodities trader Cargill, has shown the way, warning about the dangers of a trade war with China. More chief executives should say the same. Companies have many interests and concerns to pursue with the new administration, including tax and regulation, but all will lose out if a general rise in protectionism hurts the US economy.

Mr Trump is unlikely completely to change his mind about trade purely because of the views of US-based multinational businesses, many of whom in any case he thinks are too eager to move production abroad. But interventions by companies may at least strengthen the hand of the more free-trade faction within the administration, which is struggling hard to prevent a lapse into protectionism.

That global trade is expanding is a cause for relief more than celebration. So far, populist protectionism has not become reality. That could all be changed by one man. Those who have benefited from globalisation have a duty to defend it, rather than joining a retreat into economic nationalism.