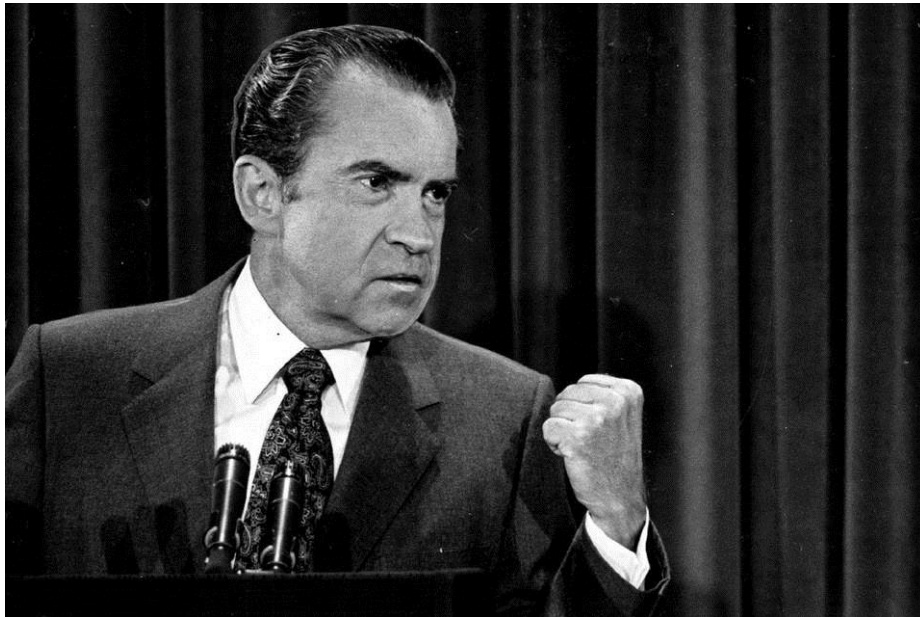


Powerful Pair: Protectionism and the Presidency

White House wields outside clout to direct nation's path on trade



Four months after President Richard Nixon, shown in 1971, imposed an across-the-board import surcharge, the rest of the world agreed to devalue the dollar.

With an overvalued dollar and a growing trade deficit, the Republican president needed to fulfill an election promise to protect manufacturers from foreign imports. So he stunned the world by imposing a 10% across-the-board tariff on imports.

A scene from a future Donald Trump presidency? Actually, it's what Richard Nixon did in 1971.

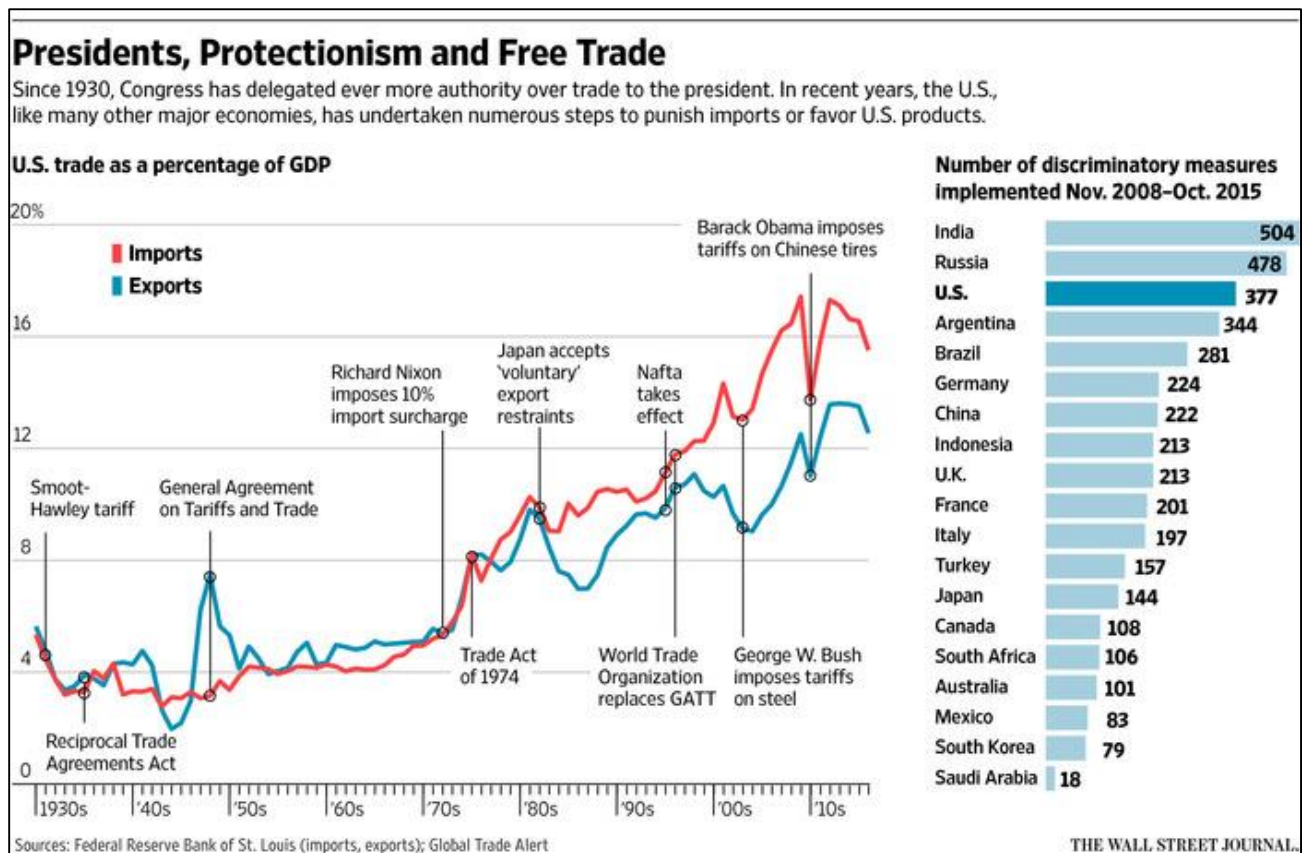
As Mr. Trump closes in on the Republican presidential nomination by promising voters he'll crack down on foreign competitors, the rest of the world should take stock of the extraordinary power a president has to take the country in a protectionist direction.

Mr. Trump says he's for free trade and not a protectionist. Nonetheless, he has threatened steep tariffs on imports from China and Mexico and disparages trade pacts, from the North

American Free Trade Agreement to the signed but unratified 12-nation Trans-Pacific Partnership.

Many of Mr. Trump’s policy positions are inconsistent, seemingly formed on the fly. But his antipathy to foreign trading partners is deep-rooted. In 1987, he wrote that Japan became wealthy “by screwing the United States with a self-serving trade policy.” In 1999, while flirting with a presidential run, he called Nafta “a disaster.” The Korea-U.S. free trade pact, he said in 2010, was “something that only a moron would sign.”

Moreover, unlike his views on torture or banning Muslims from entering the U.S., Mr. Trump’s position on trade is not an outlier. Democratic candidate Bernie Sanders is equally skeptical of free trade, lambasting front-runner Hillary Clinton last Sunday for supporting “virtually every one of the disastrous trade agreements written by corporate America.” Mrs. Clinton and Republicans Ted Cruz and Marco Rubio have all backed away from past support for the TPP.



Protectionist actions are on the rise globally, according to a tally compiled by Global Trade Alert, a watchdog group, led by India and Russia. Britons will soon vote on whether to leave the European Union. In short, a protectionist president would suit the temper of the times.

The Smoot-Hawley tariff of 1930, which sharply raised import tariffs and worsened the Depression's impact on trade, is often cited as a cautionary tale about protectionism. But in one respect the analogy is flawed. Smoot-Hawley was largely the product of horse trading between individual legislators to protect favored industries. As a result, in 1934, Congress decided to forgo "the business of tariff logrolling," as trade historian Doug Irwin writes, and **delegated most authority over tariff negotiations to the president.**

This division of power has insulated the world trading system from Congress's parochial tendencies. By the same token, it puts the world more at the mercy of presidents whose latitude over trade has steadily expanded.

Presidential appointees at the Commerce Department adjudicate complaints that foreign imports are being illegally sold at below cost, below home-country price or subsidized. They almost always find in favor of the domestic industry. Whether those findings actually merit penalties is up to the independent International Trade Commission, whose members are nominated by the president and confirmed by Congress.

While the candidates haven't delved into the details of **trade enforcement**, a president has enormous leverage through several broader powerful tools, such as **Section 301** of the Trade Act of 1974, which authorizes the president to take "all appropriate and feasible steps" against any "unjustifiable or unreasonable" discrimination against U.S. exports, and Section 201, under which he can seek to protect industry from surging imports.

Mr. Trump has promised to brand China a "currency manipulator." The relevant legislation specifies no penalty—only consultations with the alleged manipulator. Mr. Trump says that would "bring China to the bargaining table" or "face tough countervailing duties." There's precedent for such tactics. Four months after Mr. Nixon imposed his import surcharge, the rest of the world agreed to devalue the dollar. In the 1980s, Ronald Reagan forced Japan to accept voluntary restraints on automobile exports.

Mr. Trump claims an import tariff could force Mexico to pay for a border wall. Some have speculated he could seek national-security justification under one of two laws: **Section 232 of the Trade Expansion Act of 1962**, or the **International Emergency Economic Powers Act**, previously used to embargo trade with Nicaragua and Iran.

The main deterrent to such unilateral trade barriers is the threat of retaliation under one of the many trade treaties to which the U.S. belongs. After George W. Bush slapped tariffs on steel in 2002 under **Section 201**, the World Trade Organization granted the European Union the right to retaliate. Mexico could drag the U.S. to a Nafta tribunal.

The U.S. could stand fast and accept retaliation. Though the law is murky, a president can probably pull the U.S. out of the WTO or Nafta on six months' notice, says Gary Horlick, a veteran trade lawyer, though that would leave in place many of the laws enacting their provisions, such as on tariff cuts and intellectual-property rights.

Mr. Trump's advisers would no doubt warn him of the economic and diplomatic havoc that a trade war would entail, as would U.S. companies that sell or source abroad. Congressional Republicans, who remain largely supportive of free trade, might rebel. The question for Mr. Trump would then be, how much of a backlash is he willing to endure to hold fast to his threats?