

**CATO EVENT:
“THE (UPDATED) CASE FOR FREE TRADE”**

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PREPARED REMARKS OF U.S. SENATOR PAT TOOMEY (R-PA)

There are few areas of policy where the morally and economically correct prescription is as crystal clear as it is on free trade.

That’s because trade is not zero-sum—the unrestricted, mutual exchange of goods and services benefits both parties involved.

If the exchange did not benefit both parties, the exchange would not occur.

Within the borders of the United States, there is almost universal agreement about this.

No one cares what the trade deficit is between Pennsylvania and New Jersey.

But when that exchange occurs across a *national* boundary, suddenly government intervention is needed to ensure that the exchange is “fair.”

Put simply, protectionist policies interfere with natural, voluntary exchange.

This creates distortions in the market that shower rents on the few at the expense of the many.

But because the benefits of protection are highly concentrated—and therefore visible—and the costs are highly dispersed—and therefore unseen—it can be politically difficult to vote against protection.

That is why one former trade official called voting to lower trade barriers an “unnatural act” for a politician.¹

However, for many decades following World War II, American policymakers as a whole did a pretty good job committing these unnatural acts.

¹ “Outline for Remarks by William R. Pearce, before the Committee on Foreign Relations,” 11 Dec. 1974. Pearce was Deputy Special Representative for Trade Negotiations in 1972-73. https://www.piie.com/publications/chapters_preview/3829/1iie3829.pdf, p. 5.

America became the global champion for trade liberalization—to the great benefit of American workers, consumers, and businesses.

In 1947, the U.S. helped found the General Agreement on Tariffs and Trade (“GATT”), a trade agreement whose purpose was, according to its preamble, the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis."

The GATT enshrined the core principle of “most favored nation” tariffs—that countries should apply the same tariff rate to all other members.

In the 1990s, the United States then led the charge to form the World Trade Organization.

With 164 member countries, it is by far the largest trade agreement in history.

The U.S. also negotiated in earnest free trade agreements with our allies, including the monumental North American Free Trade Agreement.

According to the Peterson Institute, between 1950 and 2016, the payoff to the United States from this trade expansion was massive.

As a direct result of international trade, GDP per capita increased by over \$7,000.²

These gains have lifted up lower-income households disproportionately, as they spent a greater percentage of income on consumption.

Until 2016, the benefits of freer trade were largely understood by U.S. Presidents, who advocated for trade agreements regardless of political party.

I am concerned that this understanding is quickly evaporating—and that we are entering a new era of protectionism.

As today’s event title suggests, free trade is suffering from an alarming, bipartisan lack of support in Washington.

It seems that a new variety of trade protectionism comes into vogue in Washington each week...

² Measured in 2016 dollars. See: <https://www.piie.com/system/files/documents/pb17-16.pdf>.

- the assertion that “national security is economic security” in order to justify tariffs on steel, aluminum, and autos;
- calls to “re-shore” supply chains, as if this will somehow strengthen them;
- all permutations of tough-on-China policies, even if it means hurting American manufacturers or lower-income consumers;
- USTR’s vague and deceptively branded “worker-centric” trade; and
- the protectionist cult classic: so-called “fair” trade.

Noticeably absent from the debate on trade policy today is really *any* consensus in favor of free trade.

Once a non-controversial line item in Republican party platforms, free trade is now treated as a radical minority view.

I was the lone Senate Republican to vote against USMCA—an agreement that was designed with the explicit intent to diminish trade!

Because I hold this apparently radical view, a certain former president once nicknamed me “Pat ‘No Tariffs’ Toomey”—which, I think, was intended to be an insult.

Obviously, I did not take it that way.

Unfortunately, this new anti-trade zeitgeist appears to be more than a blip on the political radar.

The Biden Administration has carried the Trump torch by continuing the same misguided policies as the last administration.

They have vigorously opposed attempts to secure a mere tariff exemption *process* for American importers of Chinese products.

We’ve still made no progress on reforming “national security” tariffs, despite the Trump Administration’s flagrant abuse of that statute.

And, they have failed to negotiate any new trade agreements with our allies—not the UK, not Taiwan, not Kenya.

America has lost its way on trade, and this is something that should concern all Americans.

On November 26, 1988, in his final radio broadcast from Reagan Ranch, President Reagan reiterated his support for free trade and his opposition to protectionism.

Two months prior, the U.S. Congress had—with an overwhelming majority—passed the implementing legislation for the historic free trade agreement between the U.S. and Canada.

At the time of Reagan's broadcast, the U.S. was still waiting for Canada to internally ratify the agreement.

"Our peaceful trading partners are not our enemies, they are our allies [...] We should beware of the demagogues who are ready to declare a trade war against our friends, weakening our economy, our national security and the entire free world—all while cynically waving the American flag."³

The next month, the Canadian Parliament approved the agreement—ensuring its entry into force on January 1, 1989.

Just a few years later, the U.S.-Canada pact became the foundation for what was, at the time, the largest free trade agreement in history: NAFTA.

Subsequent presidents followed Reagan's lead, concluding FTAs with 17 additional countries.

U.S. leadership would do well to reembrace free trade with that same vigor.

We should also remember that the moral superiority of freedom—including the freedom of voluntary exchange—doesn't end simply because a border has been drawn between nations.

Free trade is natural, just, and makes Americans more prosperous.

³ <https://www.washingtonpost.com/archive/politics/1988/11/27/last-broadcast-from-reagan-ranch-hails-free-trade/c0019311-0ab5-4a0b-9ab7-bd9c3ead0070/>.