

RESEARCH SUMMARY

Time for US Unilateral Trade Liberalization: A Trade Agreement with Ourselves

US tariffs are compounding the economic damage caused by the coronavirus pandemic and blocking access to needed medical supplies. While executive action can mitigate some of the harm, the scope of the problem requires congressional action. In “[A Fresh Start for US Trade Policy: Unilateral Trade Liberalization through a Tariff Reform Commission](#),” Daniel Griswold and Donald J. Boudreaux say that moving toward free trade is in our own national interest regardless of what other nations choose to do. In effect, we can reach a “trade agreement with ourselves.”

UNILATERAL TRADE LIBERALIZATION HAS A SUCCESSFUL TRACK RECORD

Other nations have already followed the proven path of unilateral trade liberalization. These include emerging economies such as India, China, and Chile, as well as high-income nations such as Australia, New Zealand, and—most recently—the United Kingdom.

A TARIFF REFORM COMMISSION CAN OVERCOME SPECIAL-INTEREST OPPOSITION

There are at least two good models for how to structure a Tariff Reform Commission:

- The successful Base Realignment and Closure process reduced the size and expense of the US military’s base infrastructure.
- Congress has used the Miscellaneous Tariff Bill process to temporarily suspend thousands of duties that are costly to domestic producers.

Using a similar process, a Tariff Reform Commission could enable Congress with one up or down vote to unilaterally eliminate a broad swath of US tariffs over a specific period of time.

ELIMINATING TARIFFS UNILATERALLY WOULD BRING AT LEAST SEVEN BENEFITS TO THE UNITED STATES

- It would boost take-home pay and living standards for the large majority of Americans.
- It would lower production costs and raise productivity for US firms, making those with genuine comparative advantages more competitive in global markets.
- It would increase America’s capital stock and, thus, further raise worker productivity.
- It would boost exports as well as imports.

- It would allow the United States to realize the benefits of more trade without the need to negotiate complex and incomplete agreements with other governments.
- It would raise US credibility in trade negotiations with other nations.
- It would reduce waste from rent-seeking—with the government committed to a policy of unilateral free trade, businesses would have little incentive to lobby for protectionist measures.

KEY TAKEAWAY

Though the benefits of unilateral trade liberalization would be broadly shared, a minority of sectors and firms would be hurt by such a policy, at least in the short or medium run. But, given the flexible internal markets for labor and capital, the economy would be able to adjust to take advantage of the opportunities created by trade. The net economic gains that result could make more resources available for income support, job retraining, and other programs to help displaced workers find more sustainable employment.