

Inquiring Minds topic – 3 February 2017

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Where is U.S. trade going under the Trump Administration?

Since the new administration has already made relatively "radical" changes, is making changes, and proposing significant changes, where is

Trade with Cuba heading?

Where is trade with the U.K. Going?

Where is trade with the European Union going?

Will trade be less involved on a global scale, or more on a nation to nation basis?

Here are two pertinent articles to consider:

Trump's big gamble... luring countries into one on one deals

- WSJ January 27, 2017

President Donald Trump has used the \$60 billion trade deficit with Mexico to influence his decision in renegotiating NAFTA. WSJ's Gerald F. Seib explains the other factors that paint a complex picture of the relationship between the two countries.

President Donald Trump is betting big that he can harness U.S. strategic and economic heft to press other countries [into one-on-one trade deals](#), a sharp reversal from recent U.S. policy to negotiate sprawling regional agreements that cover broad swaths of the global economy.

The strategy reflects the view of a confident deal maker that trading partners will come to the table ready to make enough concessions to Washington to justify meaningful bilateral deals—and that other economic blocs won't seize the moment to expand and integrate further, crowding out the U.S.

Mr. Trump and his advisers have signaled they want maximum flexibility to protect key U.S. industries, including auto makers and steel producers. It is easier to protect specific sectors in talks with a single country than in multilateral negotiations, which can require more last-minute concessions and compromises to clinch a deal meant to open markets broadly.

Still, it is too early to declare the death of multilateral deals around the globe. German Vice Chancellor Sigmar Gabriel said this week that Berlin [doesn't want to start bilateral talks](#) "just because they pursue a nationalist policy on the other side of the Atlantic." As part of the European Union, Germany and other member states can only negotiate trade agreements as a part of the broader bloc. Meanwhile, [China is forging ahead](#) with broad trade negotiations in Asia while a bilateral investment treaty with the U.S. remains stalled.

TRUMP'S FIRST 100 DAYS

But Mr. Trump is gambling that the U.S. will be able to attract countries to one-on-one deals with the lure of lower tariffs on their exports to the world's biggest consumer economy. The sheer size of the American market—along with Mr. Trump's threat of tariffs—could bring countries to the bargaining table, although the openness of the U.S. market means only so much is to be gained through even-lower barriers at the border.

Moreover, populist movements that eschew multilateralism are pushing big economies—such as the U.K.—to embrace the idea of bilateral talks with the U.S., even before Mr. Trump brings much pressure to bear on trading partners.

In the U.S., the new president this week ordered officials “to begin pursuing, wherever possible, bilateral trade negotiations to promote American industry, protect American workers, and raise American wages.”

In light of the [collapse of the Trans-Pacific Partnership](#), which Mr. Trump formally pulled out of this week, Japan might be early on his list. The U.S. pullout from the 12-nation pact was anticipated but was nonetheless the strongest signal to date that Mr. Trump would act on his stated preference for bilateral deals.

Japanese Prime Minister Shinzo Abe, whose parliament ratified the TPP in December, has defended the trade accord. But on Thursday he [opened the possibility of bilateral talks](#). Tokyo’s support for the broader pact “doesn’t mean Japan won’t hold bilateral free-trade talks with the U.S.,” he said.

Japan and the U.S. already have a bilateral blueprint for an agreement negotiated in a series of one-on-one talks and included in the broader TPP. But Mr. Trump and his advisers have signaled that they would want to narrow the \$40 billion trade deficit the U.S. has with Japan on cars and auto parts alone. That is a tall order, given Japan is eager to maintain its advantage in car exports. Detroit auto makers have criticized Japan’s regulatory barriers for cars but, overall, are less interested in Japanese consumers, who haven’t warmed to their relatively larger cars, than in faster-growing markets.

Japan's Prime Minister Shinzo Abe in parliament in Tokyo this week. Mr. Abe has indicated he is open to bilateral trade talks with the U.S. Photo: toru yamanaka/Agence France-Presse/Getty Images

Mr. Trump’s intention to renegotiate the North American Free Trade Agreement, or Nafta, could provide perhaps the first glimpse of his bare-knuckle approach to individual trading partners. While Nafta is a three-way deal that includes Canada, the northern neighbor has a bilateral deal with the U.S. that predates Nafta. Mr. Trump has made it clear that Mexico, and the \$61 billion U.S. trade deficit over the southern border, are his primary target.

That [relationship sharply deteriorated this week](#) over Mr. Trump’s planned [construction of a wall on the countries’ border](#) and his assertion that Mexico would pay for it. Mexico President Enrique Peña Nieto canceled his plans to come to Washington next week, a meeting that was seen as the kickoff for bilateral talks.

Mr. Trump’s emphasis on the border wall may have been an attempt to bring further [leverage to the renegotiation of Nafta](#), which Mr. Trump on Thursday called defective. Mr. Trump complained about the U.S.’s trade deficit with Mexico and what he called “a one-sided deal from the beginning of Nafta.”

Mr. Trump and his advisers have already sent some signals about what they are seeking from Mexico, an emerging auto-producing powerhouse. People familiar with the Trump trade team’s thinking said that the new administration could seek a provision that would require U.S. parts to be included in cars traded duty free between the countries.

A renegotiation of Nafta could also help set the terms for subsequent bilateral talks with other countries such as the U.K. as it exits the EU, and for efforts to renegotiate a bilateral trade agreement with South Korea, a Trump adviser and trade lawyers say.

For example, Mr. Trump’s advisers, like many lawmakers on Capitol Hill, are eager to incorporate binding rules on currency in trade agreements, with consequences such as tariffs for countries that don’t follow International Monetary Fund guidelines on their finances. Artificially cheapening one’s currency can lead to trade advantages that wipe away any benefits trading partners get from lower tariffs.

Mr. Trump has criticized China repeatedly for allegedly manipulating its currency over the years.

China’s leaders [haven’t shown a willingness to eliminate tariffs](#) or open up sensitive industries to foreign investment, but Beijing, faced with the threat of tariffs, could take pragmatic steps to limit steel and aluminum exports or hold its currency higher against the dollar, former officials say.

The threat of tariffs to curb imports and protect American firms has been a mainstay of Mr. Trump's trade rhetoric. During the 2016 campaign, he threatened to impose tariffs of 35% or more on China, Japan and Mexico, a message his aides say is partly a negotiating tactic. A [surge in imports in the fourth quarter](#) last year caused trade to subtract 1.7 percentage points from U.S. economic growth.

With Germany where the U.S. has a \$75-billion trade deficit, Mr. Trump is likely to take a tougher approach than former President Barack Obama, who had close relations with Chancellor Angela Merkel. Earlier this month, Mr. Trump threatened German auto makers with tariffs for investing in Mexican plants to build cars to send to the U.S. duty free.

Most economists believe in the benefits of open borders for countries around the world. The more of the global economic landscape that lifts trade barriers, the greater the benefit to the countries involved, they say. Besides economists, multinational companies also prefer expansive trade agreements so they have maximum flexibility for their supply chains and fewer sets of regulations.

Mr. Obama sought multilateral deals to shift the global trade climate gradually, starting with negotiations in the Pacific region through the TPP and with the EU's 28 member states.

Former Obama officials say, for example, that Washington's success in getting Japan to open up markets in the TPP provided an economic incentive for Malaysia and other countries in the bloc to accede to U.S. demands on labor and the environment.

— Andrea Thomas and Mitsuru Obe contributed to this article

From WSJ, Jan 27

WASHINGTON—President Donald Trump hosts British Prime Minister Theresa May on Friday at the White House for his first meeting with a foreign leader since taking office one week ago.

At the top of the agenda is trade, as the two leaders try to navigate the U.S.-U.K. relationship while Britain prepares to exit the European Union.

Mrs. May will seek to lay the groundwork for a new trade deal with the U.S., and she is expected to receive a warm reception from a president who is seeking to reshape America's global economic engagement [by forging unilateral trade deals](#) instead of broad regional agreements.

Mr. Trump quipped on Thursday that he will be negotiating a deal himself, given much of [his cabinet hasn't yet been confirmed](#).

The president and prime minister will hold a meeting in the Oval Office, then a joint news conference. They will also lunch in the State Dining Room.

Mr. Trump and Mrs. May, both of whom rode into office on a wave of anti-establishment sentiment, have said they will dramatically reshape their countries.

But they differ on major issues that may come up in their Friday discussion, including the Iran nuclear deal, which Mr. Trump rejects, and relations with Russia. Mrs. May on Thursday advised Mr. Trump to "engage but beware" in talks with Russian President Vladimir Putin.

U.K. Prime Minister Theresa May on Friday will become the first foreign leader to meet Donald Trump since he took office. In a tricky balancing act, she has to lay the ground for a trade deal with the U.S. and avoid antagonizing European leaders. Photo: Reuters

Mr. Trump [is expected to speak with Mr. Putin](#) as early as this weekend. In an interview Thursday with Fox News, he suggested Russia and the U.S. could join forces in the fight against Islamic State.

"I don't know Putin, but if we can get along with Russia, that's a great thing," Mr. Trump said. "It's good for Russia, it's good for us."

Mrs. May's visit caps a week in which Mr. Trump's confrontational approach to a different ally led to the largest [diplomatic rift between the U.S. and Mexico](#) in decades. Mr. Trump has said he plans to renegotiate the North American Free Trade Agreement, or perhaps withdraw the U.S. from the pact.

Mexican President Enrique Peña Nieto canceled his visit to the White House next week after Mr. Trump continued to insist Mexico pay for building a wall along the length of the U.S. border. The White House later [suggested a 20% import tax to pay for a wall](#).

Mr. Trump also is expected to sign a series of executive orders Friday and Saturday.

They include new [changes to U.S. refugee and immigration policies](#), including a ban on entry to the U.S. for all people from seven countries in the Middle East and North Africa deemed by the new administration as a terror risk.

Mr. Trump also is expected to take steps to escalate the U.S. fight against Islamic State in Syria and Iraq. He is scheduled to visit to the Pentagon on Friday.

One of his executive actions directs the Pentagon and the State Department to craft a plan to create safe zones for civilians fleeing the conflict in Syria, a move former President Barack Obama resisted for years saying [it risked bogging down the U.S. in another Middle East war](#).

The White House has said Mr. Trump also plans to take executive action to start a government investigation into his unsubstantiated claims of [widespread voter fraud](#) in the 2016 election.

Mr. Trump's claims that millions of people voted illegally, despite no evidence to back up that assertion, have overshadowed a week that has seen a flurry of activity from the new president trying to advance his agenda.

Mrs. May, who became prime minister in July after the U.K. voted to leave the EU, is seeking to drum up support for free-trade deals around the world as she seeks to show that her plan to leave the EU's single market for goods and services won't dent economic growth.

She has said the U.K. will prosper outside the bloc by strengthening relationships with allies such as the U.S. and by building economic links with fast-growing economies, like India. In contrast to Mr. Trump, she has repeatedly advocated for free trade and internationalism.

On Thursday, Mrs. May warned the U.S. [against withdrawing from the world stage](#) and said the two countries couldn't afford to stand idly by when it is in their interests to intervene. She spoke of the so-called special relationship between the U.S. and U.K., saying the two countries have a responsibility to lead together as they redefine their roles in the world.

"We can either be passive bystanders, or we can take the opportunity once more to lead," she told Republican lawmakers in Philadelphia.

