



## Trump Carrier Deal a Sign of Things to Come?

Chris Opfer

December 1, 2016

President-elect Donald Trump touted a deal to keep a Carrier Corp. manufacturing facility in the U.S., but it's not clear whether the agreement is a sign of how the new White House will approach business outsourcing and trade policy.

"This sends something of a message to businesses that we have an incoming president that will frown on outsourcing," Edward Alden, senior fellow at the Council on Foreign Relations, told Bloomberg BNA. "But we're not necessarily going to see him getting involved in the thousands of these deals that will come up."

Trump and Vice President-elect Mike Pence helped convince Carrier to keep a furnace plant in Indiana after the air conditioning and refrigeration manufacturer said it was moving the operation to Mexico. The deal, which is expected to save some 1,100 jobs, includes a \$7 million package of state tax and other incentives, the company told Bloomberg News.

"We're gonna have a lot of phone calls made when companies say they're leaving this country, and they're not leaving the country," Trump said at a Dec. 1 event at Carrier's Indiana plant. "Leaving the country is going to be very difficult."

Alden and others told Bloomberg BNA the situation is unique because Trump pledged to try to keep the factory stateside during his run for the White House. Pence, who is finishing out his term as governor of Indiana, also had previously been involved in negotiations with Carrier.

### Precedent Concerns

Trump and Pence said during the event that the president-elect spoke directly with United Technologies CEO Greg Hayes to hammer out the deal. United Technologies, a jet engine defense contractor, is Carrier's parent company.

President Barack Obama has tried to convince Apple and other companies to return production operations to the U.S. But deals like the Carrier agreement usually come from state governments trying to lure or keep businesses at home.

Daniel Ikenson, director of trade policy studies at the Cato Institute, told Bloomberg BNA the incentives offered to the company set a dangerous precedent.

“If companies can plausibly threaten to leave and expect to be treated similarly, I think we’ll see more of this coming,” said Ikenson, whose think tank supports limited government policies.

The agreement reflects the sort of quid pro quo, bilateral dealmaking that Trump promised to bring to the White House during his run for president. It also marks an early political victory for the next commander-in-chief, who secured the arrangement less than a month after he was elected and some 50 days before he’s sworn in.

“The president-elect made an example of Carrier during the campaign, and this is a perfect way for him to say that he’s fulfilling his campaign pledges to keep jobs in the United States,” Ikenson said.

Carrier announced Nov. 27 that it reached a deal with the United Steelworkers to provide severance pay, six months of medical insurance coverage and some job training assistance to the 300 to 400 factory workers still expected to be laid off as a result of restructuring at the facility. Trump also said the company pledged to pour \$16 million into renovating the plant.

### Impact on Trade Dealing

Trump has promised to use his negotiating tactics to rewrite existing trade deals and beef up protections for U.S. businesses and workers in new agreements. He has signaled that he would prefer to do that through bilateral negotiations with individual countries, instead of through sprawling, multi-country deals like the Trans Pacific Partnership.

Robert Lawrence, a Harvard University professor who served on the president’s Council of Economic Advisers during the Clinton administration, said that’s a bad idea.

By scoring trade deals solely on trade surpluses and deficits, Trump overlooks the fact that many goods sold around the world contain components produced in various countries and assembled in others, Lawrence told Bloomberg BNA. Trump is underestimating the danger of disrupting the global supply chain with tariffs and other barriers, he said.

“The view he reflects is of an economy in which products are either made here or in Mexico, in the sense that offshoring is a substitute for domestic production,” Lawrence said. “But what we’ve seen is the evolution of global supply chains so that about half of the value of the clothing we buy in Mexico is made in the USA and a significant share of the cars we buy from abroad embody U.S. auto parts.”

Meanwhile, Trump said he would fight to undo the “one-lane highway into Mexico” created by current trade policies.

“I just want to let all of the other companies know that we’re going to do great things for business,” Trump said. “There’s no reason for them to leave anymore because your taxes are going to be at the very, very low end, and your unnecessary regulations are going to be gone.”