

Quick trade deal ‘is not high priority for US companies’

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January 24, 2017

Trade experts have poured cold water on the prospect of a rapid trade deal between the UK and the US, although President Trump’s administration said that he was excited about meeting Theresa May on Friday.

The government is stepping up efforts to secure a deal after Brexit but trade experts in Washington are warning that American businesses do not see it as a priority.

Dan Ikenson, of the Cato Institute think tank, said that a quick US-UK deal focused narrowly on tariffs was possible but that both sides would risk giving up leverage over the EU. “A quick [US-UK] deal would be far less comprehensive and far less meaningful than one that takes a few years,” he said.

US businesses are far keener for Mr Trump to act on major tax and regulatory reforms than on trade because, Mr Ikenson said, “both pay much greater dividends”.

Caroline Freund, of the Peterson Institute for International Economics, said that once full negotiations started a deal could be hammered out in 20 months, judging from past US talks with Canada. The process of getting the deal approved by Congress could take the same amount of time.

An analysis of the past 20 free trade agreements made by the US shows that the average time from talks being launched to the deal being implemented was 45 months.

Ms Freund added that US policymakers may be concerned at a lack of negotiating experience and personnel on the UK side.

Last night the White House said that Mrs May’s early visit to Washington reflected the special relationship between the US and Britain. Sean Spicer, the White House press secretary, said that the potential for greater trade with the UK would be discussed but he did not know how prominently the issue would figure in this week’s meeting.

John Springford, director of research at the Centre for European Reform, warned that World Trade Organisation rules meant that the possibility of a quick agreement focused only on specific sectors was remote. Under the WTO’s “most favoured nation” rule, countries can offer more favourable terms in their markets only to those countries it is in a customs union or free trading area with.

What businesses would want from bilateral talks

Agriculture and food

America and the UK, under the auspices of the European Union, operate protectionist agricultural regimes. British farmers are wary of competing with bigger American rivals, especially while losing EU subsidies. There are also non-tariff barriers. Chickens disinfected in chlorine and beef treated with growth hormones are prevalent in America but outlawed in the EU, which is also tougher on genetically modified crops, pesticides and food additives — rules that environmental campaigners could fight to keep.

Cars

During talks over the Transatlantic Trade and Investment Partnership, a putative trade deal between America and the EU which President Trump has appeared reluctant to pursue, Europe sought the relaxation of America's 1.25 per cent tariff on imported cars.

Brussels negotiators, though, were more exercised by the non-tariff barriers of different standards for testing and intellectual property which increase the cost of sending cars across the Atlantic by more than a quarter. However, even if it became far simpler for British manufacturers to send their cars to the American market, that may not be enough to cushion the blow of reduced access to their European supply chains after Brexit.

Another hitch is that, though cars are one of the UK's top exports, they are also one of America's main products.

It is unclear if the protectionist Mr Trump would be happy to allow high-quality cars from Britain on to the US market barrier-free.

People

Modern trade deals typically come with people attached and the US could push for easier access to the UK for Americans.

Given that the shape of Britain's immigration regime after Brexit is unknown, it is difficult to speculate about how that could work. However, if the government were to make visas easier to obtain for EU or Commonwealth citizens, it could do the same for Americans. There are about 230,000 people born in North America aged between 16 and 64 living in Britain, whereas the British population in America is estimated to be far higher, at 700,000.

Health

The National Health Service procures drugs centrally and holds the price of medicines down at the level that NHS managers determine to be value for money.

This has ramifications across the globe for the price of medicines. According to a report by the Office of Fair Trading in 2007, a quarter of all government purchases of medication worldwide are made at the price that has been set by the NHS.

American pharmaceutical companies would rather have prices set by market conditions and would see bilateral trade negotiations as an opportunity for them to lobby the US government to press that business case.

Services

Some cheerleaders for a transatlantic deal have pushed for the idea of a financial “passport” between America and the UK — meaning that an American services company could operate in the UK without having to meet new legal requirements and vice versa. This would mean that the countries had to agree systems of financial regulation. There have already been several failed attempts to reach a system of mutual recognition.

Public procurement

Long before Donald Trump’s “America first” rhetoric, the US has had “buy American” provisions written into federal law.

Occasional exemptions have applied to countries that the US has a comprehensive trade deal with and large British infrastructure and building companies could see talks as a way to muscle their way into winning American contracts. But the US would probably only agree a waiver in return for concessions in other sectors.