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President Donald Trump Makes Revised Trade Deals an Early Priority

Two days after taking office, Nafta renegotiation and a potential bilateral pact with the U.K. are on the agenda

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President Donald Trump is taking immediate steps to reorder U.S. economic alliances in his first days in office, setting up meetings with leaders from Mexico and Canada on North American affairs and hosting U.K. Prime Minister Theresa May this Friday to lay the groundwork for a trade pact with London.

Just two days after taking office, Mr. Trump said he would follow through on plans to renegotiate the North American Free Trade Agreement, or Nafta, the two-decade-old deal that binds the U.S. economy to Canada and Mexico.

Mr. Trump's triumph in industrial states in November, which proved key to his election, was helped by his set of economic principles, and an "America First" message, which he emphasized in his [inaugural address on Friday](#).

In his campaign he blamed lackluster growth on bad trade deals with China, Mexico and other countries that ship more to the U.S. than it sends back to them. He has threatened to withdraw the U.S. from the 12-nation Trans-Pacific Partnership, a trade deal that Congress never ratified, and his advisers say the goal is to use the threat of tariffs to win concessions from some countries, while negotiating smaller bilateral deals with like-minded strategic allies such as the U.K.

That approach will be on display when Mr. Trump meets Mrs. May to address the latest shift in the "special relationship" with the U.K. Negotiating and ratifying a [deal with London won't come easily or quickly](#), and serious procedural and political roadblocks could postpone any such pact for many years or derail it entirely.

Still, even a year ago the prospect of a deal would have been inconceivable while the U.K. remained firmly in Brussels's orbit as part of the European Union and then-President Barack Obama was seeking a broader agreement with the entire EU before negotiations stalled last year. Mr. Obama, who also wanted to enact the Pacific trade agreement, warned Britain would have to go to the "back of the queue" if it voted to leave Europe.

Last week Mrs. May made it clear she wanted a firm break with the EU, while Mr. Trump's inauguration means she has a willing partner who prefers targeted, bilateral trade agreements to the multilateral affairs his predecessor sought for their economies of scale and strategic heft.

Mrs. May's key objective on her visit to Washington will be to prepare the way for a trade deal that would buttress the U.K. as it prepares for intense negotiations on exiting the EU. She said Tuesday the U.K. would pull out of the EU's single market, where nearly half of U.K. exports are sent, but she also set out a goal of keeping the U.K. economy growing through expanded trade and closer economic links with non-European countries, including the U.S.

For now, the U.K.'s most important negotiation is with Brussels, and the new emphasis on ties with Washington may be in part an effort to remind Europe that London has strong links to other parts of the globe. "She's trying to obtain and maximize leverage over Brussels," said Dan Ikenson, who leads the trade studies center at the Cato Institute, a Washington think tank.

The U.S. also has more pressing negotiations than a U.K. deal. Mr. Trump on Sunday said he would follow through with campaign pledges to overhaul Nafta, the trade agreement that became almost a dirty word in the 2016 campaign. "We're going to start some negotiations having to do with Nafta," he said, adding that he would meet with Canadian Prime Minister Justin Trudeau as well as President Enrique Peña Nieto of Mexico.

Mexico City and Ottawa have said they are open to talks on Nafta, and a spokesman for Mr. Trudeau on Sunday noted the "depth" of U.S.-Canada economic ties and said the two leaders pledged to meet soon.

Mr. Trump's advisers are considering pressing for changes to Nafta's rules for the auto industry in ways that would require more of a car to be produced in North America and could possibly mandate that a significant portion of vehicles be produced in the U.S. in order to be shipped around the bloc duty free, according to two people familiar with the plans.

With the U.K., American business and farm groups would probably want to be sure that British tariffs on their goods don't rise after the country exits the European Union.

So far many U.S. business leaders have been only lukewarm to a trade agreement with the U.K., since any potential profit from such a deal could be erased by barriers that spring up due to Brexit.

"Until the context of that becomes much clearer, it's hard to have a meaningful discussion of the contours of a U.S.-U.K. free-trade agreement," said Mike Froman, former U.S. trade representative under Mr. Obama.

For example, many large U.S. firms will have to decide if it makes sense to keep their European headquarters in the U.K., since the British offices could face new regulatory or other barriers on the Continent. Many companies and farm groups had hoped Mr. Obama would succeed in a broad trans-Atlantic tie-up that included the European Union, retaining the U.K. in the framework if it exited.

Under European Union laws, nothing can be signed or formally agreed to with another country before the U.K. leaves, which is on course to happen in March 2019. U.S. officials may want to

wait to see what kind of relationship the U.K. will have with the EU, particularly on financial issues, before coming to any agreement.

“It’s about timing, and it’s about watching to see what happens between the EU and the U.K.,” said Myron Brilliant, head of international affairs at the U.S. Chamber of Commerce, the country’s biggest business lobby. “We’re supportive in principle.”

Mrs. May’s trade principles don’t overlap much with Mr. Trump’s. She backs widespread trade liberalization, while retaining sovereignty over immigration and other key national decisions, while Mr. Trump defeated fellow Republicans and Hillary Clinton by emphasizing the threat of tariffs for countries that don’t cooperate on efforts to trim the trade deficit. On Friday Mr. Trump vowed that “protection will lead to great prosperity and strength.”

Still, Mr. Trump and his advisers have insisted they do favor bilateral trade agreements to open up markets, and populist voters that supported Mr. Trump and Sen. Bernie Sanders (D., Vt.) are likely to have less opposition to a deal with high-wage countries such as the U.K. than with those such as Vietnam, which was included in the stalled TPP.

U.S. exporters could gain a bit by lowering or eliminating tariffs on goods with the U.K., but coming to an agreement on harmonizing financial regulations or other rules will be more difficult and could cause negotiations to be lengthy and drawn-out, experts say. Specific industries, such as agriculture for the U.S. and insurance for the U.K., could be sticking points, but overall Washington would probably face less opposition from the U.K. in agriculture and services than it did in talks with the EU because of similar approaches to those sectors.

“Some things could be easier,” Mr. Froman said.

Christopher Meyer, former U.K. ambassador to the U.S., said the negotiations will likely be protracted, even if Mr. Trump is sincere in wanting a rapid trade agreement.

“I find it hard to believe that with the best political will in the world, something that ought to be relatively simple, like the U.K.-U.S. trade deal, can be negotiated to fruition relatively quickly,” Mr. Meyer said.

In 2015, the U.S. was the destination for a fifth of U.K. exports of goods and services, some \$124 billion.

Around half of those exports were services, including financial and business services, telecommunications and travel, while Americans also bought British-made drugs, electrical equipment and machinery. After the EU, the U.S. is the U.K.’s biggest overseas market.

U.K. opposition leader Jeremy Corbyn said the issue called for a “serious discussion.”