

## Long road lies ahead for UK-US trade talks

*Boris Johnson's hopes of a quick deal have been hit by Covid and Washington's febrile political scene*

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Trade talks between the UK and US were already facing mounting obstacles before Boris Johnson's threat to rewrite his Brexit divorce treaty drew anger from senior politicians in Washington.

Led by top Democrats including presidential candidate Joe Biden and Speaker of the House of Representatives Nancy Pelosi, Mr Johnson was told in no uncertain terms that a trade deal would be blocked if new laws designed to limit the EU's influence over trade in Northern Ireland threatened the fragile peace in the UK region.

"Any trade deal between the US and UK must be contingent upon respect for the [Good Friday] Agreement and preventing the return of a hard border. Period," tweeted Mr Biden last month.

Lauded as one of the great prizes for post-Brexit Britain, leading figures in Donald Trump's administration were promising in February that a US-UK trade deal was "top of the list" of priorities.

But nearly eight months later and after four rounds of talks, officials and trade experts acknowledge that a long road still lies ahead. UK hopes of clinching a deal with Mr Trump before the presidential election — now plunged into turmoil by the president's hospitalisation with coronavirus — have quickly faded.

"There are political obstacles, there are substantive obstacles, there are timing obstacles," said Dan Ikenson, director of trade policy studies at the libertarian think-tank the Cato Institute.

While officials on both sides speak positively of the progress made so far, they acknowledge the difficulties of conducting trade negotiations largely online due to restrictions imposed by the coronavirus pandemic.

Trying to secure a trade deal in the same year as the election has only added to the difficulties along with the increasingly febrile atmosphere of US domestic politics and the possibility of a changeover of top trade officials and negotiators.

The most contentious issues around agriculture and food standards, market access for US drug companies, and rules of origin are only in the very early stages of being talked about.

Nasim Fussell, a lawyer with Holland & Knight who was recently the chief trade counsel to the Republican-chaired Senate finance committee, which must approve a trade deal, said that while there was “genuine desire” on the US side to strike a deal, November’s US presidential election would be distracting.

“It’s just very difficult in an election year,” said Ms Fussell. “I mean we’re not just getting an election year, we’re in the home stretch, and it is just tough to see this not getting in the way.”

While the outcome of the election has been thrown into further uncertainty by the president’s illness, the long-held assumption in the UK has always been that a victory for Mr Trump would help smooth the way to a deal with London. In contrast his rival Mr Biden has indicated that domestic political concerns would be at the top of his agenda were he to gain control of the White House, with trade — including a trade deal with the UK — falling behind as a priority.

The talks also face another deadline — in July, an obscure piece of US legislation that both governs the process through which trade deals pass through Congress and sets out the overarching principles of US trade policy expires.

When protected by that legislation — known as the Trade Promotion Authority — trade deals are effectively “fast tracked” through the US Congress with lawmakers unable to make substantial changes or amendments to the text of the deal, although they remain able to vote for or against the deal as a whole.

In order to be protected by the TPA, a US-UK trade deal must be put before the US Congress by April. If that deadline is missed, the deal will either be put before Congress without the fast-track protections offered, and risk being bogged down in dispute, or UK officials could wait for a fresh TPA to be negotiated.

However, the current TPA took the US Congress several years to negotiate, and the next one is unlikely to be easier to secure. “It will definitely be the toughest negotiation for TPA I think that there ever has been,” said Ms Fussell. Lawmakers would want to debate at length the ideological and economic principles guiding US trade policy, she warned.

Alongside negotiating a fresh trade deal with the US, the UK faces a raft of broader disagreements with the US over digital taxation, state support for airlines, and steel and aluminium tariffs, all of which are being dealt with outside of the trade agreement.

Washington has a series of painful tariffs in place on British imports including Scottish whisky, and threatened further tariffs on UK gin and vodka this summer before holding off on them.

British officials are hopeful that those remaining tariffs, which are related to a long-running dispute over airline subsidies, can be negotiated away once the World Trade Organization issues a ruling determining the level of tariffs European countries can levy on the US.

Steel and aluminium tariffs, which the US has levied at 25 per cent and 15 per cent respectively since 2018, also remain in place on British metals as the US looks to boost its domestic capacity.

Separately, the US is furious with the UK over its digital services tax, over which it threatens more tariffs. Washington has launched a wide ranging war on the taxes, arguing broadly that they discriminate against US tech companies such as Apple, Amazon and Facebook.

The UK has already passed its digital services tax — which requires companies to pay 2 per cent on British-generated revenues — into law, although it will not collect the first round of the tax until 2021.

Despite these challenges, John Dickerman, head of the Washington office of the CBI, said that while talks on the agriculture and pharma portions of a trade agreement may require some “significant trade-offs”, a deal would be possible. “Our position has always been that getting the right deal done within the right timeframe is the goal, not getting the quickest deal possible,” he said.