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Trump could face long path to US-UK trade deal

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Talks between the United States and the United Kingdom on a potential trade deal could be President-elect Donald Trump's crash course in the often painstakingly slow world of international negotiations.

Top Trump advisers have spoken openly of their interest in an agreement with the U.K., which voted in June to begin divorce proceedings with the 27 other members of the European Union and forge new economic ties with the rest of the world.

"One of the things that's gonna happen, I think very early, is the president-elect will wish to negotiate a free trade agreement with Britain," Trump campaign adviser and CNBC commentator Larry Kudlow told POLITICO earlier this month. "He will move Britain from the back of the queue to the front of the queue, and it will be a solid free-trade agreement."

"I know the U.K. is under consideration," a second Trump economic adviser, Stephen Moore, told POLITICO.

Kudlow's comment was a reference to President Barack Obama's warning that the U.K. would be at "the back of the queue" for a trade deal with the United States if it voted to leave the EU after more than four decades of membership in the European common market.

In contrast, Trump backed the Brexit vote and has promised since the election to host U.K. Prime Minister Theresa May in Washington as soon as possible for talks on future relations. Top Republicans in Congress also are on record in support of a bilateral trade deal with the U.K.

But even if Trump announced on his first day in office that he plans to begin talks with the U.K., it could be months, if not years, before formal negotiations begin. That's because of legal constraints and practical considerations on both sides of the Atlantic.

On the U.S. side, the trade promotion authority legislation Congress passed last year, also known as "fast-track" authority, requires the president to give at least 90 days' notice before beginning negotiations.

It also directs the White House to lay out its negotiating objectives for the agreement at least 30 days before beginning talks, requiring the incoming administration to make a number of decisions on both the scope and depth of any proposed deal with the U.K.

Trump could take a short-cut by borrowing the template the Obama administration used for TPP. But the president-elect has described that 12-nation deal as a "rape" of the United States, suggesting he may want to develop his own set of objectives for any new pacts.

The fast-track law also requires the White House to give Congress at least 180 days' notice of any changes to trade remedy laws contained in a free trade agreement, a sign of the political sensitivity surrounding that issue. Finally, the White House must give Congress 90 days' notice before signing a trade pact.

Few U.S. free trade agreements in the last 25 years have taken less than a year to negotiate, and many have taken considerably longer. One of the quickest, the U.S.-South Korea Free Trade Agreement negotiated by the administration of George W. Bush, took only 13 months to conclude. But it was another four years before Congress finally approved the deal during Obama's first term.

London's own constraints make it difficult for the United States and the U.K. to strike a deal any time before 2019 or 2020. That's because the world's fifth largest economy first has to extract itself from the EU, a process that has not yet formally begun and which is expected to take at least two years to complete.

So if Trump's team is serious about moving the U.K. to the front of the line for trade deals, the line "doesn't start for a couple of years," said Jeffrey Schott, a senior fellow at the Peterson Institute for International Economics.

Under the rules governing the U.K.'s exit from the EU, the United States and the U.K. can have "discussions" about a free trade agreement, but that's "a lot different from an actual negotiation," Schott said.

Britain's ambassador to the United States, Kim Darroch, seemed to acknowledge that hurdle in an op-ed Monday in *The Washington Post*, which stopped short of expressing hope for a quick start or finish to negotiations.

"When we leave the European Union, Britain will use the strength and size of our economy to forge new and dynamic trading relationships, with old allies and new partners, including the United States, our biggest trading partner," Darroch said.

Still, one trade analyst argued the United States and the United Kingdom shouldn't be constrained by the rules governing London's exit from the EU and should dive into talks on a bilateral free trade agreement as soon as they can.

That would give the U.K. more leverage in its negotiations on leaving the EU and the United States more leverage in its talks with the EU on a proposed free trade agreement known as the Transatlantic Trade and Investment Partnership, said Dan Ikenson, director of the free market-oriented Cato Institute's Center for Trade Policy Studies.

Trump's election has thrown the future of the TTIP agreement into doubt, but EU officials remain eager to finish the three-and-a-half-year-old negotiations if the new U.S. administration is willing. That could take the incoming team some time to decide as it weighs the merits of finishing TTIP versus negotiating a trade deal with the U.K. or perhaps trying to do both, either in sequence or at the same time.

For its part, London has argued that talks between the U.S. and U.K. on a free trade agreement would be easier than TTIP has been, partly because agricultural issues would not be as nearly as contentious.

“For some of the European countries involved, agriculture is extremely important,” Darroch said during a recent discussion at the Heritage Foundation. “For us, it’s a much smaller part of our economy. So some of the issues that were potential big blocks in the TTIP would simply not be anything like that big a problem for us.”

Ikenson said he agreed with that analysis and described as “overwrought” the concern that the EU would make the U.K.’s Brexit negotiations more difficult if it jumps prematurely into trade talks with the United States and other trading partners.

“I think it would be good for everybody if the U.S. and the U.K. were to negotiate a deal because ultimately we’re looking at a U.S.-U.K.-EU transatlantic deal,” Ikenson said. “The U.S. gets leverage with the EU, the U.K. probably gets leverage that way, and maybe it’s just the proper kick in the pants to get the Europeans serious about getting a deal done.”

But EU officials argue there’s a reason why it makes sense for the United States, or any country, to wait until the U.K. has completed its withdrawal from the EU.

Right now, all the U.K.’s trade relationships are defined by its membership in the 28-nation bloc. It doesn’t have its own tariff schedule or its own defined levels of access for foreign suppliers in areas such as services or government procurement. In addition, it’s unclear what the U.K. future trade relationship with the EU itself will be, since those negotiations have not even begun.

“I think the difficulty for any third country to negotiate a trade agreement with the U.K. is that you will want know what you are negotiating from,” Damien Levie, head of the trade and agriculture office for the EU delegation in Washington, said at a recent event. “Until you know all these things, you can have talks, but those would be highly speculative talks it seems to me.”