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A 'Trump doctrine' on trade? He's anti-globalist but still wants deals.

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US markets – and the world – may want to breathe a sigh of relief when it comes to Trump trade policy. He’s nudging the United States toward more protectionism, but a deal this week suggests he’s no wrecking ball. The global supply chains built by US corporations are mostly intact after the last-minute agreement signed Sunday with Canada. President Trump pushed for terms aimed at creating more US auto jobs. But if Mr. Trump is edging away from globalism, his revisions to the North American Free Trade Agreement also have elements not that different from the Obama-era. A big focus is on digital protections for online material and strong patent protections for biotechnology and financial services. The deal also knocks down long-standing trade barriers, most notably in Canada’s highly protected dairy industry. Experts say the patterns established by the deal and the South Korean trade agreement before it are likely to persist in new negotiations. Says Simon Lester of the Cato Institute: “The approach to Japan and the EU is likely to be similar.”

Despite the tirades against imbalances in imports, the tweets threatening to pull out of international pacts, and undiplomatic statements about foreign negotiators, President Trump is starting to put together a string of deals that tell where his administration is headed on foreign trade.

For example, the agreements focus on manufacturing but they are not backward-looking. The US-Mexico-Canada deal, reached on Sunday, devotes large sections to the digital economy and other language that modernizes provisions of the North American Free Trade Agreement (NAFTA).

Mr. Trump’s “America First” approach by definition departs from a globalist worldview. Yet trade is more than a political punching bag to rev up his base. The timing of the just announced three-nation deal, officially the United States-Mexico-Canada Agreement (USMCA), was determined by the exigencies of Mexican politics, not the US midterm elections.

The biggest takeaway is that the administration is ready to deal.

“If I were the Chinese, I'd be thinking: ‘Hmmm, the Americans are capable of making deals – and they're capable of [giving up] their most outrageous demands if they get something serious and substantive in return,’ ” says William Reinsch, a trade expert at the Center for Strategic and International Studies, a Washington think tank. “That's really the takeaway from Korea [a South Korea deal in March], the takeaway from Mexico and Canada, and also the takeaway from the EU [European Union] and Japan, which are both works in progress.”

‘Not blowing up the system’

The Trump deals nudge US trade policy in a new, antiglobalization direction.

“What I'm seeing is a modest pullback on free trade and economic integration,” Simon Lester, a trade policy analyst of the Cato Institute, a libertarian think tank in Washington, writes in an email. “The Trump administration is not blowing up the system (yet), but they are scaling it back.”

The thrust of the administration's trade deals is to encourage companies that manufacture abroad and sell to the US to relocate their factories to America. In the South Korean trade deal, for example, that nation won't be subject to the 25 percent tariffs that the White House has imposed on other steel imports. In exchange, however, South Korea agreed to cap its steel exports to the US at 70 percent of their current level.

In the USMCA, 75 percent of cars have to be produced in North America to escape duties – up from 62.5 percent under the old agreement. And the duties, now low, could jump if the administration follows through on threats to boost tariffs by arguing that national-security interests are at stake.

Cars figure prominently in all the administration's trade deals. But that's scarcely a throwback to the past.

Rules for digital era?

“It's a canard” to classify autos in an “old economy” category, says Stephen Ezell, vice president of global innovation policy at the Information Technology and Innovation Foundation in Washington. Some 40 percent of a car's value today is electronics and other advanced intellectual property (IP), he says.

The USMCA also modernizes NAFTA with criminal penalties for online piracy of movies, strong patent protections for biotechnology and financial services, and bans on duties for electronically distributed IP, such as books and software.

The deal's focus on IP and the digital economy highlights another pattern: While in many ways breaking with globalism, Trump's trade approach is in some ways not that different from what former President Barack Obama was seeking during his term in office – accords that update trade policy for the knowledge-based industries that are key to 21st-century economies.

Trump fulfilled a campaign pledge by withdrawing support for Mr. Obama's proposed Trans-Pacific Partnership. Yet Mr. Ezell calls Trump's USMCA a kind of “back door” to the same goal – new trade rules for the Pacific Rim – if Japan is also brought on board through a bilateral agreement. (The start of formal US-Japan talks was announced last week.)

Template for more agreements

Because each of Trump's trade deals has included much of the same language – such as prohibitions on currency manipulation – experts predict the patterns will extend to future agreements.

“The approach to Japan and the EU is likely to be similar, although in those cases, there is no existing [free trade agreement] in place, so more liberalization is possible,” says Mr. Lester of Cato. “As for China, that's a different story. The Trump folks are on the attack there, and I don't see them letting up anytime soon.”

On some fronts the bargaining with Canada contained traditional reductions of longstanding trade barriers. Canada will open its markets to more US milk and dairy products, under the USMCA, while the US offered some opening of highly protected agriculture markets, such as for sugar.

The administration has also demonstrated flexibility. When it proposed that a certain percentage of cars had to be made specifically in the US – something Canada and Mexico balked at – US negotiators switched to a minimum pay standard that is the first of its kind in a trade agreement.

If 40 to 45 percent of a car or car parts are not made by North American workers earning at least \$16 an hour (read: American or Canadian autoworkers), the cars and car parts would be subject to tariffs.

In a big win for the US, Mexico also agreed to phase out “employer protection unions,” which help the company rather than workers, and instead create real collective bargaining between workers and employers.

US unions, which have been calling for such moves for years, are upbeat about these labor-friendly clauses. But many of the details remain unknown, such as how the Mexican labor legislation will be enforced. So unions are not ready to jump onboard.

“Too many details still need to be worked out before working people make a final judgment on a deal,” AFL-CIO president Richard Trumka said in a statement Sunday.

Perhaps appealing in part toward Democrats whose votes may be needed to approve the deal in Congress early next year, the Trump administration also touted the USMCA as delivering environmental benefits. But trade deals have long been criticized for doing too little on issues like protecting water, air, and fisheries, and some analysts say Trump's revisions of NAFTA don't depart from that pattern.

If anything, they say the USMCA is worse than other US trade deals since 2009. Where those included language reinforcing seven international environmental agreements, the new agreement has only weak language on some and no language on others, says Ben Beachy, a trade-law expert at the Sierra Club, based in Oakland, Calif.

“There's zero mention of lead” as a pollutant, he says. “There's zero mention of climate change.”

On the face of it, Trump's trade deals should boost factory jobs in the US. “It means far more American jobs, and these are high-quality jobs,” the president said Monday, touting the USMCA. But so many factors affect manufacturing, such as automation and the overall level of the economy, that it's hard to predict whether jobs will be lost or created.

“I don't think it's going to be a big number [of jobs], either way,” Mr. Reinsch says.

