



Trump has whiffed on trade so far. Here's what he needs to do in 2018

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2017 was a lost year for U.S. trade policy. We took several steps backwards and none forward.

The losses started in January with the U.S. withdrawal from the Trans Pacific Partnership, a trade agreement with 11 other nations that had been negotiated by the Obama administration, but not yet signed into law by Congress. Rather than suggest any improvements, the Trump administration abandoned the agreement entirely.

A couple months later, trade policy deteriorated into bluster over issues such as trade deficits and national security. No one could articulate a good reason for concern, but nevertheless, executive branch reports and investigations began.

Then in May, the Trump administration notified Congress of its intent to begin renegotiating an existing trade agreement, the North American Free Trade Agreement, with talks that started in August. As it turned out, the administration's objectives sometimes seemed more about closing markets than opening new ones, with government procurement and trade in automobiles as prime examples.

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And at the World Trade Organization (WTO), the administration has been blocking the appointment of new judges for the appeals court.

In the midst of all this, the administration kept up the usual stream of "trade remedies" cases (anti-dumping/countervailing duties) to block imports, bragging about how many more actions it has taken than previous administrations did.

There's a common theme to all of this: 2017 brought no new trade liberalization. Despite Trump's promises of great new bilateral trade agreements, no such negotiations were even initiated, much less completed.

In contrast, major U.S. trading partners have been pushing ahead with their own trade liberalization. The European Union and Japan are getting close to a final trade deal. And the remaining TPP countries are working to complete one without the United States, having suspended some of the provisions that were in there because of U.S. demands. Instead of leading the way on trade liberalization, U.S. interests are now being shoved aside by others.

Trade politics is fraught with challenges these days, so taking some time to get settled is understandable. But with a year of experience under its belt, the Trump administration needs to make 2018 better than 2017 for trade policy.

Here's what we need to see this year.

First of all, the Trump administration needs to wrap up the NAFTA talks quickly. While Trump may have been politically committed to re-opening NAFTA, the administration should not let that commitment end with the economic disaster that would result from U.S. withdrawal from this agreement.

To this end, the administration should push for a modernized agreement, with new rules on e-commerce and state-owned enterprises. But it needs to abandon some of its more unrealistic demands. It should drop the "poison pills" it has put forward, which include: a "sunset clause" that would have the new agreement expire automatically after five years unless all parties agree to continue it; weaker state-to-state dispute procedures under which losing parties could disregard rulings they believed were in error; and an American content requirement in order for cars to qualify for NAFTA's lower tariffs.

Second, the administration needs to make constructive proposals for trade liberalization with other countries, in order to get negotiations underway. It could start with Japan, the European Union, the United Kingdom (when it is ready), and even China. The Trump administration keeps complaining about foreign trade barriers. Well, trade agreements are the way to bring those down.

Third, the administration needs to resolve the impasse over the appointment of appellate judges at the WTO. The U.S. should explain clearly what it wants, so that other countries can react and perhaps a solution can be found.

Solving the WTO appeals problem is important for systemic reasons, but also for practical ones. The United States actually uses the WTO to help pry open foreign markets, and a functioning dispute system is necessary for this.

It is of particular importance in its efforts to combat Chinese protectionist practices. Concerns have been raised in relation to a wide range of Chinese practices, including local content requirements, subsidies, and the failure to protect intellectual property rights. A functioning WTO dispute system may be the most effective way to address these concerns.

For critics of existing trade rules, vague rants about the competence of past negotiators can generate applause. The hard work of governing on trade is more complicated, but also more important for the economy and for the American people. The Trump administration needs to move past the bluster, roll up its sleeves, and get to work.

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