



Trump impeachment inquiry could kill the USMCA

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President Trump raised concerns that Congress may not approve the new North American Free Trade Agreement, now that the House has launched an impeachment inquiry.

“I don’t know if Nancy Pelosi is going to have any time to sign [the USMCA] — that’s the only problem,” said President Trump on Wednesday. He went on to say Pelosi is wasting time with a “manufactured crisis.”

Approving the new deal — known as the U.S.-Mexico-Canada Agreement (USMCA) — before the end of the year has been one of the administration’s top priorities.

“If it happens, it happens. Otherwise, when we take over the House next year we’ll do it our way,” said Trump.

In a statement on Tuesday, the White House said Democratic lawmakers have “destroyed any chances” of legislative progress with the impeachment inquiry.

“They need to have an internal discussion at the White House about how they want to play it. Do you want to keep working with the Democrats or are you so mad that you don’t want to work with them on anything? And I don’t know if they decided that yet,” said Simon Lester, trade expert with the Cato Institute.

In contrast to Trump, Lighthizer appears to be more optimistic about the deal’s chances.

“If it did not pass, it would be a catastrophe for our economy,” Lighthizer told reporters on Wednesday.

Lighthizer said he’s confident the agreement will make it through Congress, despite the inquiry, because he believes it’s a good deal.

“It’s not all about politics in Washington. On the merits, this is demonstrably good for the people of the United States,” said Lighthizer, according to the White House press pool report.

A group of Democratic lawmakers has been working with Lighthizer for months, attempting to make changes to several areas of the deal — including environmental standards, labor standards, pharmaceuticals and enforcement. Democratic lawmakers insist they can still work on the trade deal, while investigating President Trump.

“The work continues between the administration and the leadership with the House. There’s still progress going on,” said Rep. Dan Kildee (D-MI) in an interview with Yahoo Finance. “To be

fair, there are some good people in the federal government — people like Ambassador Lighthizer, who is the person with whom we're working on this — that want to get this done, is acting in good faith.”

Kildee said he's not sure if Democratic negotiators and Lighthizer will eventually come up with an agreement that he could support, but the impeachment inquiry won't stop them from trying.

“I don't think it's necessarily the end of USMCA. I think USMCA has bigger problems, unfortunately, than this [impeachment] and it's actually getting the language right,” said Kildee, who serves on the House Ways & Means committee.

Isaac Boltansky, director of policy research at Compass Point, said President Trump's negotiating style makes it difficult to predict what will happen.

“On the one hand, the inquiry could fortify President Trump's trade stance as he tends to retrench and redirect when attacked,” said Boltansky in a [note](#). “On the other hand, the inquiry could cause the president to look for victories beyond the water's edge to bolster his case for reelection. We tend to believe that the president's posture will reflect the former in the near-term, but expect him to pivot toward the latter strategy as the election draws near.”

At a press conference Wednesday afternoon, a reporter asked President Trump if he would end NAFTA if USMCA doesn't make it through Congress.

“I don't want to answer that question, but you know how I feel about NAFTA. I think NAFTA is the worst trade deal ever made,” Trump replied. “We're gonna find out. That's going to be a very interesting question.”

Speaker Pelosi's office did not respond to a request for comment.

What about trade talks with China?

Experts say it still remains to be seen how impeachment could impact trade negotiations with China.

Cailin Birch, global economist at The Economist Intelligence Unit, told Yahoo Finance she doesn't think President Trump will be impeached — but the proceedings will get ugly.

“We do not expect any substantial legislation to pass in 2019-20 under these conditions,” said Birch. “As a result, the impeachment hearings could cement the ‘wait and see’ approach that has developed in the US-China trade talks in recent months.”

Lester told Yahoo Finance he thinks China talks are less affected by the possibility of impeachment than USMCA — but China could take notice that President Trump is under heightened scrutiny.

“They might feel like, ‘Oh, he's in a weaker position,’ but that I think is just business as usual and I didn't have much hope for a deal there anyway,” said Lester.

John Normand, head of cross-asset fundamental strategy at JPMorgan Chase, [said](#) US-China trade is an “international wildcard.”

"The optimistic view is that Trump will become more conciliatory in order to counter a possible drop in his approval rating during an impeachment process," he wrote in a note. "The pessimistic

view is that other countries will compound the President's domestic challenges with international ones in hopes of scuppering his re-election bid."

On Wednesday, President Trump said a deal with China could happen "sooner" than expected. High level negotiators are set to meet in Washington for another round of trade talks next month.