

# Newsweek

## Donald Trump's First Global Trade Flashpoints As President

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January 23, 2017

Donald Trump has said a lot of things about trade. So many things! The most things. It really is very special, what he's said about trade. The most things ever.

But on January 20, the day of Trump's inauguration, his administration moved from being all talk to, as Trump put it at his speech on Friday, "the hour of action."

So what is going to happen when he starts acting on what he has said?

Trump laid out his guiding principle once again Friday: "From this day forward a new vision will govern our land. From this day forward it's going to be America first."

A large part of his electoral appeal was his claim that the U.S. has made a series of trade arrangements in recent decades that have served other countries well while damaging the livelihoods of its own working people.

But you can't go striding into the world asking for more without getting a backlash of some kind. Here are four big decisions Trump is facing over trade in the very near future.

### **Trump takes aim at NAFTA**

The North American Free Trade Agreement (NAFTA), signed in 1992, was inspired by the EU's precursor, the European Economic Community, and progressively got rid of most tariffs and other trade barriers on goods and services between the U.S., Canada and Mexico.

But Trump is not a fan. He repeatedly promised on the campaign trail that he would renegotiate the pact or, failing that, withdraw. He has called the deal "the worst trade deal maybe ever signed anywhere," and in particular blames it for the movement of American manufacturing jobs to Mexico. His press secretary Sean Spicer said on January 19 that he would act "very shortly" on this issue.

So what will happen when he does? It depends how far he goes. Some experts think there are certain potential revisions to NAFTA that could be beneficial.

Carla Hills, a former official in the George H. W. Bush administration who helped negotiate the pact, told Bloomberg that expanding the deal to cover much-changed industries like energy and

digital commerce, could reap dividends. Dan Pearson, a former U.S. trade official now at the free market Cato Institute, says restrictions on sugar imports that serve “no economically sound purpose in the United States” could be scrapped.

But, says Pearson, drastically overhauling the deal or leaving it are unlikely to benefit the U.S., as the manufacturing jobs would simply return to Mexico.

“[Trump’s] diagnosis of what’s going on in manufacturing is incorrect,” he says, citing a 2015 analysis from Ball State university that found international trade accounted for 13 percent of employment loss in manufacturing between 2000 and 2010, but that the vast majority, 87 percent, of lost jobs, “was caused by robots; automation, computers, new efficiencies in the workplace.”

“Because [Trump’s] diagnosis his wrong, his proposed solution is wrong,” Pearson said.

### **TPP falls down**

Another of Trump’s big campaign themes was the Trans-Pacific Partnership (TPP), a trade deal between 12 Pacific Rim nations, including the U.S. and Japan, brought in under the Obama administration.

Japan this week ratified the deal but Trump has said he will pull out of it as one of his first acts as president. If he does, says Marianne Petsinger, a geo-economics fellow in the U.S. and the Americas Programme at the Chatham House think tank, the deal as a whole will likely collapse.

“For the ratification to happen it says that you need at least six countries that represent 85 percent or more of the GDP that is covered by the members, so without the United States on board it can’t actually move forward,” says Petsinger.

If that happens, Petsinger believes that while it isn’t inconceivable America could work on a new deal with some of the same partners, “the focus is going to be elsewhere.”

But, she says, some of the countries involved in TPP do have other options open to them: “A number of the countries that are in TPP are also in RCEP, the Regional Comprehensive Economic Partnership—the China-led alternative [to TPP],” Petsinger says.

“There is certainly the potential for China to draw some of those countries more into its orbit.”

### **A big chance in Cuba**

Barack Obama has pinned significant hopes for his legacy on Cuba, where his attempts to build bridges with one of the U.S.’s most intractable foes had, since 2014, marked a major pillar of his foreign policy.

Trump enters office with U.S.-Cuba diplomatic relations restored following a five decade freeze, a prisoner exchange completed between the two regimes, and some trade and travel barriers removed thanks to Obama’s executive orders.

The new administration, Trump has said, may undo much of this, if the Cuban regime does not meet his (largely unspecified) “demands.”

James Williams, president of the Engage Cuba lobby group, says Trump is facing a crossroads in Cuba—he could take huge steps forward in normalizing relations, or tear up Obama’s work.

“Raul Castro is stepping down from power in February 2018,” he says, “Donald Trump will have the opportunity to be the first U.S. President not dealing with the Castros.”

But the danger if Trump does not choose to further normalize relations with Cuba, Williams says, is that a tough U.S. approach toward Cuba could empower reactionary forces in the country that flatly reject White House cooperation, instead driving the nation toward closer relations with rivals and foes.

“If we’re not exerting influence, then somebody else will be,” says Williams. “The most likely people who are doing that in the region... are China and Russia.”

### **A German car crash**

Trump sent Europe into a frenzy a week prior to his inauguration, with two big interviews in the continent’s press: one with *The Times* of London and another with German daily *Bild*.

“How many Chevrolets do you see in Germany?” Trump asked the interviewers from the two papers. “It’s gotta be a two-way street—I want it to be fair.” He would, he said, introduce a 35 percent import tariff on cars produced outside of the U.S.

The problem, says Gabriel Felbermayr of the German IFO think tank, is that German companies already employ thousands of Americans; and protectionist moves that harm German companies could jeopardize those jobs.

“There are hundreds of thousands of jobs supported by German investment in the United States”, he says. “These are typically good jobs; these are the jobs Trump wants to create.”

Upping the costs of making BMW cars, says Felbermayr, runs the risk that, “The BMWs exported out of the United States will become less competitive in third markets. That will then cost American jobs.”