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President's Growing Trade Gap: A Gulf between Talk and Action

By BINYAMIN APPELBAUM

WASHINGTON — Increasingly, when it comes to foreign trade, the Trump administration is talking loudly and brandishing a small stick.

The widening gap between President Trump's bellicose talk and the modest actions of his administration was again on display Friday afternoon as he presided at the ceremonial signing of two executive orders. They would, he said, "set the stage for a great revival of American manufacturing."

"Under my administration, the theft of American prosperity will end," he said.

But the new orders, authorizing a large research study and strengthened enforcement of an existing law, are unlikely to effect a major change in the nation's fortunes. Instead, the ceremony highlighted an emerging pattern on trade.

Mr. Trump blasted the Trans-Pacific Partnership as a "potential disaster" and made a great show of removing the United States from the ratification process. On Friday, one of Mr. Trump's top advisers on trade said the Trump administration planned to use the scorned agreement as a "starting point" for its own deals.

Mr. Trump described the North American Free Trade Agreement with Mexico and Canada as history's worst trade deal, and vowed to overhaul or replace it. The White House is now planning to seek relatively modest changes in the agreement, according to a draft document provided to key members of Congress.

Mr. Trump also chided China on Twitter ahead of President Xi Jinping's visit to his Mar-a-Lago estate in Florida next week, declaring that the United States "can no longer have massive trade deficits." But the Trump administration has not articulated specific plans to shrink that deficit; the Treasury Department has not moved to keep Mr. Trump's promise of declaring China a currency manipulator.

The gap reflects the difficulty of keeping some of Mr. Trump's specific promises. There is, for example, no evidence that China is manipulating its currency. The Trump administration

also is under considerable pressure from congressional Republicans and industry groups to avoid costly economic disruptions.

But the gap also exposes a basic divide on trade policy within the Trump administration.

One group, largely campaign veterans like the economist Peter Navarro, still favors the kind of dramatic measures Mr. Trump promised on the campaign trail. This view resonates deeply with the president, who noted on Friday that tough talk about trade is "probably one of the main reasons I'm here."

Another group, which includes many of the economic advisers Mr. Trump has added since the election, like Gary D. Cohn, the director of the National Economic Council, are convinced that measured actions on trade will produce better results.

And so far, that second group appears to be winning most of the internal skirmishes.

At Friday's signing ceremony, Mr. Trump was joined by representatives of both camps: Mr. Navarro and Wilbur L. Ross, the commerce secretary, who is becoming an increasingly important figure on trade policy, and who tends to favor the more pragmatic approach.

The gap between the administration's language and its actions so far is maintaining support both from proponents of stronger action on trade and from those who favor restraint, as each side hopes their views will prevail.

"For folks who hoped Trump would rip up trade agreements, this is an indication he won't take that approach," said Scott N. Paul, the president of the Alliance for American Manufacturing, an advocacy group. "But if you're a working-class voter in Indiana, you want to see real changes in your life. There is a potential that these orders will help satisfy those voters

Union leaders applauded the president's executive order on Friday directing the government to study in detail the reasons for the nation's trade deficits. The second executive order increases the government's ability to collect financial penalties from foreign firms that violate trade rules.

"A serious and effective response to our growing trade deficit is long overdue," said Robert Martinez Jr., the president of the International Association of Machinists and Aerospace Workers.

For manufacturers in the United States who depend on customers in Mexico and other foreign markets, the administration's more conciliatory signals were welcome.

"I don't think the mentality is that we are going to shoot trade deals in the head," said Drew Greenblatt, owner of Marlin Steel, a small Baltimore manufacturer of specialized metal baskets. "My take is that they want to freshen these deals up."

He was among a dozen executives from small-to-medium-size companies who sat down with Mr. Trump on Friday morning in a meeting at the White House with the National Association of Manufacturers. Mr. Greenblatt and other leaders of small manufacturing firms also met several weeks ago with Vice President Mike Pence and discussed trade policy.

"The vice president looked at his cellphone and said, 'This wasn't around 23 years ago,'" Mr. Greenblatt recalled. "Pence said Nafta is from a different time and the world has changed massively."

Both sides are unlikely to stay happy, however, as the administration charts its course.

Mr. Ross is leading conversations with two congressional committees over the wording of a letter that will formally start the renegotiation of Nafta after a 90-day period. A recent draft of the letter does not directly address several of the issues Mr. Trump raised on the campaign trail, including currency manipulation and the balance of trade.

It also echoes provisions of the Trans-Pacific Partnership, the abandoned trade deal negotiated by the Obama administration with a group of Pacific Rim nations including Canada and Mexico, in part with the explicit goal of modernizing Nafta to address the rise of new technologies and to improve the treatment of issues like worker and environmental protections.

In contrast, Secretary of State Rex W. Tillerson, visiting China earlier in the month, echoed China's description of the relationship as guided by "nonconflict, nonconfrontation, mutual respect and win-win cooperation."

In mid-April, the administration must confront Mr. Trump's pledge to designate China as a currency manipulator when Treasury releases a biannual evaluation of the currency policies of China and other foreign nations.

And in roughly three months, Mr. Trump will very likely gain the legal authority to renegotiate Nafta at roughly the same time he receives the results of the report on trade deficits commissioned by Friday's executive order.