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In Search for Leverage, Trump May Be Undercutting His Own Trade Deals



By Ana Swanson

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WASHINGTON — President Trump is embracing a new tactic as he tries to rewrite the rules of global trade: Don't believe a final deal is truly final.

Mr. Trump, who has called deal-making his “art form,” has used his unpredictability as a source of leverage in discussions with Europe, Canada, Mexico, Japan and elsewhere. He has dangled the possibility of lifting American metal tariffs while threatening to add new tariffs on automobiles at any time. He has repeatedly agreed to new trade terms with foreign partners, then talked about undoing those deals to achieve additional goals.

Mr. Trump has argued that this aggressive and unpredictable negotiating style allows him to extract greater economic concessions than past administrations — and he may be right, at least in the short run. But his approach is causing concern among business groups and foreign officials, who say the uncertainty Mr. Trump loves to sow could undermine the role the United States has traditionally played in setting and stabilizing the global rules of trade, hampering economic growth in the process.

His administration is working on a number of trade deals, including agreements with South Korea, Canada and Mexico and discussions with China, Europe and Japan. On Monday, the European Union **approved a mandate** giving the bloc the authority to negotiate a limited trade agreement with the United States. And Japanese officials met with their American counterparts on Monday in Washington for preliminary trade talks.

But constantly moving the goal posts comes at a cost. Trade experts say the president appears to be encouraging some partners to drag their feet in dealings with the United States or find other trading partners to diversify away from the relationship. It has also created uncertainty for companies, which could negate the benefits of the trade deals Mr. Trump strikes.

“This administration’s approach to trade is bully, bully, bully,” said Mary Lovely, a senior fellow at the Peterson Institute for International Economics. “What will be the ramifications in the future? We really don’t know. We need cooperation on so many things.”

Canada and Mexico have been forced to repeatedly scramble as a result of Mr. Trump’s tactics. After months of painful negotiations, the United States reached a revised North American Free Trade Agreement with Canada and Mexico last year. Mr. Trump in November hailed the new United States Mexico Canada Agreement as “probably the largest trade deal ever made” and called on Congress to immediately ratify the pact.

He has since undercut his own agreements, **refusing to lift American tariffs on steel and aluminum from Canada and Mexico** and, more recently, threatening to override the new U.S.M.C.A. by taxing imports of cars and car parts from Mexico. The United States had signed an agreement with both Canada and Mexico as part of the deal that would immediately prevent the United States from taxing auto imports, but Mr. Trump has since threatened to scrap that.

On April 5, the same day that Mr. Trump’s negotiators were meeting in Washington with their Chinese counterparts to haggle over their trade deal, Mr. Trump **threatened** to put a 25 percent tariff on Mexican cars “if for any reason Mexico stops apprehending and bringing the illegals back to where they came from.”

“This will supersede USMCA,” the president wrote.

It is not clear that the president, who has repeatedly threatened auto tariffs on trading partners, would follow through with his threat. If he does, Canada and Mexico could reasonably argue that all of the agreements reached in the U.S.M.C.A. are void, resulting in the breakup of a trade pact, which is a critical agreement for businesses across North America.

“Because he is so unpredictable, you are not sure he’ll stick to anything,” said Maryscott Greenwood, chief executive of the Canadian American Business Council.

Last week, the International Monetary Fund cited global trade uncertainty, including Mr. Trump’s trade wars, as it slashed its projections for global growth. And in a survey by the Business Roundtable last September, nearly two-thirds of responding chief executives said recent tariffs and trade policy uncertainty would have a negative effect on investment decisions over the next six months.

Jesús Seade Kuri, the under secretary for North America at the Mexican foreign ministry, was in Washington this month to meet with legislators and lobby for passage of the Nafta replacement. He told reporters at a news conference that Mexico did not intend to mix discussions of trade with migration and avoided comment on the auto tariff threat.

But in an interview with a Mexican radio station this month, Mr. Seade laughed off the threat of auto tariffs. “That is being talked about,” he said, chuckling. “The art of the threat.”

That threat also hangs over Europe, South Korea and Japan, all major sources of imported automobiles for American consumers. The potential for American car tariffs has brought foreign officials to the negotiating table, with South Korea signing an updated trade deal last year, and Europe and Japan just now beginning negotiations. But those talks may be aimed more at receiving temporary protection from Mr. Trump’s auto tariffs than breaking new trade ground.

The president is required to decide whether to impose auto tariffs by May 18, but he has the option to exclude countries if they are currently in negotiations with the United States. For some foreign officials, the prudent choice has been to enter into limited negotiations, while hoping that will forestall any levies.

The European Union gave final approval Monday for a formal mandate to carry out trade negotiations with the United States, but it was not without controversy. France and Belgium both opposed the move, an unusual step given such mandates are traditionally approved unanimously.

President Emmanuel Macron of France said he objected to negotiations because the Trump administration withdrew from the Paris climate agreement in 2017, but relations have been strained for other reasons. Last week, the Trump administration [threatened the European Union with tariffs](#) in a fight over plane subsidies, and [Mr. Trump tweeted](#) that the bloc was “a brutal trading partner with the United States, which will change.”

European officials have complained about Mr. Trump changing the objective of their trade talks. The two governments announced last July that they had reached an agreement with the United States to negotiate a trade deal on a limited scope of

goods, but **American officials have since insisted on expanding that scope to include farm products.** The mandate approved on Monday does not allow agriculture to be a part of the negotiations.

“Agriculture will certainly not be part of these negotiations, this is a red line for Europe,” said Cecilia Malmstrom, the European Union’s chief trade negotiator during a news conference on Monday afternoon. She added that despite Mr. Trump’s threats, the E.U. “is not afraid of anything.”

Mr. Trump again criticized Europe’s approach on Monday, saying the United States was on the losing end of the trade relationship.

“They barely take our agricultural products and yet they can sell Mercedes-Benz and they can sell everything they want in our country” he said during remarks in Minneapolis. “It’s not fair.”

Senator Charles E. Grassley of Iowa, chairman of the Senate Finance Committee, said in a statement Monday that a deal that did not include the ability for American farmers to sell more products in Europe would be unlikely to pass Congress. “Agriculture is a significant piece of the global economy and it simply doesn’t make sense to leave it out,” Mr. Grassley said.

Some foreign leaders have determined the best approach to dealing with Mr. Trump is to draw out negotiations for as long as possible, potentially waiting out Mr. Trump’s presidency.

Last September, the administration of Prime Minister Shinzo Abe of Japan agreed to **enter into bilateral trade talks with the United States.** But those talks have been delayed as the Trump administration battled with China and other nations. For Japan, that has been a welcome distraction.

“Yes, the guy is unpredictable, but I think if there are other issues occupying his attention, that means less chance that he would turn against Japan,” said Takuji Okubo, managing director and chief economist at Japan Macro Advisors.

Toshimitsu Motegi, Japan’s economic and fiscal policy minister, held preliminary talks with Robert E. Lighthizer, the United States trade representative, on Monday in Washington. Japanese officials have been willing to enter into an agreement on goods and some services, but said they planned to resist commitments on managing the Japanese currency or limiting automobile shipments to the United States.

The lack of certainty from the United States has prompted its trading partners to seek comprehensive deals elsewhere. Japan, along with Canada and Europe, has been entering into negotiations with other countries to try to diversify away from the United States. The Trans-Pacific Partnership, a multicountry trade pact that Mr.

Trump withdrew from, has already gone into effect, as have European trade agreements with both Japan and Canada.

Chinese negotiators have also tried to buy time and hedge against Mr. Trump's changing whims. Beijing has been hesitant to commit to a summit meeting with the United States until all of the details of **the wide-ranging agreement they are negotiating with the United States are ironed out. They are wary that Mr. Trump will decide at the last minute that the deal isn't good enough and send President Xi Jinping away empty-handed, as Mr. Trump did when he met the North Korean leader Kim Jong-un in Hanoi, Vietnam, in February.**