

Trump and Trade Updates – January 2017

President-Elect Trump Calls U.S. Trade Agreements a “Disaster”

1/23/17 – On January 11, 2017, President-elect Trump, in his first press conference since the election, called U.S. trade agreements “a disaster” and reiterated his threat to impose a “major border tax” on the products of U.S. companies that move operations overseas. Regarding past trade agreements, Trump generally reiterated his campaign position that “We don’t make good deals anymore.” He followed by stating, “Our trade deals are a disaster. We have hundreds of billions of dollars of losses on a yearly basis – hundreds of billions with China on trade and trade imbalance, with Japan, with Mexico, with just about everybody.”

The President-elect continued to stress that U.S. companies that move their operations outside of the United States will incur a border tax: “You’re going to pay a very large border tax. So if you want to move to another country and if you want to fire all of our great American workers that got you there in the first place, you can move from Michigan to Tennessee and to North Carolina and South Carolina – you can move from South Carolina back to Michigan. You can do anyway. You have a lot of states at play. A lot of competition. So it’s not like oh, gee, I’m taking the competition away. You got a lot of places you can move. And I don’t care. As long as it’s within the United States, the borders of the United States. There will be a major border tax on these companies that are leaving and getting away with murder.”

Trade Enforcement To Be Key Priority for House Ways & Means Committee Trade Subcommittee in 115th Congress

1/23/17 – On January 11, 2017, House Ways & Means Committee Chairman Kevin Brady (R-TX) stated that “strong trade enforcement will be a major focus” of the Trade Subcommittee. In a statement to the press, Brady stated: “The freedom to trade lies at the heart of our nation’s economic prosperity and leadership. But, if trade is to benefit our businesses, workers, and communities, we must ensure that it is conducted fairly and according to strictly enforced rules. This is why strong trade enforcement will be a major focus for our Trade Subcommittee in 2017.” The chairman added that the committee will continue to promote free and fair trade, stating, “it’s not enough to simply buy American-made products – we also have to sell American-made products, and we have to do so throughout the world, given that 96 percent of the world’s consumers live outside our borders.”

Ross Discusses Trade Deals and Trade Enforcement

1/23/17 – At his January 18 Senate confirmation hearing, Commerce Secretary-designate Wilbur Ross stated that he is not “anti-trade” but instead is “pro-sensible trade, not pro-trade that is to the disadvantage of the American worker and the American manufacturing community.” He repeatedly stated that U.S. trading partners must “play by the rules” and those countries that cheat will be “punished – and severely.” On several occasions during his testimony, he singled out China as a country that refuses to play by the rules. Ross as secretary would be ready to self-initiate antidumping and countervailing duty cases against unfairly traded imports, stating that a more aggressive stance by the United States would have a “psychological effect on the cheater.”

Ross confirmed that the first issue on Trump’s trade agenda will be the renegotiation of NAFTA. He testified that all aspects of NAFTA will be open to negotiation. While Ross said there is nothing “inherently wrong” with multilateral trade pacts, he thought it was “easier and quicker to negotiate bilateral agreements.” His “fundamental concern” with multilateral deals is the United States’ negotiating strategy repeatedly applied that led to concessions that may not have been necessary.

Ross acknowledged that he had originally supported TPP, but, as he read the details, “came across some things that I felt were not consistent with things that had been advertised.” Ross supports a trade

agreement mechanism requiring an automatic review after certain intervals to address any problems. Based on his hearing testimony, he wants to overhaul how the United States negotiates free trade agreements.

When asked about Trump's threats to impose a 35 percent tariff on certain imports, Ross would not commit, saying "I think that it's a complicated issue whether we should have one flat tariff on everything or whether it should be more tailored to the individual situation." He added, however, that the threat to impose tariffs is a good "negotiating tool."

The full hearing can be viewed on the Senate Commerce Committee's [website](#).

Treasury Secretary Nominee Mnuchin Fields Questions on Trade Agreements, Retaliatory Trade Actions and Economic Sanctions

1/23/17 – Treasury Secretary nominee Steven Mnuchin appeared before the Senate Finance Committee on January 19 for his confirmation hearing and reiterated certain trade policies and positions of the incoming president, while backing off on providing a more nuanced position on other issues. "As the new administration comes in, I want to make sure first and foremost that our trade policies do no harm," Mnuchin told the committee.

Mnuchin, as did Commerce Secretary nominee Wilbur Ross, confirmed that renegotiating the NAFTA will be one of the first priorities of the Trump administration. Mnuchin believes NAFTA can be revised so that it is a "win-win" trade agreement for the three parties. He commented that Trump wants to revive trade policies that "put the American worker first." When asked about Trump's plan to withdraw from the Trans-Pacific Partnership (TPP) agreement, Mnuchin responded that U.S. trade agreements have not done enough to safeguard companies' patents, copyrights and trademarks overseas. He added that the Trump administration is interested in negotiating bilateral free trade agreements with the TPP countries that are not already trade agreement partners with the United States. Mnuchin noted that the outcome achieved in the TPP negotiations should be the "starting point" for a renegotiation of NAFTA since all three NAFTA signatories are TPP signatories and certain TPP provisions would effectively update related NAFTA provisions negotiated more than 20 years ago.

In response to questioning about Trump's threats to impose a 35 percent tariff on imports, Mnuchin stated that Trump is "very much interested in free and fair trade" and less interested in limiting imports than in increasing exports. Mnuchin told the committee that he and Trump had never discussed the imposition of broad import tariffs and added that he doesn't think that policy "is going into action." Mnuchin also indicated that Trump's much-discussed tariff on imports of U.S. companies manufacturing abroad would need to be "carefully evaluated to ensure they do not hurt us at home."

On issues involving China and Russia, Mnuchin indicated that the Trump administration could take advantage of legislation passed by the last Congress that makes it easier for the Treasury Department to label a country a currency manipulator, a charge often leveled at China. While he expressed support for current U.S. sanctions on Russia "for now," Mnuchin highlighted that Trump has indicated the possibility of lifting those sanctions if Russia agrees to work with the United States on important issues, such as counter-terrorism.

The full hearing can be viewed on the Senate Finance Committee's [website](#).

Trade Deals Working for All Americans

1/23/17 – Shortly after President Trump took the oath of office, the White House website was updated and now includes a page titled “Trade Deals Working For All Americans,” which reads in its entirety:

For too long, Americans have been forced to accept trade deals that put the interests of insiders and the Washington elite over the hard-working men and women of this country. As a result, blue-collar towns and cities have watched their factories close and good-paying jobs move overseas, while Americans face a mounting trade deficit and a devastated manufacturing base.

With a lifetime of negotiating experience, the President understands how critical it is to put American workers and businesses first when it comes to trade. With tough and fair agreements, international trade can be used to grow our economy, return millions of jobs to America’s shores, and revitalize our nation’s suffering communities.

This strategy starts by withdrawing from the Trans-Pacific Partnership and making certain that any new trade deals are in the interests of American workers. President Trump is committed to renegotiating NAFTA. If our partners refuse a renegotiation that gives American workers a fair deal, then the President will give notice of the United States’ intent to withdraw from NAFTA.

In addition to rejecting and reworking failed trade deals, the United States will crack down on those nations that violate trade agreements and harm American workers in the process. The President will direct the Commerce Secretary to identify all trade violations and to use every tool at the federal government’s disposal to end these abuses.

To carry out his strategy, the President is appointing the toughest and smartest to his trade team, ensuring that Americans have the best negotiators possible. For too long, trade deals have been negotiated by, and for, members of the Washington establishment. President Trump will ensure that on his watch, trade policies will be implemented by and for the people, and will put America first.

By fighting for fair but tough trade deals, we can bring jobs back to America’s shores, increase wages, and support U.S. manufacturing.

President Trump Highlights Trade in Inauguration Address

1/23/17 – In an inauguration address generally seen as broad on policy but lacking details, President Donald Trump highlighted several of his emerging trade themes and positions. Early in his address, the president stated that, “From this moment on, it’s going to be America first. Every decision on trade, on taxes, on immigration, on foreign affairs, will be made to benefit American workers and American families.”

On increasing employment and rebuilding the nation’s infrastructure, Trump stated that his administration will “follow two simple rules: Buy American and hire American.” This follows the president’s December 2016 announcement of the creation of a White House National Trade Council, which will include Peter Navarro, Rolf Lundberg and Alexander Gray and will focus on trade issues promoting U.S. manufacturing and U.S. job growth. Our [Key Players](#) alert has additional information on Navarro, Lundberg and Gray.

President Trump Issues Memorandum Directing USTR to Withdraw the United States From Trans-Pacific Partnership

1/24/17 – As one of his first acts in office, on January 23, 2017, President Donald Trump issued a [memorandum](#) instructing the U.S. Trade Representative to take the necessary steps to withdraw the United States as a signatory to the Trans-Pacific Partnership (TPP) trade agreement, which was negotiated by President Obama but had yet to enter into force. As a candidate, Trump dubbed TPP “a potential disaster for our country,” and his position remains at odds with many Republican officials and TPP proponents who argue that abandoning the TPP will close off key trade markets in the Asia-Pacific region and “gut” U.S. leadership in this region of the world.

U.S. ratification of the TPP is essentially a precondition for it to come into force. The agreement requires ratification by at least six TPP parties representing 85 percent of the gross domestic product of the original signatories to the deal. With the action taken by the president, the 85 percent threshold cannot be met and TPP as a multilateral trade agreement is likely dead.

The TPP involved 12 nations that cover 40 percent of the global economy, but it was also viewed by many as a way in which the United States could counter-balance the rise of China as an economic influence in southeast Asia. Instead of TPP, President Trump has indicated that his administration will pursue bilateral trade agreements with TPP members with whom the United States does not already have agreements. At a press briefing, White House Press Secretary Sean Spicer stated, “The beautiful thing about a bilateral agreement is that if any one of the two parties in the agreement decides at any time they want to get out of the agreement or they’re not being treated fairly, they can renegotiate it much easier.”

While President Trump has made his position clear regarding the TPP agreement, it remains to be seen what his administration’s overall Asia-Pacific trade policy will be other than to pull the United States out of its TPP commitments.