

FOREIGN TRADE POLICY IN THE LIGHT OF A NEW PRESIDENCY

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US commercial policy has traditionally been characterised by its free market discourse at home and an effective, veiled protectionist trade policy abroad, reinforced by monetary, exchange rate and industrial policies. Other countries and regions have not had this capacity. The European Union, for example, has full competence for foreign trade policy but not for industrial policy, and it does not have an effective exchange rate policy.

The United States does not have many free trade agreements – twenty in total – and all but three were made this millennium: Jordan in 2000; the six that make up the Dominican Republic-Central America FTA (CAFTA-DR), and those with Chile, Morocco and Singapore in 2004; Australia in 2005; Bahrain in 2006; Oman and Peru in 2009; and then those with Korea, Colombia and Panama in 2012. The United States' first free trade agreement was with Israel in 1985 and the second was the North American Free Trade Agreement (NAFTA) with Canada and Mexico in 1994. Although most of the agreements came into effect during the presidency of George W. Bush (2001-2008), the Obama administration has not curbed the prior initiatives and has even encouraged others that are of great significance.

The United States has other ongoing initiatives like the African Growth and Opportunity Act (AGOA) – a law signed by President Clinton in 2000 with a system of generalised preferences – and the Trade in Services Agreement, the negotiation of which was begun in 2013 and is a trade initiative exclusively focussed on the service industries that should cover the trade rules across the whole spectrum of the service sectors, from telecommunications to distribution services.

With globalisation and greater international regulatory capacities to impose certain standards, the new initiatives of the Trans-Pacific Partnership (TPP) (pending ratification) and the Transatlantic Trade and Investment Partnership (TTIP) being negotiated with the European Union take on particular importance. Barack Obama's State of the Union speech in February 2013 indicated the aim of finding balance between the Asia-Pacific axis and that of the North Atlantic when the start of the

TTIP negotiations was announced: “To boost American exports, support American jobs and level the playing field in the growing markets of Asia, we intend to complete negotiations on a Trans-Pacific Partnership. And tonight, I’m announcing that we will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the European Union – because trade that is fair and free across the Atlantic supports millions of good-paying American jobs”.

Making free trade agreements is only a very recent practice for the US. They have been encouraged by both Republican and Democratic presidents and ratified by Congresses dominated by both parties. Protectionism has always been highly present in US electoral campaigns, coming both from the influential unions in the Democratic Party and the economic interests of certain pressure groups closer to the Republican Party. The reality is that faced with the challenge of globalisation, the United States has had to change its traditional position and give more weight to foreign trade policy as other traditional instruments – such as the exchange rate and industrial policy – lost effectiveness due to global value chains. Nevertheless, in the current 2016 presidential campaign, it seems that this pattern, which began a little over two decades ago, is coming to an end. The emergence of Donald Trump on the Republican side and Bernie Sanders on the Democratic have established a protectionist discourse that is ongoing between the final two candidates. Thus, Donald Trump and Hillary Clinton seem disposed (at least in their speeches) to return to the oldest kind of trade protectionism.

Nevertheless, Trump’s perspective on foreign trade policy is not a good fit with the Republican rank and file. The conservative think tank the American Enterprise Institute says that Trump’s protectionist position is populist appeasement and his position on trade could damage the US economy and call into question the legitimacy of the free market. Trump’s main policy stances focus above all on two countries: Mexico and China. With Mexico he intends to renegotiate NAFTA and impose a 35% tariff on imports; with China he’d impose a 45% tariff. As well as needing Senate support to leave the agreement with Mexico, if Trump managed to raise tariffs as he proposes, it could start a global trade war with unpredictable consequences. For her part, Hillary Clinton, as Democratic presidential candidate, should give continuity to Obama’s endeavours. Nevertheless, Clinton did not declare her opposition to the TPP in her acceptance speech and in the primaries she committed to renegotiating NAFTA. It is likely that she would negotiate adjustments to the TPP to later support it and would do the same with NAFTA, which would not necessarily mean breaking with trading partners.

If Donald Trump wins the presidency and the Senate is dominated by the Democrats, he will have difficulties getting his protectionist proposal through. To be sure, he would also have difficulties with the Republicans themselves to begin this reversal of the treaties in force. Slowdown on the ratification of the TPP and the negotiation of the TTIP would, therefore, be expected. If Hillary Clinton becomes president, on the other hand, she will have to satisfy Sanders with some form of protectionist measures, which would probably affect the negotiation of the TTIP, the target of all the alter-globalisation movements. This would

be easier for her, as neither the European Union nor its member states seem, for the moment, to be disposed to advance the negotiations, being electorally trapped between the dissatisfied left and the populists on the right.

If the TPP were ratified and the TTIP did not advance, the main loser would be the European Union. The United Kingdom, outside the EU, would have no problems negotiating a transatlantic agreement with Trump or Clinton, and the TPP would mark the definitive shift towards the Pacific axis and away from the Atlantic.

