Big Pharma’s big question: Is Trump friend or foe?


By DYLAN SCOTT @dylanlscott

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WASHINGTON — Should President Donald Trump make drug makers relieved? Or anxious? They’re not sure.

On the one hand, it was Clinton who pledged repeatedly to crack down on prescription drug prices during the campaign. It was a Democratic takeover of Washington that was considered the drug industry’s “worst-case scenario.” Republicans now fully control the federal government.

And yet.

Trump broke with conservative orthodoxy when he said he wants Medicare to directly negotiate the prices it pays for prescription drugs. He endorses price transparency for the entire health care system. He supports allowing drugs to be imported from other countries. All of those policies are vigorously opposed by drug makers.

And he’s vowed to take on the powerful pharma lobby.

Drug costs weren’t a priority for Trump on the campaign trail, and his populist tendencies may be tempered by House Speaker Paul Ryan and Senate Majority Leader Mitch McConnell.

But that’s the thing. It’s impossible to be sure.

Say what you will about Donald Trump. He’s right about drug companies
“Tell me truly where Trump would head on any particular health care position,” one lobbyist with pharmaceutical clients, who requested anonymity to speak candidly about the outlook for these clients, told STAT before the election.

Despite that uncertainty, others expect Trump to govern more or less as a traditional Republican. He and conservative leaders have promised to repeal and replace the Affordable Care Act. The current GOP-controlled Congress has been working on legislation this past year to speed up approvals of drugs and devices at the Food and Drug Administration (a bill that has plenty of Democratic support as well).

More likely than not, Trump and Republicans on Capitol Hill will focus on “injecting more free market principles into the health system as we know it,” said Ben Isgur, who analyzed the election’s health care implications for PricewaterhouseCoopers.

But Trump still has to deal with the widespread anxiety about drug costs that led Clinton to make them a campaign priority. An overwhelming number of Americans believe drug costs are unreasonable and the government should do something to address them, polling has repeatedly found.

“How are you going to respond to these consumers and make health care more affordable?” Isgur said. “This is front and center for the new president and the new administration.”

Several drug lobbyists said they worried that they could lose support on their right flank after Trump endorsed allowing Medicare to negotiate drug prices, a position that is usually anathema to traditional conservatives. The most populist members of the GOP, such as the House Freedom Caucus, may now feel empowered by Trump’s unexpected victory.

This is President-elect Donald Trump’s party now.

**Fearing Democratic tidal wave, the drug industry is pouring money into GOP coffers**

“I actually think the Republican Party is a far less certain bet for the pharmaceutical industry,” another industry official told STAT, citing “the rise of populism in both parties.”

The official, who also asked not to be named in order to speak candidly, spoke wistfully of ousted House Speaker John Boehner and House Majority Leader Eric Cantor.
“They were productive allies for the industry,” the official said. “But I’m not sure what the future of the Republican Party looks like.”

Republicans have also been yearning to slow the growth of Medicare and Medicaid spending. They want to turn the latter into a block-grant program, but that won’t solve the former’s fiscal situation. GOP leaders could see curbing drug costs as one way to reduce government spending.

But this is all speculative. Most of Washington and the industry has spent the last few months expecting a President Hillary Clinton.

Contemplating a Clinton presidency prior to the election, the drug lobbyist said: “It’s not like you’d have something coming out of totally left field.”

The lobbyist then added, almost as an afterthought: “Like you could have with Trump.”
Trump taps China critic for trade representative post

https://www.bostonglobe.com/news/politics/2017/01/03/trump-taps-china-critic-robert-lighthizer-for-trade-representative-post/RXcPUwTA5h38WJOo5PO47H/story.html

By Jennifer Jacobs  BLOOMBERG NEWS  JANUARY 03, 2017

WASHINGTON — President-elect Donald Trump has picked lawyer Robert Lighthizer to head the US Trade Representative office, his transition team said Tuesday, a further sign the incoming administration will take a tougher line on China.

“He has extensive experience striking agreements that protect some of the most important sectors of our economy, and has repeatedly fought in the private sector to prevent bad deals from hurting Americans,” Trump said in an e-mailed statement. “He will do an amazing job helping turn around the failed trade policies which have robbed so many Americans of prosperity.”

Lighthizer, who was deputy trade representative during the Reagan administration, would replace Michael Froman, the Obama administration’s representative who led negotiations on a Pacific trade pact that would have covered nearly 40 percent of the global economy and was seen as a counterpoint to China’s rising clout.

Trump, however, argues that deals such as the North American Free Trade Agreement and the Trans-Pacific Partnership kill American jobs. He has vowed to make smarter deals and slap punitive tariffs on countries that violate trade rules, particularly China — a frequent target of his attacks.

As a partner at the Washington offices of law firm Skadden, Arps, Slate, Meagher & Flom, Lighthizer has focused on traditional trade litigation, policy
advice, and legislative initiatives for a roster of large US corporations and coalitions, according to the firm’s website.

Lighthizer has previously accused China of unfair trade practices, in line with views held by Peter Navarro, a China critic who Trump last month named to head a newly formed White House National Trade Council. In a 2011 article published in the Washington Times, Lighthizer said that using tariffs to promote American industry was a Republican tenet harking back to pro-business politicians who established the party.

“The icon of modern conservatism, Ronald Reagan, imposed quotas on imported steel, protected Harley-Davidson from Japanese competition, restrained import of semiconductors and automobiles, and took myriad similar steps to keep American industry strong,” Lighthizer wrote. “How does allowing China to constantly rig trade in its favor advance the core conservative goal of making markets more efficient? Markets do not run better when manufacturing shifts to China largely because of the actions of its government.”

The choice of Lighthizer would make sense because Trump’s economic plan is “Reagan-esque,” said He Weiwen, deputy director of the Beijing-based Center for China and Globalization and a former business attaché in Chinese consulates in New York and San Francisco.

“In the second term of Reagan’s administration, his trade team put a lot of pressure on Japan in bilateral negotiations,” He said. “If Lighthizer is picked, a hardline approach towards China can be expected.”

Trump has also linked geopolitical matters to America’s trade ties, suggesting his administration will consider the behavior of countries on defense and security in the framework of its economic relationships.
The office of the US Trade Representative is part of the Executive Office of the President, responsible for developing international trade and investment policy, overseeing trade negotiations and representing American interests at the World Trade Organization.

Trump chose Lighthizer after considering several others, including Jovita Carranza, a former executive with United Parcel Service Inc. who served as deputy administrator for the US Small Business Administration under President George W. Bush. Dan DiMicco, former head of steel-maker Nucor Corp., was also considered.

Lighthizer met Trump at his Mar-a-Lago club in Florida on Dec. 19. The president-elect is closing in on a full selection of Cabinet nominees. Now that he has settled on his trade representative, top posts yet to be filled are agriculture secretary, veterans affairs secretary, and chairman of the Council of Economic Advisers.

Former Georgia governor Sonny Perdue is the front-runner for agriculture secretary, though the search continues, transition officials said Monday. Trump’s top choice for veterans affairs, Cleveland Clinic chief Toby Cosgrove, has withdrawn from consideration.
Canada should brace for a tougher, hardline approach to trade negotiations with the U.S. under Donald Trump's new pick to front the trade file, experts warn.

Saul Klein, dean of the Gustavson School of Business at the University of Victoria, said he wasn't surprised by today's appointment of "trade hawk" Robert Lighthizer as U.S. trade representative because he is aligned with the president-elect's protectionist views.

Lighthizer served as deputy trade representative under former president Ronald Reagan, and has worked as a leading corporate trade lawyer representing companies in various sectors seeking access to foreign markets.

Klein expects Lighthizer won't be very willing to make concessions to resolve disputes such as dairy and softwood lumber.

"I think his mindset is to support U.S. firms' benefit by taking a hard line on trade," Klein said. "So I don't think you're going to see a lot of compromise. I think you're going to see a strong view that this is the U.S. interest, and if you don't like it, too bad."

During the presidential campaign, Trump promised to renegotiate the North American Free Trade Agreement (NAFTA) and spike the Trans-Pacific Partnership (TPP). Klein does not see a massive immediate impact on Canada as the new U.S. administration trains its focus first on Mexico and China.

"Where we run the risk of getting hurt is in the slipstream on the Mexico front," he said.

But he doesn't expect NAFTA will be the first target, and because China is such a "big, messy problem" it could push NAFTA even further to the back burner. Trump would also risk a backlash from Republicans, especially those in bordering states to Canada, who support the free trade deal.

Lighthizer has accused China of unfair trade practices in the past, a critical view in line with that of Peter Navarro, who Trump tapped last month to head the White House National Trade Council.
Meantime, Ottawa is moving to deepen trade ties with Beijing. During a September 2016 visit to Ottawa, Chinese Premier Li Keqiang and Prime Minister Justin Trudeau announced "exploratory talks" on free trade between the two countries, with the goal of doubling trade between the two countries by 2025.

Klein said escalating trade friction between the U.S. and China could actually work to Canada's advantage.

"To the extent that the U.S. is seen as a much more difficult trade partner, Canada in contrast seems much more attractive," he said.

"There may be some markets where we will benefit; things like tourism where people might prefer to go to Canada than to the U.S. If the U.S. is less welcoming to foreign students, Canada could get a benefit from that. More generally, to the extent Canada is seen as a more stable player and more interest in free trade, we could benefit as the U.S. becomes harder."

'We have to up our game'

Mark Warner, a Toronto-based trade lawyer, expects the biggest shift in the Canada-U.S. trade relationship under Lighthizer will be a more aggressive enforcement of trade laws.

Warner said he's "reassured" by Trump's choice in the sense that Lighthizer is a smart, knowledgeable lawyer with deep expertise in the file.

Canada and the U.S. have a long-running dispute over softwood lumber. In a release issued by the transition team, Trump said Lighthizer will fight for trade deals that 'put the American worker first.' (Jonathan Hayward/Canadian Press)

"He will make arguments that are protectionist, but they will be strong, well-made arguments," he said. "He's a very sophisticated lawyer who understands legal nuance. And to my mind, that's at least something that's knowable and something you can negotiate with. It just means we have to up our game on this side of the border."

But Warner warned that because Lighthizer has developed a keen understanding of the Canadian market and steel and softwood lumber issues through his corporate work, he won't be easily swayed by some of Canada's bargaining points.

That could mean more protracted legal battles rather than negotiated resolutions, he said.

"You're going to have to make an argument not just on technical legal ins and outs but on fundamental fairness with someone like him. So that doesn't augur well for some of those traditional trade irritants that prevail on technical legal grounds," Warner said, pointing to the ongoing softwood lumber dispute.

In a release issued by the transition team, Trump said Lighthizer will fight for trade deals that "put the American worker first."
"He has extensive experience striking agreements that protect some of the most important sectors of our economy, and has repeatedly fought in the private sector to prevent bad deals from hurting Americans. He will do an amazing job helping them turn around the failed trade policies which have robbed so many Americans of prosperity," reads the Trump statement.

**Canada-U.S. trade ties**

International Trade Minister Chrystia Freeland is scheduled to hold a media availability in Halifax Wednesday.

Her press secretary Alex Lawrence said the minister looks forward to working with the new U.S. administration and Congress on issues related to trade and investment.

"As the minister has said, Canada has no closer friend, partner, and ally than the United States," he said in an email. "Thirty-five states count Canada as their No. 1 customer. We do over $2.4 billion in trade every day. The relationship between our two countries serves as a model for the world."
Secret negotiations at the World Trade Organization create a big problem


By Jeffrey Kucik and Krzysztof J. Pelc January 6

After decades of steadily increasing globalization, trade liberalization has slowed to a standstill. Congress has delayed ratification of the Trans-Pacific Partnership (TPP) indefinitely. And negotiations around the Transatlantic Trade and Investment Partnership (TTIP) have ground to a halt.

In both the United States and abroad, these agreements are dogged by widespread concerns over the nontransparent manner in which trade deals are negotiated. Critics argue that bargaining behind closed doors unfairly shuts out the voices of organized labor, advocacy groups and nonmember countries. But defenders argue that private negotiations are the only way to reach a deal.

In a recent study in the British Journal of Political Science, we looked at the consequences of private bargaining during World Trade Organization (WTO) disputes. The WTO encourages states to consult with one another privately before initiating formal litigation.
We investigated who gains the most from private bargaining

We use new data on trade in disputed products and on third-party participation. Our analysis contains two parts. First, we investigate whether complainant countries enjoy greater trade gains after early (private) settlements. The WTO requires that any individual state’s market concessions are extended to all members. So if complainant countries enjoy greater market access than nonparticipants, we regard this as evidence of trade discrimination.

Second, we test whether third parties — countries that participate as observers in disputes — prevent this discrimination. Having more observers in the room should reduce litigants’ opportunities to strike deals that disadvantage other members.

Our evidence suggests privacy is a mixed blessing. Shielding negotiators from public view does significantly increase the likelihood that the parties can reach an early settlement, precluding the need for costly litigation.

But these settlements come at a price. Private bargaining creates opportunities for states to strike deals that exclude other members. We show that, conditional on a settlement being reached, complainant countries gain relatively more than others do when negotiations are conducted in private. Specifically, complainants conducted 60 percent more trade with respondents than do other members. This disparity cannot be attributed merely to complainants having a larger stake in the dispute ahead of time.

This is a problem for the WTO
This finding is worrying since the WTO specifically states that any concession made to one country is extended to all others. But, under private settlement, countries appear able to tailor deals that exclude those who are not in the room.

The good news is that the participation of third parties appears to prevent discrimination. Having more eyes in the room reduces the odds that countries strike deals that disadvantage other members. In practice, the trade gains from disputes are more even in the presence of third parties. But third parties also reduce the odds of an agreement being reached.

The results highlight a difficult trade-off. It’s true that privacy during trade negotiations promotes agreement. However, private settlement also generates uneven trade gains.

Our findings suggest that a review mechanism is required to scrutinize the outcome of trade negotiations. This is why ratification of trade treaties is such a harried process. Widespread opposition to TTIP, TPP and the Canada-E.U. Trade Agreement in the past year illustrates that countries wishing to retain the benefits of private negotiations must be prepared for the eventual pushback once deals are made public.

Being aware of potential pushback should encourage negotiators to reach deals that will satisfy a majority of their domestic constituents. In this light, the current controversy around trade agreements is thus not entirely a sign of failure. Rather, it’s a necessary counterpart to the privacy required to reach an agreement in the first place.

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U.S. International Trade Commission says Canadian softwood lumber caused harm

Canadian softwood producers say duties would result in job losses and plant closures


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A section of forest is harvested by loggers near Youbou, B.C., in this Jan. 2015 photo. The U.S. International Trade Commission says it has made a preliminary determination of harm from Canadian lumber that is "allegedly subsidized and sold in the United States at less than fair value." (Jonathan Hayward/Canadian Press)

The U.S. International Trade Commission says it has found there was a reasonable indication that softwood lumber products from Canada materially injured American producers, setting the stage for the imposition of preliminary duties that softwood producers fear could impact Canadian jobs.

The trade commission announced Friday that it made an initial determination of harm from Canadian lumber that is "allegedly subsidized and sold in the United States at less than fair value."

It said the U.S. Commerce Department will continue anti-dumping and countervailing duty investigations launched Dec. 16 into the imported products.

"In the final phase, which is a much longer and much more in-depth investigation, the commission will make a determination whether the U.S. industry is injured by reason of the imports," said spokeswoman Peg O'Laughlin.

The preliminary finding could force U.S. importers of Canadian lumber to pay cash deposits to cover preliminary countervailing duties in early March, followed in mid-May with deposits for any anti-dumping duties, unless the deadlines are extended.

Canadian softwood producers say the duties would result in job losses and plant closures north of the border.

International Trade Minister Chrystia Freeland said Canada is prepared for any situation and the government will vigorously defend the interests of Canadian workers and producers.
"Our softwood lumber producers and workers have never been found in the wrong; international bodies have always sided with our industry in the past," she said in a statement.

The decision to investigate is in response to petitions filed in November from the U.S. Lumber Coalition, which alleges that provincial governments, which own most of Canada's vast timberlands, provide trees to Canadian producers at rates far below market value, along with other subsidies.

- **Why Trump's new trade representative could take a 'hard line' with Canada**

B.C. Forests, Lands and Natural Resource Operations Minister Steve Thomson said the allegations of unfair trade practices are unfounded.

"These are allegations that, time after time, have been proven to be false before NAFTA and World Trade Organization tribunals," Thomson said in a release.

"B.C.’s forest policies are trade compliant. This issue can be resolved only with a fair, negotiated trade agreement with the United States, not more litigation," he said.

"It is in the best interest of both sides to quickly come to terms on a deal and get back to focusing on growing our respective economies rather than wasting time, energy and resources in costly litigation," he added.

However, B.C. is prepared to fight, along with the federal government, against the U.S. action, he added.

Canada exported about $4.7 billion US worth of lumber to the U.S. last year, according to the U.S. Commerce Department.

*with files from CBC News*
Top U.S. trade official sounds alarm over protectionist policies

By Ylan Q. Mui January 10

Outgoing U.S. trade ambassador Michael Froman warned Tuesday that America risks ceding its dominance of the global economy if President-elect Donald Trump follows through on promises to slap punitive tariffs on imports and abandon a sweeping trade deal with Asia.

In prepared remarks for his final speech as the nation’s top trade negotiator, Froman did not mention Trump by name. But he cautioned that the type of protectionist policies the president-elect has pledged could endanger the ongoing U.S. recovery and embolden Chinese ambitions. Several of the 11 other nations signed on to the Trans-Pacific Partnership have begun adopting portions of the free trade agreement that was supposed to be one of President Obama’s signature diplomatic achievements, effectively leaving the United States out of the process.

Meanwhile, he said, China is striking regional trade agreements of its own in hopes of establishing itself as the economic power center of Asia — and eventually, the world.
“How can you be tough on China and withdraw from TPP at the same time?” Froman said in an interview in his office the day before his speech at the Ronald Reagan Building in Washington. “TPP is how you show U.S. leadership in the region.”

The Obama administration had hoped that deepening economic ties with China’s neighbors could help constrain the country’s rapidly growing influence in the region. The trade deal was a central component of a broader White House pivot to diplomacy in Asia after years navigating through the grinding wars in the Iraq and Afghanistan.

But the lackluster recovery from the 2008 financial crisis fueled frustration with the global economic order — not just at home but around the world. That populist anger boiled over last year with Britain’s stunning decision to end its four-decade membership in the European Union and peaked with Trump’s upset victory in the U.S. presidential election.

The heated rhetoric over globalization during the campaign extinguished Obama’s hopes of getting the TPP passed by Congress before leaving office. Trump has vowed to withdraw from the deal on his first day in the White House, as well as renegotiate or withdraw from America’s long-standing free trade agreements with Mexico and Canada and label China a currency manipulator.

Beyond that, Trump has threatened to punish companies that that offshore jobs with a hefty border tax — a power that trade experts say he may not even have. Imports from Mexico and China could also face double-digit tariffs under Trump’s administration.

“China is robbing us blind in trade deficits and stealing our jobs, yet our leaders are claiming ‘progress,’ ” Trump tweeted in late December. “SAD!”
In his prepared remarks, Froman argued that most Americans support free trade but the minority that oppose it do so passionately. A September survey by the Chicago Council on Global Affairs found that 65 percent of those polled viewed globalization favorably. However, a March poll by the Pew Research Center found the public was nearly evenly divided on the merits of free trade agreements.

Now, with the Trump administration set to reverse course on trade policy, Froman acknowledged the economic anxiety that has shifted public sentiment. Proponents of globalization have not made persuasive arguments in the face of painful job losses in the manufacturing sector and inconsistent support for training and education, he said.

“It's very easy to have a bumper sticker critique of trade policy which takes three paragraphs to refute,” Froman said in the interview.

Nominated as Froman’s replacement is Robert Lighthizer, a prominent trade attorney who served as deputy U.S. trade representative under President Reagan. In a 2008 op-ed in the New York Times, he called praised Reagan’s “pragmatism” on free trade and criticized modern supporters.

“They embrace unbridled free trade, even as it helps China become a superpower,” he wrote. “They see nothing but dogma — no matter how many jobs are lost, how high the trade deficit rises or how low the dollar falls.”
What will Trump change about trade relations with China? Here’s what you need to know.


By Roselyn Hsueh January 10

As a candidate and as president-elect, Donald Trump tapped into the backlash against globalization and free trade, feeding the perception that U.S. companies are no longer competitive in the world. China’s growing economic capabilities have been a frequent target, with Trump labeling China a currency manipulator and threatening to impose tariffs on Chinese imports. Trump even suggested in a Fox News interview that if China wants the United States to be bound by the one-China policy, then China would need to budge on trade.

There are reasons to be skeptical that any of these moves would work. First and foremost, holding the one-China policy hostage to trade concessions is a weak position. China knows that the United States won’t easily abandon the one-China policy, which is tied to U.S. security commitments. The Taiwan
Relations Act, passed by Congress in 1979 after the U.S. normalized relations with China, commits to the peaceful resolution of Taiwan’s future status, through informal diplomatic relations and the sales of defense arms to Taiwan.

Second, to understand what levers the United States really has in dealing with China requires a closer look at China’s political economic behavior.

In the four decades since President Richard Nixon first went there in 1972, China has become the world’s second-largest economy, leading destination for foreign direct investment (FDI), top exporter, and fastest-growing consumer market.

Trump has claimed China keeps its currency artificially cheap, resulting in the U.S. trade deficit with China — and part of the reason for China’s global economic success.

In the past, China devalued its currency to keep exports attractive to foreign buyers — and discourage imports. More recently, after years of high-speed growth, manufacturing in China has declined. The Chinese government now focuses primarily on developing consumer and high-tech, capital-intensive sectors.

**China is now building up its currency, not devaluing it**

Beijing also wants to make the renminbi a global currency. In late 2015, the Chinese yuan joined the International Monetary Fund’s basket of reserve currencies, a move many economists saw as a first step toward global acceptance of China’s currency. Thus, to encourage domestic consumption amid a slowing economy, stem capital flight, and maintain the renminbi’s value, China is now shoring up its currency.

So the Chinese government is regulating to enhance, not restrict, the value of its currency, much in line with the findings of my first book. I argue that China has employed liberal economic and state interventionist tools to deliberately
regulate the economy in sector-specific ways in different reform rounds since the 1980s. This “liberalization two-step” aims to achieve state goals of national security and national technological development. My research also shows that across different industries, from automobiles and telecommunications to renewable energy, the Chinese government restricts the business scope and market entry of foreign companies. Non-tariff barriers, skirting commitments to World Trade Organization (WTO) principles, favor domestic Chinese companies and boost their global competitiveness. By intervening to manage competition, reorganize state-owned enterprises and restructure industries, China has developed a strong indigenous technology base, and actively promotes these exports around the world.

Is there a way for U.S. companies to compete better?

Chinese-style capitalism, with this extensive government support, is a concern for U.S. companies, both at home and abroad. But what’s the best way to communicate that the United States would like to do more business with China — under the fair and competitive conditions both countries committed to uphold? How does the U.S. government assure U.S. companies have a market foothold in China, and can compete with Chinese imports to the United States?

Trump promised to impose 45 percent tariffs on Chinese imports, a move likely to provoke retaliatory measures from Beijing. The imposition of U.S. tariffs also would violate the U.S.’s own WTO commitments. Trump has also declared that he will invoke Section 301 of the Trade Act of 1974 to respond to unfair trade practices. But the WTO has ruled that doing so against other member countries will first require WTO approval.

There are better tools to help U.S. companies.

The U.S. government will have more success promoting the global competitiveness of U.S. companies by supporting worker training,
encouraging industrial upgrading, and investing in research and development. Importantly, the United States has leverage as a WTO member to encourage the global trading body to enforce and arbitrate China’s violations of WTO commitments. These tools promote firm competitiveness and encourage markets for U.S. products within global rules.

The Obama administration brought 14 trade enforcement challenges against China out of a total of 38 complaints filed by WTO member countries. These include a complaint against tariffs imposed on critical raw materials, which favor Chinese manufacturers at artificially low prices. The U.S. government has also filed anti-dumping or countervailing duty actions against China for unfairly subsidizing exports, including steel.

**And what about the TPP?**

Trump also threatened to abandon the Trans-Pacific Partnership (TPP), a 12-nation trade pact initiated by President Obama’s “pivot to Asia” strategy. China is not included in the pact, a deliberate move to boost the competitiveness of these 12 countries.

But a TPP retreat would mean walking away from lower tariffs for U.S. products in 40 percent of the world’s economy. Moreover, abandoning the TPP could embolden China in the Regional Comprehensive Economic Partnership, a trade agreement of 16 Asia Pacific countries headed by China, and an agreement that excludes the United States.

**The Trump trade lineup is tough**

By appointing U.C. Irvine professor Peter Navarro, author of “The Coming China Wars” and “Death by China,” as head of the new National Trade Council in the White House, Trump sent a get-tough signal. The other chief architect of Trump’s America First trade strategy is Wilbur Ross, a billionaire investor and the presumptive commerce secretary.
In early January, Trump named Washington insider and lawyer Robert Lighthizer as U.S. trade representative. Lighthizer, who previously served under President Ronald Reagan, has argued for more aggressive U.S. positions in the WTO’s dispute settlement process in enforcing China’s WTO commitments and favors one-on-one bilateral trade negotiations between countries.

What’s more, appointing Iowa Gov. Terry Branstad as ambassador to China signaled to some analysts that Trump will “focus on negotiations and not ultimatums” with China. Branstad successfully parlayed his 1985 acquaintance with Chinese President Xi Jinping into trade and foreign investment between China and his state.

It remains to be seen how Branstad and Exxon executive Rex Tillerson, Trump’s choice for secretary of state, will juggle U.S. security and business priorities. It’s possible that the two business leaders will balance the anti-trade faction.

But two things seem quite clear. First, Chinese-style capitalism will continue with or without U.S. tariffs on Chinese products. Second, it’s hard to see a scenario where the United States walks away from the one-China policy without a comprehensive assessment of political changes on both sides of the Taiwan Strait. This would include recent meaningful democratic developments in Taiwan, and of whether China has renounced the use of force to take over Taiwan (which China has not).

Roselyn Hsueh is associate professor of political science at Temple University and author of “China’s Regulatory State: A New Strategy for Globalization.”
Trump’s vow to crack down on outsourcing rattles drug makers with factories in Asia


By EJ LANE
JANUARY 11, 2017

SINGAPORE — President-elect Donald Trump on Wednesday slammed the pharmaceutical industry for producing drugs overseas. “We have to get our drug industry coming back,” he said at his first press conference since the election. “They supply our drugs, but they don’t make them here, to a large extent.”

Pharma execs have been afraid Trump would seize on this issue.

Many pharmaceutical ingredients sold in the US are indeed made abroad, in complex supply chains dominated by China and India for generics and by Singapore and South Korea for higher-end biologic drugs. Trump has made it abundantly clear that he’s no fan of outsourcing production in this fashion.

“Our drug industry has been disastrous,” he said Wednesday. “They’re leaving left and right.”

It’s unclear exactly what levers Trump might pull to pressure the drug industry, but pharmaceutical factories in India and China, in particular, may be tempting targets, given that they’ve repeatedly been called out for safety and quality violations, from lying to inspectors to leaving bird droppings and black mold on the factory floor.

Even before the news conference, biopharma executives and government officials across Asia were worried that Trump could impose heavy taxes on ingredients coming into the US or crack down on overseas manufacturing.
Trump promises reforms on drug prices, saying companies ‘getting away with murder’

Singapore, South Korea, and Australia all have free-trade agreements with the US that insulate them somewhat from import taxes. But Trump has promised to tear up the Trans-Pacific Partnership trade pact that Japan and 10 other nations painstakingly negotiated in recent years with the Obama administration. That would leave those countries more vulnerable to protectionist policies, such as new tariffs.

Adding to the unease in Asia: Trump’s pick of attorney Robert Lighthizer, a piercing critic of China’s trade practices, as US trade representative.

“Pharma firms will have to decide how to handle what is going to be a rocky few years,” said Deborah K. Elms, executive director of the Singapore-based Asian Trade Center.

Elms predicted that some companies might shift manufacturing to nations like Singapore and South Korea, where existing free-trade agreements with the US provide “more certainty” about stable trade policy. Others may bring manufacturing back to the US, “although I think firms may wait to see what happens before making this decision, as costs are higher,” she said.

Ending outsourcing won’t be easy: “The cost of manufacturing in Asian countries like India or China is far less, five times less in some cases, than in developed markets,” said Singapore-based supply chain consultant Per Karsten Stolle, who has worked for emerging market access firm Zuellig Pharma.

What’s more, several Asian countries require drug companies to do at least some local manufacturing — or risk losing access to massive markets, like Indonesia’s 258 million people.

Despite those obstacles, manufacturing advocates in the US are already gearing up to start wooing jobs to the States.

Take the Drew Quality Group, a nonprofit based in Massachusetts. It aims to boost production of generic drugs in the United States. It’s pushing to secure tax incentives to set up factories in economically depressed areas, hoping for support from insurers, who might welcome lower-cost medicines.

“Our target is to manufacture critical drugs listed as in shortage” by the Food and Drug Administration, said Deborah Drew, the president and CEO.
The key, Drew said, is to develop efficiencies that make manufacturing in the US cost-effective.

“We can’t go back to the old style,” she said. “Our aim is to reduce costs, use new technologies, and enforce quality controls.”

The Obama White House has already started to support such initiatives.

Last month, the Commerce Department announced $70 million in grants to support a new National Institute for Innovation in Manufacturing Biopharmaceuticals. The goal: to scale up the production of complex biologic drugs in the US.

Many of those drugs are now being made in Asia, in factories approved and regularly inspected by the FDA.

Singapore stands out as a top-end manufacturer, with hundreds of millions of dollars of investment in the past five years from AbbVie, Amgen, and Novartis among others to set up plants to produce biologic drugs. US-based Sigma-Aldrich and Thermo Fisher Scientific provide manufacturing support products and services from a hub in Singapore as well.

India has gone all out to attract the sector, too, with Prime Minister Narendra Modi’s “Make in India” campaign.

And South Korea has also seen an explosion in biologic manufacturing with Seoul-based biotech contract manufacturing firm Samsung BioLogics now home to a state-of-the-art manufacturing operation that serves firms from Bristol-Myers Squibb to Roche. The company is also pushing for European and American approvals of biosimilars — unbranded versions of lucrative biologic drugs, from autoimmune therapy Enbrel to breast cancer therapy Herceptin.

Just this week, South Korea’s finance minister Yoo Il-ho said the country will vigorously defend its manufacturing industries against any “irrational demands from the US” on trade.

Elms said pharma companies that have built overseas supply chains should be especially wary of Trump’s threat to impose an import tax on items manufactured abroad. That, she said, is a “looming problem” for much of the industry.
“This will tax imports and this is likely to hit pharmaceutical products manufactured abroad and imported back into the United States rather more significantly than tariffs,” she said.

To be sure, import taxes aren’t their only woes: Pharma companies also worry that Trump could seize on news of a drug price hike and respond with a tweet storm that would send stocks plummeting. But in the end, a trade war would likely have a much bigger effect on their bottom line.

“The irony, for me, of course is that pharma may really come to regret their opposition to the TPP,” Elms said. “Had they not been so hostile to the agreement earlier, we would have had the deal in place and their manufacturing options would have been improved now.”
The United States and European Union have completed negotiations on a covered agreement on insurance and re-insurance, and the deal could be filed with the Congress by Friday, the last possible day for the Obama administration to notify Congress during its term, according to multiple sources.

The agreement must be filed with the Senate Finance and Banking committees and the House Ways & Means and Financial Services committees on a day when both chambers are in session, under provisions of the Dodd-Frank Act. Friday, Jan. 13 is the last day the House and Senate are both in session before inauguration day. The agreement would go into effect 90 days after Congress is notified, under Dodd-Frank requirements, which would be April 13.

The Federal Insurance Office within the Treasury Department and Office of the U.S. Trade Representative negotiated the agreement with the EU and are in the process of preparing to file the agreement with Congress, sources said.

Negotiators along with the insurance and reinsurance industry had hoped to complete a deal before the end of the Obama administration because there would be a natural pause in the talks -- to the detriment of the U.S. insurance and reinsurance industry activities in Europe -- while President-elect Trump's team gets up to speed. -- Brett Fortnam (bfortnam@iwpnews.com)
Kerry defends trade pact on last trip as top US diplomat

By Yves Dam-Van | AP January 13

HO CHI MINH CITY, Vietnam — Secretary of State John Kerry, making his last trip as the top U.S. diplomat, defended the 12-nation trade pact that the incoming administration said it would scrap and urged countries to refrain from provocative acts in the South China Sea.

“I can’t predict what the new administration is absolutely going to do with the trade, but I can absolutely tell you that the fundamental reasons for the TPP haven’t changed,” Kerry told students of University of Technology and Education in southern Ho Chi Minh City on Friday, referring to the Trans Pacific Partnership agreement.

He said the U.S cannot grow unless it’s able to sell goods to the rest of the world.

Kerry admitted that the future of the TPP, the centerpiece of the Obama administration’s pivot to Asia, is in doubt when Donald Trump is sworn in as president next week. He, however, believed that U.S commitments to the region will not change.

“Shift in our administrations in Washington is not going to alter or fundamentally undermine the commitments of the United States to prosperity and stability and security of the Asia-Pacific,” he said, adding that “our friendship doesn’t depend on individuals or personalities.”
White House Press Secretary Josh Earnest said President Barack Obama had dedicated a significant portion of his last term to TPP, which he said would allow the U.S. to impose higher labor, environmental and human rights standards and protection for intellectual property as well as give U.S. businesses access to some of the fastest growing economies.

The deal would have slashed 18,000 taxes that other countries impose on American goods and services, he said.

“But unfortunately, Congress did not take action on the agreement that the Obama administration negotiated, and that’s unfortunate because early indications are that other countries are prepared to move forward without the United States,” Earnest told reporters in Washington. “It means that other country’s products are going to be cheaper for some countries to import, and that’s going to put U.S. businesses at even greater disadvantage.”

Kerry said that the U.S. and Vietnam have shared support for security and freedom of navigation and overflight in the South China Sea, which Vietnam along with China and four other government claims in whole or in part.

“We believe all countries in the region, whether big or small, that they all refrain from provocative acts that add to tensions or might lead to greater militarization of the area,” he said.

He also repeated the U.S. opposition to coercion or threat of force “by any state to assert its claim over another... and I’m confident that the next administration will continue to adhere with the same good faith to that policy.”

China claims virtually the entire South China Sea. The U.S. has challenged Beijing’s assertiveness and the construction of islands in the disputed waters by sending warships close to the man-made features.
Kerry, a Vietnam War veteran, also praised relations with his former foes, saying two-way trade had jumped from just $451 million 20 years ago, when U.S.-Vietnamese ties were normalized, to more than $45 billion.

The number of Vietnamese students studying in the U.S. also has increased from 800 to 21,000, while American visitors to the communist country rose from 60,000 to half a million.

Kerry, however, urged greater respect for human rights in Vietnam.

The U.S and some European governments often criticize Vietnam for arresting or jailing people who peacefully express their views. Hanoi has said it only jails law breakers.

Kerry and Sen. John McCain, who was held prisoner of war when his Navy jet was shot down over Hanoi during the war, were key participants in the efforts to normalize relations in 1995.

Earlier Friday, Kerry held separate meetings with Prime Minister Nguyen Xuan Phuc and acting Foreign Minister Bui Thanh Son.

He is scheduled Saturday to tour the Mekong delta province of Ca Mau, where he fought almost 50 years ago.

Kerry then travels to Paris to attend a conference on Middle East peace and to London, where he will meet Foreign Secretary Boris Johnson to discuss Syria.

The most traveled top diplomat in U.S history ends his trip by attending the World Economic Forum annual meeting in Davos on Jan. 18, just two days before Trump is sworn in with former oilman Rex Tillerson nominated as Kerry’s replacement.
New Balance founder gave nearly $400,000 to Trump

https://www.bostonglobe.com/metro/2017/01/13/new-balance-founder-gave-nearly-trump/HEoVw5ig6OHhLKOc3dDorO/story.html

New Balance athletic shoes.

By Jim O'Sullivan GLOBE STAFF JANUARY 13, 2017

L.L. Bean found itself in hot water recently when a board member voiced support for President-elect Donald Trump, and the Associated Press reported she had donated to support his campaign.

But another footwear magnate, whose company had already drawn unwanted Trump-related attention, quietly gave much more than vocal support – and a much larger donation.

Jim Davis, chairman of New Balance, sent a $396,500 check to Trump Victory in September, according to federal campaign finance records. The political action committee is a joint fundraising group for the Trump campaign and the Republican National Committee.

The company issued a statement on the donation Friday: “New Balance did not endorse a candidate in this presidential election or any other. An employee’s personal support of a candidate does not equate to a company endorsement.”

Political donations are nothing new for Davis, who has given to Democrats and Republicans alike. But his recent giving has been heavily weighted to the GOP side, including at least $400,000 last year to groups dedicated
specifically to protecting and expanding the party’s majority in the US House and Senate.

New Balance, the Brighton-based sneak behemoth, wandered into controversy shortly after the election when an official’s comment agreeing with Trump’s opposition to the Trans-Pacific Partnership triggered Internet mayhem. Davis attended a Trump fundraiser in Boston last June.
Politico Pro

Froman promises revealing TTIP 'snapshot'

By Doug Palmer

01/13/17 02:52 PM EST

The Obama administration and the European Union are putting the finishing touches on a "snapshot" of where things stand in talks on the TTIP to give to President-elect Donald Trump's administration, outgoing U.S. Trade Representative Michael Froman said Friday. The comments raised expectations that the document will be released next week.

"I had a video conference with [European Union Trade Commissioner] Cecelia Malmström this morning," Froman said during a discussion on the future of U.S. trade policy at the Center for Strategic and International Studies. "We're in the process of trying to make sure we take a good snapshot of where we are in the negotiations — not just where the text is, but where the bid-ask in the negotiations were, what the possible compromises were that were on the table, so if that the next administration ... wants to pick it up, they'll be able to pick it up with momentum."

The top U.S. trade official said the two sides failed to close the negotiations last year because the EU was unable to make difficult decisions in areas such as agricultural tariffs, services and digital trade. But a lot of progress has been made on regulatory issues, he said.

Froman said he thought the European Union would need to get past upcoming elections in France and Germany before it is able to politically reengage in the TTIP talks. The EU also needs to decide whether trade deals can be approved by just the European Council and the European Parliament or have to go through 38 different national and regional parliaments, as has been the case with the EU-Canada free trade agreement.

If the latter is the case, "it's going to be very difficult to negotiate something with the EU," because of the potential for any one of those parliaments to block the pact, Froman said.

On a related issue, Froman downplayed the idea of the Trump administration being able to negotiate a quick bilateral trade deal with the U.K., even though there is strong interest on both sides of the Atlantic.

As a practical matter, the U.K. needs to figure out its new relationship with the EU first, he said.

For example, if the U.K. remains in a customs union with the EU, "that means the EU controls [the U.K.'s] tariffs," Froman said. "You can't really negotiate a free trade agreement with a partner that doesn't have sovereignty over their tariffs."

There are similar questions about how much sovereignty the U.K. will have over its regulations in whatever new relationship it strikes with the EU, he added.
Over the longer term, the United States obviously wants deep trade ties with the U.K., but the U.K. needs to redefine its relationship with the EU before "we can really have any intelligent conversations about a bilateral agreement," Froman said.
The U.S. Treasury Department has published a fact sheet outlining the terms of an insurance regulatory agreement between the United States and the European Union. The major focus of the deal is on the application of EU rules under its "Solvency II" regulations and the oversight of reinsurers.

Under the agreement, the EU will not apply Solvency II capital requirements and supervision to the worldwide operations of U.S. insurers. The EU will have authority to apply its rules to the European operations of U.S. firms, but those regulations will not flow upstream to the U.S.-based parent company.

The agreement would also attempt to clear hurdles for U.S. and EU reinsurers operating across the Atlantic.

Under the terms of the deal, which on the U.S. side was negotiated by Treasury and the United States Trade Representative, U.S. states that serve as the primary regulators of the domestic insurance industry will need to update rules that apply to EU reinsurers.

The agreement requires that the U.S. states remove collateral requirements in five years for EU reinsurers that meet certain consumer protection conditions. After three and a half years, if any states have failed to go along with the plan, Treasury's Federal Insurance Office will consider whether to preempt state laws that are inconsistent with the deal.
Trump Nominees Give Vietnam’s Premier Hope for Trade Pact


by

Nguyen Dieu Tu Uyen

and

John Boudreau

January 15, 2017, 4:00 PM EST January 15, 2017, 11:21 PM EST

• Many Trump officials favor TPP, Vietnam’s prime minister says

• Vietnam seen as one of biggest winners from trade pact

Vietnamese Prime Minister Nguyen Xuan Phuc is holding out hope that incoming U.S. President Donald Trump will reconsider the Trans-Pacific Partnership, a trade deal that would be a major boost to the export-driven Southeast Asian nation.

Recent comments made by officials who are set to take senior roles in Trump’s cabinet give him reason to be optimistic of a possible agreement that can satisfy the U.S., Phuc said. Rex Tillerson, Trump’s pick for secretary of state, said in his Senate confirmation hearings last week he wasn’t opposed to the TPP, though he shared some of Trump’s concerns about the pact. The U.S. president-elect had vowed on the campaign trail to withdraw from the TPP on his first day in office, saying such trade deals kill American jobs.
“I still believe the new administration of the United States will reconsider its perspective on the TPP and will also try to achieve a new generation agreement that will benefit all parties concerned,” Phuc said in an interview with Bloomberg Television’s Haslinda Amin at the Government Office in Hanoi on Friday.

“Many of the newly-appointed members of the new cabinet are in favor of the TPP, so I think that Washington might reconsider its decision because it will also benefit the U.S.,” he said.

Phuc, 62, is working with other Asia-Pacific leaders to keep momentum going on the 12-nation trade treaty that’s been signed -- but not yet ratified -- by countries including the U.S., Australia, Japan and Canada, and was a cornerstone of President Barack Obama’s strategic pivot to Asia. TPP would represent nearly 40 percent of global economic output worth $30 trillion if it came into force.

Australian Prime Minister Malcolm Turnbull reaffirmed his commitment to the TPP on Saturday and urged resistance to protectionism ahead of a meeting with Japanese Prime Minister Shinzo Abe in Sydney. A key advocate of the agreement, Abe said over the weekend he’s working on an “early entry into force of the TPP.” Turnbull told reporters on Monday TPP members are weighing how the deal would work without the U.S.

Phuc will host the Japanese leader in Hanoi on Monday.

Vietnam -- an economy that’s been transformed in the past decade from a mainly farming one to a manufacturing hub -- is seen by the World Bank and others as one of the biggest winners from the TPP, providing an estimated 8 percent boost to gross domestic product by 2030. As a low-cost producer, Vietnam is one of the few
economies in Asia still posting export growth as foreign investment from companies such as Samsung Electronics Co. continue to rise.

The economy expanded more than 6 percent last year and is set to be among the world’s best performers over the next two years with growth rates exceeding 6 percent, according to the World Bank. The government is targeting expansion of 6.7 percent in 2017.

The TPP is more ambitious than other agreements in not only reducing tariffs on a range of products, but also offering protection on intellectual property rights. That provided impetus for countries like Vietnam to implement business-friendly reforms to take advantage of the benefits from the trade pact.

**China Relations**
“Modernizers in Vietnam hoped that TPP would exert an external push for reform that they were unable to make internally given the domestic structural constraints,” said Alexander Vuving, a security analyst at the Asia-Pacific Center for Security Studies in Hawaii. It would also create a “strong force to draw Vietnam away from the Chinese orbit,” he said.

Even without U.S. support for the TPP, Phuc said Vietnam will work with the other member countries to find a solution that benefits everyone, while also seeking free-trade deals elsewhere, such as the Regional Comprehensive Economic Partnership, or RCEP, which is being pushed by China.

“Vietnam will continue to move forward because we have 12 other FTAs in place and three FTAs that are currently under negotiation, including the RCEP,” he said. “These will help our economy to continue to be propelled forward.”

Vietnam is seeking to steer a more independent course from China -- its biggest trading partner with bilateral trade amounting to $71.6 billion last year -- as territorial disputes with its fellow communist neighbor repeatedly mar relations.

‘Potential Market’

The Southeast Asian nation looks to China to “facilitate business” and “a potential market for goods and services of regional countries,” Phuc said.

The two countries have a complex relationship. They engaged in a 1974 clash near the disputed Paracel Islands and a bloody border war in 1979 over Cambodia. Relations were further tested in 2014 when China placed a deep-sea exploration rig off the Vietnamese coast in an area of the South China Sea.
claimed by both countries. That action prompted several clashes at sea and sparked widespread protests in Vietnam.

“We are boosting economic growth, but we will not compromise the environment, national security and independence,” Phuc said. "And as long as we are able to uphold such principals, we should all work together for mutual development.”

China and Vietnam issued a joint statement on Saturday pledging to better manage maritime differences and avoid actions that complicate the situation in the South China Sea.
Trump’s UK trade pledge: hurdles to a quick deal

Brexit terms, competing interests and sheer complexity could all delay agreement

https://www.ft.com/content/378c2678-db9d-11e6-9d7c-be108f1e1dee

Financial Times

January 15, 2017

by: Shawn Donnan, World Trade Editor

Donald Trump is promising the rapid launch and conclusion of a trade agreement with the UK to help the government of Theresa May make Brexit a “great success”.

“We’re going to work very hard to get it done quickly and done properly. Good for both sides,” Mr Trump told The Times and Germany’s Bild in an interview published on Sunday.

But that promise faces at least four potential hurdles.

The EU and the terms of Brexit

Still a member of the EU, the UK is technically not allowed to negotiate a trade agreement with another country. But the bigger question is just what the nitty-gritty details of the UK’s future economic links with Europe will be.

While the UK is a sizeable economy in its own right, American and other companies have for decades chosen to invest in Britain because it served as a gateway into the EU.

Read more

Trump takes swipe at EU as ‘vehicle for Germany’

President-elect stokes European fears for the future of transatlantic alliance

Even a so-called hard Brexit — a clean break from the EU’s single market for goods, people and services as well as from the customs union for goods — would have to be followed by a trade deal with the EU that could take years to negotiate.

Mr Trump is making clear that he wants to do things differently and may decide to prioritise politics and a transatlantic alliance with Brexiters over US commercial policy. But that may not be in the best interests of the US.

Officials and business representatives in Washington argue that the US would have to know the terms of a UK deal with the EU before it sat down to negotiate its own pact with Britain. The US is also almost four years into its own negotiation with the EU over a Transatlantic Trade and Investment Partnership on which Mr Trump has yet to take a position.

Time
Trade negotiations are complex and take years to hash out. So while Mr Trump says he wants to do one quickly he — and Mrs May’s government — could be in for a rude awakening.

When the US and EU launched their talks in 2013, the pledge from politicians was to try to secure a deal quickly. Officials in Washington even promised to get them done on “a single tank of gas [petrol]”.

But after 15 rounds of negotiations a deal is far from complete and the joke in trade circles is that they ran out of gas long ago — unless, of course, negotiators switched to an electric car.

Duelling interests

The curse of all trade agreements is competing interests and how governments balance them — and a US-UK deal would face immense questions.

The American and British financial services sectors are already largely transatlantic and would probably support a trade agreement. But what would a trade deal mean for financial regulation?

Instant Insight

Hammond’s EU threat does not match May’s vision

The chancellor’s suggestion of a new economic model will be a hard sell, writes Sebastian Payne

Would the UK’s farmers be as keen on a trade deal that would open them up to competition from huge US agricultural groups at the very time they are losing generous EU subsidies? And what of the politically sensitive British health sector? Would a trade deal with the US mean more American companies pressing for privatisation of parts of the UK’s National Health Service, one of the main fears expressed by opponents of the stalled EU trade talks with the US?

On the flip side, would Mr Trump allow the tariff-free export of British-built cars to the US at a time when he is threatening to impose a 35 per cent “border tax” on cars made in Mexico?

Missing rules and regulations

One of the biggest arguments for Brexit is that it would liberate the UK from the EU’s onerous regulations. But what would the UK replace them with? And how would the issue be treated in any trade negotiations with the US?

The US-EU negotiations that have been under way since 2013 have focused mainly on the difficult issue of removing regulatory barriers to trade, which represent the main obstacle to smooth commerce across the seas.

The problem is that regulations are politically sensitive things, particularly in areas such as agriculture and food safety. A Trump administration could require the UK to take a different stance on genetically modified grains, for example, or to allow the import of hormone-fed US beef, something the EU has long resisted.
A look at how Trump might shake things up in Asia


By Christopher Bodeen | AP January 16

BEIJING — Donald Trump has offered views on U.S. relations with Asia that could indicate radical shifts in long-standing policy toward the region. From opposing free trade agreements to confronting China and questioning Japan-South Korea alliances, he appears set to be charting a course far different from previous administrations.

Yet, in other areas, including North Korea, India and Pakistan, Trump appears ready to carry forward well-established U.S. policy. As Trump prepares to be sworn-in as president on Friday, here is a look at some of the stand-out issues and how developments might play out:

TRADE — Trump says he plans to scrap the 12-nation trade pact known as the Trans Pacific Partnership agreement, or TPP. The pact was the centerpiece of the Obama administration’s outreach policy to America’s Asian partners known as “the pivot,” which also involves a greater military commitment to the region.

Obama said the TPP would allow the U.S. to impose higher labor, environmental and human-rights standards, as well as give U.S. businesses
access to some of the fastest-growing economies. The deal would have slashed 18,000 taxes that other countries impose on American goods and services, but Congress failed to act amid skepticism from both Republicans and Democrats.

Trump’s opposition to free-trade agreements has fueled fears of protectionism and puts him at odds not only with U.S. trading partners but also with many in the Republican Party. Killing the TPP may open the way for other regional free-trade initiatives, including those pushed by rival China.

“With the U.S. withdrawing from TPP, Japan will have to redesign its external economic policy,” said Harukata Takenaka, politics professor at National Graduate Institute for Policy Studies. Other options “may not be easy,” Takenaka said.

CHINA — Trump raised China in speech after speech during his campaign, at times accusing the country of ripping America off in trade and threatening a 45 percent tariff on all Chinese imports.

Things turned far more serious after his election win when he took a phone call from the president of self-governing Taiwan, upending four decades of diplomatic protocol barring such direct contacts. Critics accused him of ignoring the “one-China policy,” long considered unassailable in China-U.S. relations, to which Trump responded by questioning why the U.S. should be bound by such an arrangement without economic incentives.

He again touched on the issue in an interview with The Wall Street Journal published Friday, saying “everything is under negotiation, including ‘one China.’” While the Chinese government’s response was muted, the official China Daily newspaper said he was “playing with fire.”
Trump has also criticized the Chinese military’s island-building program in the South China Sea, and accused it of blocking U.S. imports through high taxes and manipulating its currency to the detriment of American exports.

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ALLIANCES WITH JAPAN AND SOUTH KOREA — Trump raised eyebrows during the campaign when he appeared to question the inviolability of long-standing U.S. military alliances with Japan and South Korea, seen as bulwarks against North Korea’s military threats and China’s push for regional dominance. The two were included in a list of countries that Trump said he would be “respectfully asking ... to pay more for the tremendous security we provide them.”

During the campaign, Trump suggested Japan and South Korea should obtain nuclear weapons so the U.S. would no longer be burdened with the costs of defending them, a disquieting notion in many Asian capitals. But after Trump’s election win, Japan’s Shinzo Abe became the first foreign leader to meet with him, sitting down in Trump Tower with the business mogul and his daughter, Ivanka.

Japan is concerned about how spill-over from China-U.S. conflicts might affect its economy and foreign relations, possibly compelling it to play a larger role in regional security, said Harukata Takenaka, politics professor at National Graduate Institute for Policy Studies. “Trump measures would be the top priority for Prime Minister Abe this year. The biggest question is that Trump is unpredictable,” he said.

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NORTH KOREA’S NUCLEAR THREAT — Trump’s approach to North Korea probably offers the least divergence from previous administrations, but he
faces stark choices on countering North Korean leader Kim Jong Un’s missile threat. After Kim, announced in his annual New Year’s address that the country had reached the “final stages” of developing an intercontinental ballistic missile, Trump responded by Twitter: “North Korea just stated that it is in the final stages of developing a nuclear weapon capable of reaching parts of the U.S. It won’t happen!”

Trump has not said how his approach to the North might differ from Barack Obama’s, although his campaign’s position paper talked of more “modern destroyers to counter the ballistic missile threat from Iran and North Korea.” That would appear to indicate continued support for deploying the advanced Terminal High-Altitude Area Defense, or THAAD, anti-missile system in South Korea, despite Chinese and Russian objections. Trump appears to be a firm believer that North Korea could be reined-in if only its sole significant ally China would tighten the screws.

INDIA AND PAKISTAN — During the campaign, Trump was largely positive toward both India and Pakistan, even while he piled negative rhetoric on China and other nations. However, his threat to ban Muslims from entering the U.S. has raised accusations of Islamophobia.

In the days after his win, Trump appeared to follow in the well-trodden path of seeking a balance between the nuclear rivals — albeit in his unorthodox style. A phone call between Trump and Pakistan’s prime minister was remarkable mainly for the effusive praise he reportedly lavished on the struggling state. Pakistan is a U.S. ally in the battle against Islamic extremism but is also close to U.S. rival in Asia, China. In its readout of that call, Pakistan said Trump described the country as “amazing” and expressed a desire to visit — something President Barack Obama did not do.
India’s national security adviser followed the Pakistan exchange with a low-key visit to Washington to meet with a senior Trump aide in a sign of New Delhi’s desire to forge close ties with the incoming U.S. administration.
Labor says TPP is dead because Trump killed it

The Australian
10:21AM January 17, 2017

Labor trade spokesman Jason Clare says the Trans-Pacific Partnership is dead and the Turnbull government should focus on establishing other free trade agreements.

The opposition has stopped short of saying they will oppose legislation for the TPP, which the government still intends to introduce to parliament.

“If the government introduces legislation, then that’ll go to shadow cabinet, and we’ll make a decision then, but ... the important point here is the TPP is dead, and it’s dead because the Trump administration killed it,” Mr Clare told ABC radio.

“The way this agreement works is, unless the United States ratifies the TPP, there is no TPP.”

Mr Clare said the Prime Minister was wasting time attempting to ratify the TPP.

“The real question here is why is Malcolm Turnbull distracting the parliament by introducing legislation to implement a dead agreement,” he said.

“This is the silliest thing that I’ve heard of since the knighting of Prince Philip.”

Mr Clare said he believed the TPP had merit.

“It has modest economic benefit for Australia, it’s strategically important because it brings together the countries of the Pacific Rim,” he said.

“There are concerns with elements of it, in particular the fact that it removes labour market testing for about six countries, which means that businesses can bring into Australia workers from six countries without first checking if there’s an Australian that can do the job, but the most important point here is that this agreement is dead.”
Mr Clare described Mr Turnbull’s claim that Labor’s stance on the TPP represents a shift away from support for free trade as “nonsense”.

“We support good trade agreements that create jobs, not dead ones that don’t,” he said.

“The fact is the Labor Party has a very strong and proud record on trade.

“The big tariff cuts that not only Paul Keating and Bob Hawke but also Gough Whitlam put in place are responsible for helping create the open economy that’s created more jobs and businesses in Australia, and frankly the trade agreements of the Liberal Party has signed up to pale in comparison to them.

“We’ve got the runs on the board, and Malcolm Turnbull, instead of trying to get us to debate legislation which won’t have any impact at all, should actually be signing Australia up to agreements with countries like Indonesia and India and the UK and Europe.”

The union movement has welcomed Bill Shorten’s position on the TPP, with ACTU President Ged Kearney calling for Labor to vote against the agreement.

“All the research shows that we are likely to lose jobs in Australia, that there’s very little benefit for Australia overall with the TPP,” Ms Kearney told ABC radio.

“We are very concerned about ISDS (Investor-state dispute settlement).

“Recently Labor has actually come out and said that they have concerns about ISDS as well, that it’s trading away our sovereignty to multinational corporations.

“We would certainly hope to hear in definitive terms from the Labor Party that they would vote against legislation that would enable the TPP.”

Former diplomat and trade ambassador Alan Oxley said he was disappointed in Labor’s stance and saw it as a betrayal of the party’s free trade legacy.

“It’s very disappointing. I mean the TPP was an initiative of Julia Gillard,” he told ABC radio.

“There is still, there’s always been a classical support for free trade inside the ALP.

“(Mr Shorten) could if he wanted to, to finesse it a bit, to say ‘oh there’s certain features of the agreement that we would look to, to look after people’s interests,’ but instead he’s taken I think a very political position by simply saying he’ll oppose it.

“This is a very disappointing shift in an ALP policy which has been operating ever since the Hawke government.”

Mr Oxley said he did not agree that the TPP was “dead”.

“It’s not quite dead, in fact I think it’s a fair way off dead,” he said.

“There’s actually significant support for it inside the US Congress, and I think it would be very wise for us to wait until the Trump administration is sworn in. I think it’d be wise to wait.”
Greens trade spokeswoman Sarah Hanson-Young said Labor had to stop playing “cat and mouse” games over the TPP and clarify how it would vote on the government’s legislation.

“Hiding behind Donald Trump is simply not good enough,” Senator Hanson-Young said.

“Instead of playing cat and mouse games, the Australian community needs clear and confident opposition to the big business trade deal, that if realised will leave ordinary Australians worse off.

“The real risk with the TTP is the dangerous precedent it sets for giving multinationals the power to override the will of the people by allowing them to sue governments, even when a government is acting in the interest of the community.

“Could it be that Labor is holding out hope Turnbull will pull off the impossible and revive the TPP?

“The public deserves to know whether the Labor Party opposes this deal in principle or stands with big corporations.”
When hope of enacting the ambitious Trans-Pacific Partnership trade pact ended in November, Max Baucus, the United States ambassador to China, was among the officials who had to grapple with disappointment.

The partnership, called the TPP, was a hallmark of the Obama administration. It would have been one of the largest trade agreements in history, covering about 40 percent of the world’s economy and setting new terms and standards for trade for the United States and 11 other Pacific Rim nations. China was not included but would have been able to join.

When President Obama plucked Mr. Baucus in 2013 from the United States Senate to be the ambassador to China, he chose a politician with a record of promoting free trade. As ambassador, Mr. Baucus supported the Trans-Pacific Partnership and tried to dampen alarm in China over the American-led effort.

Last week Mr. Baucus took the unusual step, with five other American ambassadors in the Asia-Pacific region, of sending an open letter to Congress asking its members to support the pact in an effort to cement a leadership position for the United States in regional trade and not yield that role to China, which has the second-biggest economy in the world.

In their letter, the ambassadors warn that “walking away from TPP may be seen by future generations as the moment America chose to cede leadership to others in this part of the world and accept a diminished role.”

“Such an outcome would be cause for celebration among those who favor ‘Asia for the Asians’ and state capitalism,” it added.

This passage critiques President Xi Jinping of China, who has said that Asia should be run by Asians and is a champion of a Chinese economic system that relies on industrial policy. (Mr. Xi was scheduled to appear on Tuesday at the
‘No one is a winner in a trade war’: Xi Jinping praises globalization

President Xi Jinping of China praised globalization and cautioned against protectionism in his speech Tuesday at the World Economic Forum in Davos, Switzerland.

https://www.bostonglobe.com/business/2017/01/17/one-winner-trade-war-jinping-praises-globalization/eM07mTEcHMLg8TIUGlZ8CO/story.html

By Ting Shi  BLOOMBERG NEWS  JANUARY 17, 2017

Chinese President Xi Jinping cautioned against protectionism as he pushed back against criticism of globalization by Donald Trump and other Western populists.

“Protectionism is like locking yourself in a dark room, which would seem to escape wind and rain, but also block out the sunshine,” Xi told the World Economic Forum on Tuesday, the first Chinese head of state to address the annual gathering in the Alpine resort town of Davos. “No one is a winner in a trade war.”

Xi used his speech to support a global economic order that has helped fuel China’s almost four-decade economic boom. While a surge in protectionist sentiment threatens to slow the engine of China’s growth, it also offers Xi a
EU-U.S. TTIP report says deal could be completed with enough political will

January 17, 2017

A joint report by the European Commission and Office of the U.S. Trade Representative on the state of play in the Transatlantic Trade and Investment Partnership talks said the two sides believe a trade deal could be completed if the negotiations are prioritized and each side has the necessary political will to see the deal through.

The four-page document gave a brief summary of the talks and included a list of issues the two sides agreed upon as well as areas where common ground was difficult to find.

"TTIP has the potential to turn the already immensely successful U.S. and EU economic relationship into an even stronger driver of mutual prosperity for decades to come," the report said. "The progress we have achieved so far gives us confidence that, with continued engagement by both sides, and with the political will to prioritize long-term gains for our economies and our broader relationship, the United States and the EU could achieve what we set out to do in 2013: conclude an ambitious, balanced, comprehensive, and high-standard agreement that strengthens the transatlantic partnership and builds upon our economic relationship in ways that raise living standards and increase competitiveness on both sides of the Atlantic."

The report did not assess the difficult political dynamic of the talks, which led EU trade ministers to conclude in September 2016 that completing TTIP would not be possible with the Obama administration. Both sides have previously suggested the other did not have the necessary political will to finish the talks.

EU Trade Commissioner Cecilia Malmstrom hinted at the sometimes contentious dynamic in her Jan. 17 statement accompanying the report's release.

"The EU has left no stone unturned in trying to achieve a balanced, ambitious and high-standard TTIP agreement with clear benefits for citizens, local communities and companies," she said. "We have made considerable, tangible progress, as this summary demonstrates. I look forward to engaging with the incoming US administration on the future of transatlantic trade relations."

USTR Michael Froman focused on the rationale for continuing the TTIP talks in his Jan. 17 statement, but many have raised doubt that could happen under the incoming Trump administration.

"We launched the TTIP negotiations in 2013 because we were convinced that the transatlantic trade relationship, already the biggest in the world, could be an even stronger driver of job creation, growth, and competitiveness on both sides of the Atlantic," he said. "We also believed that a comprehensive trade and investment agreement would further strengthen the overall U.S.-EU partnership, which has been a cornerstone of global stability and prosperity for seven
decades. The economic and strategic rationale for T-TIP is even stronger today than it was when we started these negotiations.”

The report also took a somewhat conciliatory approach, saying that the EU and U.S. "made considerable progress" since launching the talks in July 2013, while touting the broader benefits of the deal, such as setting standards in the global economy and deepening transatlantic ties that have "been an indispensable pillar of global security and prosperity since the end of the Second World War."

U.S. and EU negotiators were able to agree on a number of broad areas, including the elimination of 97 percent of tariffs, the necessity of including strong environmental and labor rights, and a chapter dedicated to small and medium-sized enterprises, according to the report.

While the two sides agreed on the elimination of 97 percent of tariffs, there was still debate over some of the phaseout periods of those tariffs as well as whether, and how fast, the final 3 percent would be eliminated. The U.S. and EU also could not agree on how to enforce labor and environmental rights enshrined in TTIP. On SMEs, the two sides quibbled over the creation of a website that would detail import requirements, including tariff levels and regulatory requirements. The EU urged the U.S. to create such a site, but the U.S. resisted saying it would be too complex. The U.S. does maintain a website that details its tariff regime under various free trade agreements.

The report also gave an overview of talks between U.S. and EU regulators in TTIP whose objective was to agree on broad measures for future cooperation.

"In the key regulatory areas of the TTIP negotiations, our ambition has been to reduce differences that make transatlantic commerce more burdensome, while preserving or enhancing our strong protections," the report said. "Regulators from both sides were full members of our negotiating teams and took the lead in identifying opportunities where greater compatibility and cooperation could lead to cost savings for businesses and consumers, but also maintain or strengthen existing protections -- for example, by allowing them to deploy resources more efficiently and where they are most needed, including on enforcement activities."

Certain sector-specific regulator talks were also touted in the report, including an update on a mutual recognition agreement for pharmaceuticals, as well as outcomes on autos and medical devices. The report also listed the other six sectors regulators were focused on, despite the varied amount of progress made in those areas.

"We explored increased cooperation on textile fibre names and labelling, safety requirements, and conformity assessment procedures in the textiles sector," it said. "We also discussed possible approaches to help reduce unnecessary regulatory differences in other sectors including cosmetics, pesticides, chemicals, information and communications technology, and engineering."

The report also listed the litany of areas that negotiators struggled to advance in the talks, including services and procurement market access, investor protection, geographical indications, and several more. -- Brett Fortnam (bfortnam@iwpnews.com)
chance to advance his goal of shaping global economic systems. In his speech he did not refer to Trump by name.

The Chinese president called on the world’s business and political elite to address the problems of globalization, without turning away from economic trends that have fueled decades of growth. Leaders should address the excesses of growth, such as growing wealth gaps, while embracing new industries and innovation, he said.

‘Solving problems’

“There is no point in blaming economic globalization for the world’s problems because that is simply not the case,” Xi said “And that will not help to solve the problems.”

“The history of mankind has shown us that problems are not to be feared,” Xi said. “What should concern us is the refusal to face up to the problems.”

The world’s second-largest economy represents a bastion of consistency to Davos attendees facing a string of European elections -- in France, the Netherlands, Germany and possibly Italy -- after the twin shocks of Trump’s victory and the U.K.’s Brexit vote. Such “extreme weather events” topped the list of most likely risks in the forum’s annual survey this year.

The president pledged to continue to overhaul China’s economic structure. He said he had no intention to devalue his country’s currency to boost competitiveness.

Xi’s profile

Since taking power in 2012, Xi has shown a desire to raise his profile on the world stage, addressing the United Nations in 2015 and hosting the Group of 20 nations last year. He’s touted China’s cooperation with outgoing U.S. President Barack Obama on the Paris climate change deal -- one of the
multinational accords now questioned by Trump -- as evidence of China’s support for sustainable global development.

Less than two weeks after Trump’s November win, Xi delivered a speech in support of free trade and globalization at the Asia-Pacific Economic Cooperation summit in Lima, Peru. Trump, who is scheduled to be inaugurated in Washington on the final day of the Davos meeting, said he would withdraw from the 12-nation Trans-Pacific Partnership trade pact on his first day in office.

China remains the world’s big driver of economic growth despite its own slowdown, and was estimated to have accounted for almost 39 percent of global growth last year, according to the World Economic Forum.

He’s sought to leverage China’s economic strength into diplomatic clout with multinational initiatives such as the Asian Infrastructure Investment Bank and his signature “One Belt, One Road” plan to expand infrastructure along ancient trading routes to Europe. In September, Xi called for changes to international governance and advocated a bigger rule-making role for China in areas ranging from the internet to outer space.

Read more: Seven things Xi needs to get right this year

Arthur Kroeber, Beijing-based founding partner and managing director at Gavekal Dragonomics, said it was important for Xi to be visible among the international business community at Davos, which is “the samba party for the globalization crowd.” The event also provided the president a platform to demonstrate his overseas clout back home, where Xi is preparing for a midterm reshuffle of the party’s leadership ranks.

“It’s in Xi’s interests to take every opportunity he can and present himself as this leader who is powerful, strong and visionary, to give himself some international prestige,” said Kroeber, author of “China’s Economy: What
Everyone Needs to Know.” Xi’s appearance at Davos, which has previous been attended by China’s premiers, is “consistent with the notion that Xi is now the only major authorized spokesman for the whole country.”

**Business leaders**

Xi’s entourage includes more than 80 business executives, such as Alibaba Group Holding Ltd. founder Jack Ma, Dalian Wanda Group Co. Chairman Wang Jianlin and Baidu Inc. President Zhang Yaqin. Huawei Technologies Co. Chairwoman Sun Yafang, China Telecom Corp. Chairman Yang Jie and China Poly Group Corp. Chairman Xu Niansha are also on the guest list.

China set high expectations for Xi’s speech, which one top diplomat said would provide a “blueprint for the future progress of human society.” The country’s foreign ministry said the Davos trip would identify the deeper causes of sluggish world growth, present solutions and reinforce confidence in global development.

“Ready or not, China has become the de facto world leader seeking to maintain an open global economy and battle climate change,” the official China Daily said in a commentary Friday that referred to the country “as the one major power with a global outlook.” “In effect, President Xi has become the general secretary of globalization.”
The 2016 presidential race was shaped by anti-globalization trends. Donald J. Trump promised to destroy the pact if he became president. Hillary Clinton also denounced it, even though she supported a form of it as secretary of state.

Senator Mitch McConnell, Republican of Kentucky and the majority leader, said after the election in November that Congress would not take it up. That meant it was dead.

The letter by the six ambassadors, all of whom are political appointees who leave their jobs on Friday, was symbolic. It put them on record supporting Mr. Obama’s plan more than a year after the trade chiefs of the nations involved endorsed the pact. Following is the text of the letter:

An Open Letter to Members of Congress:

Seventy-five years ago last month, an attack on the United States set us on the path to becoming the Asia-Pacific power we are today. As U.S. Ambassadors assigned to the region, we interact daily with governmental, business, and civil society leaders who appreciate profoundly the role the United States has played in underpinning the region’s security and prosperity ever since. These same leaders are now asking an alarming question: Will we relinquish our mantle as the pre-eminent force for good in the planet’s most dynamic region? The cause for their concern — possible U.S. withdrawal from the Trans-Pacific Partnership (TPP). We believe their fears are justified, that walking away from TPP may be seen by future generations as the moment America chose to cede leadership to others in this part of the world and accept a diminished role. Such an outcome would be cause for celebration among those who favor “Asia for the Asians” and state capitalism. It would be disastrous for supporters of inclusive politics, rule of law, and market economics — and for U.S. national interests.

Let’s be clear. The alternative to a TPP world is not the status quo. Others are actively engaged in setting the rules of commerce in the Asia-Pacific region without the United States. In addition to its massive Eurasian infrastructure initiative, China is working on a trade pact called the Regional Comprehensive Economic Partnership (RCEP) with fifteen other countries, many of whom are TPP signatories. RCEP is a much lower-standard agreement that, in the absence of TPP, would likely serve as the template for economic integration in Asia and shift trade away from America, which would face higher tariffs. That would mean less U.S. exports and more jobs moving overseas.

TPP would not just cut tariffs for U.S. products. Unlike RCEP, it would compel stronger intellectual property rights, limits on subsidies to state-owned enterprises, and protection of worker rights, the environment, and a free and open internet. These enforceable commitments would give a leg up to U.S. companies already adhering to high standards — and the U.S. workers who make them the most productive in the world — and provide a powerful lever for change that we are unlikely to replicate in any
other form in the near future. Without them, our companies will face even more competitive disadvantages in Asia’s booming markets.

The blow to our strategic position is even more worrisome. This is not speculation. To turn our back on our allies and friends at this critical juncture, when the tectonic plates of regional power are shifting faster than ever, would undermine our credibility not only as a reliable trade partner, but as a leader on both sides of the Pacific. It would also create a potentially destabilizing void that might even lead to conflict, an outcome which would hurt everyone in the region, including China.

The bottom line is this: TPP is good for American workers, American values, and American strategic interests. We urge the Congress to work with the new administration to find a way to realize its many benefits before the window for doing so closes. As we reflect on more than seven decades of U.S. sacrifice and stewardship in the region that will define our destiny in coming decades, we should understand that, if we fail to answer today’s call, history will pose a stern question — why did America forsake its best chance to shape the Pacific Century?

Signed by: Max Baucus, ambassador to China; Nina Hachigian, ambassador to the Association of Southeast Asian Nations; Caroline Kennedy, ambassador to Japan; Mark Lippert, ambassador to South Korea; Mark Gilbert, ambassador to New Zealand and Samoa; and Kirk Wagar, ambassador to Singapore.
INSIDE US TRADE

Ross pledges to design 'model trade agreement,' calls for systematic re-examination of deals

January 18, 2017

President-elect Trump’s pick for Commerce secretary, Wilbur Ross, said on Wednesday that he wants to overhaul how the U.S. negotiates free trade agreements, urging a “systematic re-examination” process that would assess where a deal falls short and listing reciprocity and simultaneity of concessions as two of the principles he wants to include in his model.

“I think there are a number of these conceptual issues that have not been present in prior trade agreements but I would hope that, if confirmed, I can contribute toward designing kind of a model trade agreement where we would introduce certain principles that would have to be in any agreement,” Ross told the Senate Commerce Committee during his confirmation hearing on Jan. 18.

“I think that's a huge mistake to start out each time with kind of a blank page,” Ross continued, adding that doing so “makes it take longer, makes it harder to negotiate.”

“The best negotiating tool is to be able to tell someone 'I can't change this, this is official policy, you know it is -- we got it in 10 other deals, we're not going to give you anything different,’” he testified. “That's a much better position, in my opinion, than starting out with a blank slate.”

Ross repeatedly stressed the need for a re-examination process “after a period of time” -- without elaborating on when -- in which trade agreements can be assessed based on whether the deal has met key goals.

The Commerce secretary-designate listed as important concepts both reciprocity and simultaneity of concessions -- charging that previous U.S. trade deals have not been able to ensure trading partners live up to their obligations as negotiated.

“We have tended in prior trade agreements to make our concessions upfront and the other party makes their concession later,” Ross said. “But the problem is that later sometimes doesn't come, because when you have weak enforcement provisions and you've already made your concessions, it's a little bit hard to unscramble the egg.”

Commerce Committee member Tammy Baldwin (D-WI) expressed hope during the hearing that Congress can work with the incoming administration on “creating a new trade agenda” and decried “bad trade deals” she said have directly impacted her state.

Addressing the new administration's priorities for changes to the North American Free Trade Agreement, Baldwin asked Ross whether he could commit to eliminating the deal's procurement chapter. Baldwin noted that she has concerns “most notably with its prohibition of the Buy America program.”
Ross, in his response, would not commit to action on any one priority. “I think all aspects of NAFTA will be put on the table and that certainly is going to be a topic that would come up,” he said.

“But you don't have a deal on anything until you have a deal on everything. So exactly what would come in the final treaty or not I think that's premature to say,” Ross added. “But I'm certainly aware of the issue and certainly aware of the president-elect's view about Buy America.”

According to news reports from the same day, Ross has put forward a list of U.S. priorities for NAFTA talks in conversation with Canadian officials, which includes automotive rules of origin and the deal's dispute settlement mechanism.

During the hearing, Ross echoed Trump's stance that reopening NAFTA will be a “very early topic” for Trump's trade team. Ross also noted that while there is nothing “inherently wrong” with multilateral agreements, he thinks bilateral deals are “easier and quicker” to negotiate.

Multiple members of the panel asked for clarification on Trump's threats to impose hefty tariffs on Mexico and other countries, but Ross was non-committal on the idea. According to Ross, those threats are a wake-up call for U.S. trading partners that “change is coming.”

“I think [Trump] has done a wonderful job pre-conditioning the other countries with whom we're renegotiating that change is coming,” Ross told the panel. “The peso didn't go down 35 percent on accident; even the Canadian dollar has gotten somewhat weaker -- also not an accident.”

“So I think he has done some of the work already that we need to do in order to get better trade deals. Because when you start out with the other party understanding that he or she is going to have to make concessions, that's a pretty good background for any negotiation to begin with. So I'm very grateful that he's made this task a little bit easier by alerting everybody that change is coming,” Ross added.

Pressed by Sen. Dan Sullivan (R-AK) on whether he considers the imposition of tariffs the best avenue to grow the U.S. economy -- Sullivan said such a move “would seem to me about as anti-growth as possible” -- Ross instead deferred to his commitment to boost exports.

“I think that the pro-growth thing is stimulating exports much more than just not curtailing imports,” he said. “But countervailing duties and punishment to people for dumping is essential, because there are inappropriate and illegal trade practices being performed, and if you don't really punish them, you're never going to modify their behavior. So there's certainly a role for it there.”

Committee Chairman John Thune (R-SD), who told reporters after the hearing that Trump's campaign rhetoric on trade had initially worried him, touted Ross's knowledge on “a whole lot of issues” and his commitment to “robust enforcement of existing trade agreements."
“I think there are a lot of folks who are spooked when they hear the rhetoric surrounding 35 percent tariffs and that sort of thing and I think you’ve given good insights into how that might be interpreted today,” Thune told Ross during the hearing.

Thune told reporters after the hearing that he “didn't take away from it at all that he wasn't very pro export and pro trade. I mean he made that abundantly clear that he thinks that in order for the economy to grow we gotta export.”

“I don't think there's anything he said today that anybody would take much of an issue with. Because I think he wants to re-examine but I think he also said that he was very open to keeping his options open there,” Thune added.

Commerce Committee ranking member Sen. Bill Nelson (D-FL) said in his opening remarks that he would like a better understanding of the dynamics of who will be in charge of setting trade policy in the new administration, and how Ross would describe his role in a process that will also involve the U.S. trade representative, among others.

“As the president-elect has indicated, [Trump] is going to look to you to help lead the administration's trade agenda,” Nelson said in his prepared remarks. “That's a departure from past Commerce secretaries and the role that they played, which was much smaller in setting U.S. trade policy.”

Thune, when asked after the hearing whether that issue has been sufficiently addressed for him, said he had initially planned to ask Ross about it, but added that the confirmation hearing was not the appropriate setting for that level of detail -- and said the Trump administration itself is likely in the process of figuring out answers to such questions.

“It was in my questions to ask him that questions. I felt like that was sort of inside baseball, down in the weeds question on how the bureaucracy is going to function, and I was kind of more interested today in getting his perspective generally on some of the trade issues,” Thune said. “But I do think just based on what I heard today that he's going to be a very strong voice in the cabinet and in the administration on trade issues. Now how they work that with USTR and who has the ear of the administration, that's an issue that I think probably remains to be seen as the administration starts to take shape,” the chairman added.

He noted that “a lot of” members on his committee have industries in their states with jobs depending on or tied to trade, and said he thinks “there's going to be a lot of oversight by this committee on trade issues.”

Jurisdiction over trade lies with the Senate Finance Committee, and some sources have wondered how the power triangle will play out in the new administration. The panel's chairman, Orrin Hatch (R-UT), however, has repeatedly downplayed the implications for his committee and its relationship with the Office of the U.S. Trade Representative.

Thune said he wants to move Ross's nomination “as quickly as possible,” and a committee aide added that the panel could put him on the agenda for Jan. 24. Thune also said he would be
“surprised if there were 'no' votes,” but added, “you never know; you've got some people who tend to vote 'no' on most things.” -- Jenny Leonard (jleonard@iwpnews.com)
U.S.-EU insurance agreement welcomed by industry groups, questioned by state regulators

January 20, 2017

The covered insurance agreement between the United States and European Union is being strongly welcomed by U.S. industry groups, but facing skepticism from state-level regulators that will be charged with implementing provisions in the deal.

The American Insurance Association and Reinsurance Association of America both pointed to specific provisions in the covered agreement that was submitted to Congress on Jan. 13, which seeks to provide protections for U.S.-based insurers and reinsurers operating in the EU and EU insurers and reinsurers operating in the U.S.

According to the groups, the deal will benefit U.S. insurers and reinsurers by removing punitive actions and onerous group supervision requirements EU member governments have been able to take governments have threatened to enforce via the implementation of the EU's Solvency II program.

A source at the National Association of Insurance Commissioners, a regulatory support organization run by state regulators, cited concerns over a provision requiring U.S. state regulators to remove requirements for foreign reinsurers to post collateral when taking on risk, and the possibility that the federal government would issue pre-emption determinations if states are not in compliance with the deal.

The provision in the covered agreement that requires regulators to remove collateral requirements goes beyond the approach found in the NAIC model law, according to the source. The model law -- adopted by roughly two-thirds of U.S. states -- includes a tiered approach that most often results in collateral requirements ranging from 10 to 20 percent, the source said. That collateral acts as a consumer protection that is heavily relied upon by mid-tier and smaller insurance firms, according to the source.
Firms can still negotiate collateral terms in contractual negotiations, according to an industry source. The covered agreement simply prevents regulators from imposing requirements for reinsurers to post collateral, the source said. The covered agreement also stipulates that the U.S. shall evaluate whether it needs to issue a pre-emption determination if a state is not in compliance with the agreement after 42 months. Some degree of pre-emption was always expected in the deal, the NAIC source said, but the agreement went beyond what the NAIC was "comfortable with." One option that could have been taken was the pre-emption determination only applying to those states that haven't adapted the NAIC model law, the source said. Instead, the pre-emption determination can be issued 60 months after the covered agreement enters into force if a state is not compliant with the deal, even if those provisions extend beyond the NAIC model law. Industry sources who favored the covered agreement emphasized that the deal did not take away the authority of state regulators and that there is "no regulatory overreach by the federal government" because states would still be tasked with implementing and enforcing the terms of deal.

Steve Simchak, the director of international affairs for AIA, and Tracey Laws, a senior vice president and general counsel of RAA, both pointed to market access benefits U.S. firms will be able to take advantage of while avoiding onerous group supervision requirements.

EU member states -- including Germany and Belgium -- had been able to implement local presence rules requiring U.S. companies to open a subsidiary in the respective member state in order to renew business or seek new business, but will be unable to do that under the terms of the covered agreement. Similarly, regulators from the United Kingdom will not be able to carry out the threat of requiring all U.S. companies with branches in the UK to meet EU global group capital, reporting, or governance requirements. -- Brett Fortnam
(bfortnam@iwpnews.com)
Inside U.S. Trade

**Trump memo directs USTR to carry out formal TPP withdrawal procedures**

January 23, 2017

A memorandum signed by President Trump on Jan. 23 instructs the U.S. Trade Representative to take steps to remove the United States from the Trans-Pacific Partnership agreement and any future negotiations under the framework of the deal as laid out in the final provisions of the TPP text.

Trump has instructed the USTR -- Deputy General Counsel Maria Pagan is acting in that role -- to “provide written notification to the Parties and to the Depository of the TPP, as appropriate, that the United States withdraws as a signatory of the TPP and withdraws from the TPP negotiating process.” New Zealand serves as the TPP Depository.

Article 30.6 of the TPP text lays out the formal procedures for withdrawing from the agreement. Article 30.6.1 states that a party may withdraw from the trade deal “by providing written notice of withdrawal to the Depositary” and also states that “a withdrawing Party shall simultaneously notify the other Parties of its withdrawal through the contact points.”

Article 30.6.2, meanwhile, states that the withdrawal “shall take effect six months after a Party provides written notice to the Depositary under paragraph 1, unless the Parties agree on a different period.”

That article also states that TPP will remain in force for the remaining party, but the deal never entered into force. The agreement requires ratification by at least a group of six TPP parties representing 85 percent of the gross domestic product of the original signatories in 2013. Ratification by the U.S. is required to meet the 85 percent threshold.

“This action ushers in a new era of U.S. trade policy in which the Trump Administration will pursue bilateral free trade opportunities with allies around the world,” the White House stated in a press release accompanying the memo.

Trump, in the memo, laid out his reasoning for discarding TPP while also making the case for negotiating bilateral agreements.
In all negotiations, the memo states, the Trump administration will seek to “create fair and economically beneficial trade deals” that benefit “the American people and their financial well-being.”

“Additionally, in order to ensure these outcomes, it is the intention of my Administration to deal directly with individual countries on a one-on-one (or bilateral) basis in negotiating future trade deals. Trade with other nations is, and always will be, of paramount importance to my Administration and to me, as President of the United States,” the memo continues.

“Based on these principles, and by the authority vested in me as President by the Constitution and the laws of the United States of America, I hereby direct you to withdraw the United States as a signatory to the Trans-Pacific Partnership (TPP), to permanently withdraw the United States from TPP negotiations, and to begin pursuing, wherever possible, bilateral trade negotiations to promote American industry, protect American workers, and raise American wages.”

White House Press Secretary Sean Spicer told reporters that the U.S. would look into bilateral deals with TPP members it did not already have agreements with.

The TPP announcement was seized upon by TPP critics as an opportunity to press Trump on other trade promises he made on the campaign trail, such as renegotiating NAFTA. Meanwhile, Trump was slammed by Sen. John McCain (R-AZ) for making a move that the senator argued would gut U.S. leadership in the Asia-Pacific and close off key markets.

Senate Finance Committee Chairman Orrin Hatch (R-UT), a TPP supporter, issued a measured statement in response to Trump's move.

“We all want effective ways to keep jobs here at home and increase American paychecks. I share the President’s commitment to negotiating the strongest trade agreements for the American people,” Hatch said. “I will carefully review this action in its entirety to have a full understanding of its impact. I look forward to working with my colleagues and the new administration to advance strong trade policies that will enhance America’s global competitiveness and increase access to new, international markets.”

Chairman of the House Ways & Means Trade Subcommittee Dave Reichert (R-WA) issued a statement similar to one made earlier in the day by Ways & Means Committee Chairman Kevin Brady.
“TPP contained a number of significant wins for American businesses, farmers, and workers -- but in the end, there were areas that needed to be improved to meet the high-standards Americans expect and deserve and to have the support necessary in Congress to get across the finish line,” Reichert said.

He went on to call for “high-standard” trade agreements that provide access to markets in the Asia-Pacific for U.S. companies. “I look forward to working with the president and his Administration on this top priority,” he said.

Ways & Means Committee member Adrian Smith noted that while there were some flaws with TPP it also “established a framework for U.S. exporters to pursue greater economic opportunity in the Asia-Pacific region,” warning that the U.S. should not cede influence and allow other countries to set global trade norms.

Smith also endorsed the administration's preference for bilateral deals. “Moving forward, I hope we can pursue bilateral agreements with these TPP countries to open more markets to U.S. agriculture producers and manufacturers,” he said in a statement.

New Democrat Coalition Chair Jim Himes (D-CT) and New Democrat Trade Taskforce Co-Chairs Rick Larsen (D-WA) and Gregory Meeks (D-NY) ganged up on Trump for the decision to leave TPP in the dust.

“Hastily withdrawing from agreements like TPP cedes American leadership not only economically, but also geopolitically,” the trio said in a statement.

“If the Trump administration wants to promote America First in trade, America must set the rules of the global economy, not withdraw from trade agreements.” they said.

Meanwhile, AFL-CIO president Richard Trumka aimed to downplay Trump's role in shutting the door on TPP, as did Rep. Rosa DeLauro (D-CT) in a separate statement.

“Last year, a powerful coalition of labor, environmental, consumer, public health and allied groups came together to stop the TPP,” Trumka said in a statement.
But Trump's direction to abandon TPP and his talk of renegotiating NAFTA were not enough to satisfy Trumka, who described them as “just the first in a series of necessary policy changes required to build a fair and just global economy.”

“We will continue our relentless campaign to create new trade and economic rules that end special privileges for foreign investors and Big Pharma, protect our planet’s precious natural resources and ensure fair pay, safe conditions and a voice in the workplace for all workers,” he said in a statement. -- Jack Caporal (jcaporal@iwpnews.com)