

# **Trump victory freezes international trade deals**

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By Thomas Lee

The Trans-Pacific Trade Partnership, at least in its current form, is dead.

The landmark free trade agreement between the United States and 11 Pacific Rim countries was not only a key part of President Obama's legacy but a crucial tool to boost the U.S. economy and its standing in Asia. But given Republican presidential candidate Donald Trump's victory Tuesday, the prospects of congressional approval are zero.

Trump has vehemently opposed the deal, arguing that it did little to help American workers, a populist stance that ultimately helped him the White House. But he also said he wants to renegotiate the agreement, which lowers or eliminates tariffs between the United States and countries like Vietnam, Australia and Japan. But that will obviously take time.

"Trump has made clear" how he feels about the deal, said Wendy Cutler, the former acting deputy U.S. Trade Representative who served as a lead negotiator on the agreement. "It will be sidelined. I hope over time that Trump will realize its benefits to our economy."

Trump's victory seems to be the latest sign of widespread global rejection of ... well, globalization. Earlier this year, Great Britain voted to leave the European Union. Long sought-after investment and trade treaties between America and China and America and Europe have stalled. Trump has also suggested he wants to ditch the 22-year-old North American Free Trade Agreement with Canada and Mexico.

Despite Trump's fist-pounding, global trade and economic integration are realities that can't be undone, said Rene Buck, founder and president of Buck Consultants International, which is based in the Netherlands and just opened a San Francisco office.

"You cannot switch that off," said Buck, who advises companies on international expansion.

For one thing, whether the United States likes it or not, more and more of the world economy depends on trade. From 1990 to 2014, the percentage of global gross domestic product that comes from international trade jumped from 39 percent to 60 percent, according to the World Bank.

Last year, nearly 30 percent of U.S. gross domestic product, the total output of goods and services, came from trade, compared with just 16 percent in 1974, the World Bank said.

Buck notes that Trump did not say he is against all trade, just that he wants to make it "fairer" to the United States. Eventually, he says, the Trans-Pacific Trade Partnership nations will renegotiate the deal with the Trump administration.

"The United States still has the most powerful economy in the world," Buck said. "You have to go back to the table."

Nevertheless, Buck does not expect the Trans-Pacific Trade Partnership to resurface for at least two years, because Trump needs time to consolidate his authority and mollify supporters.

The real worry, though, is China. Trump has threatened to slap Chinese imports with a 45 percent tariff to punish China for allegedly manipulating its currency to make its goods cheaper than competitors.

While U.S. companies had initially moved to China to exploit its cheap labor, American businesses now see China's growing middle class as customers, not workers, according to Buck.

Stealing U.S. jobs "is the old story," he said. "The new story is that we want to go China because they want our products."

Should Trump make good on his threat to tax Chinese goods, China will retaliate, straining an already tense relationship between the world's two largest economies at a time of weak worldwide economic growth.

"We should be under no illusion that China won't respond in kind," said Cutler, now managing director of the Asia Society Policy Institute's Washington office. "We would start a trade war with the world's second largest economy."

Cutler hopes that Trump will recognize that reality once he assumes office next year.

"It's easy on the campaign trail to criticize the achievements of the previous administration," she said. "But once you're in the White House, what seemed to be a black-and-white issue is now very complicated."

In the end, the United States needs international trade to grow the economy, said Cutler, noting that the vast majority of potential customers are outside of the country. "Globalization is here to stay," she said. "No one can stop it."

That won't stop President Trump from trying.

*Thomas Lee is a San Francisco Chronicle columnist.*