

Donald Trump

Trump pulls US out of Pacific trade pact

Decision comes after warning American business executives against moving production abroad



US President Donald Trump signs an executive order on US withdrawal from the Trans Pacific Partnership in the Oval Office of the White House. © Reuters

JANUARY 23, 2017 by: **Demetri Sevastopulo**, **Shawn Donnan** and **Courtney Weaver** in Washington

President [Donald Trump \(https://www.ft.com/donald-trump\)](https://www.ft.com/donald-trump) signalled he will put trade protectionism at the heart of his economic policy, withdrawing the US from a historic Pacific trade pact and threatening to punish American companies for moving production overseas on his first working day in office.

Mr Trump said [pulling out of the 12-nation Trans-Pacific](#)

<http://next.ft.com/content/1c4dcd34-d6f8-11e6-944b-e7eb37a6aa8e>), a signature initiative of predecessor Barack Obama’s “pivot” to Asia, was a “great thing for the American worker”.

His signing of the TPP executive order came shortly after he warned a group of American business executives in the White House that he would place a “very major” border tax on companies that moved production overseas and export products back into the US.

While Mr Trump made clear during the campaign that he would withdraw the US from the TPP, the move was a potent signal that he would use his first days in the Oval Office to plough ahead with the populist, antitrade agenda that catapulted him to the White House.

Mr Trump is also expected to formally tell Canada and Mexico that his administration [wants to renegotiate the North American Free Trade Agreement \(http://next.ft.com/content/434e7c5e-dd73-11e6-9d7c-be108f1c1dce\)](http://next.ft.com/content/434e7c5e-dd73-11e6-9d7c-be108f1c1dce), which was signed by then-President Bill Clinton in 1993.

John McCain, the Republican senator from Arizona, criticised the move as a “serious mistake”, highlighting how Mr Trump is pursuing an agenda at odds with decades of Republican trade policy.

If you go to another country and you decide that you are going to

“It will create an opening for China to rewrite the

close (a US factory) and get rid of 2,000 people or 5,000 people... we are going to be imposing a very major border tax on the product when it comes in, which I think is fair

Donald Trump, US president

economic rules of the road at the expense of American workers,” Mr McCain said.

“And it will send a

troubling signal of American disengagement in the Asia-Pacific region at a time we can least afford it.”

Japan and several other TPP signatories — which include some of the US’s closest allies along the Pacific Rim — have vowed to press ahead with the pact despite Mr Trump’s decision.

Shinzo Abe, the Japanese prime minister, told his parliament on Monday he would keep pressing his new American counterpart to join the pact. “President Trump understands the importance of free and fair trade, so I’d like to pursue his understanding on the strategic and economic importance of the TPP,” Mr Abe said.

Steven Ciobo, the Australian trade minister, on Monday said going forward with the remaining nations still made economic sense for Australia.

“The TPP is a good deal for Australia. Even without the United States there’s a lot of merit in looking at putting into place the TPP even if it’s with the 11 other countries including Australia and not the United States,” Mr Ciobo

said on Australian television.

Advocates of TPP have insisted the pact is as much a geostrategic agreement as a trade deal, binding together the US with its closest Asian allies in an economic bloc that encircles a rising China, which has refused to participate in the deal and has been promoting its own regional trade arrangements.

“In one fell swoop, Trump has undercut US credibility in multilateral negotiations and handed China a golden opportunity to increase its economic and geopolitical influence in Asia and beyond,” said Eswar Prasad, a former China expert at the International Monetary Fund.

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In his inaugural speech Friday, Mr Trump argued the US had “made other countries rich while the wealth, strength and confidence of our country has disappeared over the horizon”.

In his first White House meeting since the



inauguration, Mr Trump put companies on notice that he intended to match his rhetoric with

action, telling the gathering of chief executives he would look harshly on companies that moved production away from the US. But he also promised companies that wanted to open facilities in the US would face fewer regulations and lower taxes.

During the session, which included Elon Musk of Tesla and Marilyn Hewson of [Lockheed Martin \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:LMT\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:LMT), Mr Trump said he would impose a “substantial border tax” on goods that were made overseas by US companies, but would offer “advantages” to those who manufactured domestically.

“If you go to another country and you decide that you are going to close [a US factory] and get rid of 2,000 people or 5,000 people . . . we are going to be imposing a very major border tax on the product when it comes in,” said Mr Trump. “So a company that wants to fire all of its people in the United States and build some factory someplace else and then thinks that that product is gonna just flow across the border into the United States, that’s not gonna happen.”

Mr Trump on Monday signed two other executive orders — decrees that allow the president to circumvent Congress — including introducing a freeze on hiring federal workers with the exception of military employees.

He also reinstated the “Mexico City Policy”, which bans US tax dollars from being used to fund groups that either promote or perform abortions outside the US. Among the groups to be affected by the policy would be International Planned Parenthood, a significant blow for the organisation’s foreign operations, which span 13 countries and serves tens of thousands of people.

Mr Trump’s decision to reinstate the policy, which was created under Ronald Reagan’s administration but reversed by Bill Clinton, was quickly cheered by pro-life groups and members of the Christian right — a key part of Mr Trump’s base.

“This is a great start to the Trump presidency,” said Kristan Hawkins, president for Students for Life of America. “This is a new day for all Americans and we are excited about reversing Planned Parenthood’s hold on Washington.”

Additional reporting by Jamie Smyth in Sydney

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