

# Britain's global negotiating position is weaker after the G7 Summit



*The leaders of the G7 meet annually to affirm the strength of their relationships and chart the steps to further deepen their ties. The G7 is a key forum for the UK, as it is the only governance group that includes both the EU and the US, the two most important entities with whom the British government is negotiating new trade agreements – one more distant and one more close, respectively. **Tristen Naylor** writes that Theresa May has returned from this year's summit in Charlevoix, Canada in a weaker negotiating position relative to both the US and EU, though through no fault of her own.*

President Donald Trump's actions at the summit, while damaging to the club, are useful for helping project what trajectory US-UK negotiations over a post-Brexit trade agreement are likely to take. President Trump's levying of steel and aluminium tariffs on America's closest allies in advance of the summit and, immediately after the summit, reneging on the G7 communiqué, to which he had only hours before agreed, demonstrates that structural and historical ties do not factor into his foreign policy and diplomatic – to the extent that it might be described as such – approach.

While it is a dogmatic ritual to extol the 'special relationship' between the US and the UK, there is no country with a longer, closer, deeper relationship with the US than Canada. The uniqueness of this relationship did not stop the Trump Administration from declaring that there is a 'special place in hell' for the Canadian Prime Minister. Canada has been spared neither the unprecedented protectionism nor the ad hominem invective of the US President. There is no reason to expect that Britain will be treated any differently. Indeed, the UK's diplomatic overtures on NATO, the Paris Accord, and the Iran Nuclear Agreement already show that the Trump Administration gives little credence to the so-called special relationship.



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The G7 has also afforded a further opportunity to observe that a key tactic of the Trump administration is to exploit an imbalance in negotiation interests. The UK needs a new, post-Brexit trade agreement with the US far more than the US needs such a deal. The renegotiation of the North American Free Trade Agreement was a key topic on the sidelines of the summit, particularly as concerns Trump administration's willingness to walk away from negotiations over the inclusion of a sunset clause (more on that below). The Trump administration willing to exercise such a hard bargaining tactic because of a perception that the Canada and Mexico need NAFTA more than the American does. Believing that they are relatively impervious to the consequences of not reaching an agreement, American trade negotiators are willing to use this perceived freedom as leverage to push for concessions favouring the US. While the collapse of NAFTA would, in fact, hobble the US economy, this is not the case with a US-UK trade. There would be almost no discernible effect on the US if no agreement is reached, while it would disproportionately, negatively affect a post-Brexit UK. This imbalance in negotiation interests and the US' revealed willingness to exploit it further disadvantages the UK's strategic bargaining position.

The Trump administration's demand for the inclusion of a sunset clause in the NAFTA agreement, automatically terminating it after five years unless all the parties resign, was widely discussed on the summit's margins, with Canada unconditionally opposing such a clause. Indeed, it was in response to Mr Trudeau affirming Canada's position on the prospect of a sunset clause that prompted Mr Trump to renege on the communiqué and deride Trudeau as 'dishonest and weak'. The American President's obsession with the inclusion of a sunset clause in a trade agreement appears to be related to his obsession with what he perceives to be trade deficits stemming from existing agreements. The Trump administration's position is that a sunset clause would allow the US to cancel the agreement if there is an unacceptable trade imbalance, which he believes the US has with Canada. While, the US actually has a trade surplus with Canada, as it does with the UK, the American President's persistent belief that America is continually being taken advantage of by its closest allies will almost certainly condition the US-UK negotiations, as it has the NAFTA negotiations. The trouble for the UK is that a sunset clause would reduce overall market predictability, diminishing the confidence that is necessary for UK businesses to redirect trade toward the US after Brexit. It would thus undercut the government's claim that a new US-UK agreement would offset the damage caused by leaving the single market. Theresa May is unlikely to be any more persuasive than Justin Trudeau in luring the American President away from his mindset, particularly given that under the auspices of the current US-EU trade regime, in which the US is indeed running a deficit (though, one that is \$50 billion less than Mr Trump claims).

The EU and its leading members were also witnesses to the drama of this year's G7. Knowing that the likelihood of the UK securing a favourable trade agreement with the US is thus reduced, the EU's strategic position is strengthened. With the prospect of the UK's 'outside option' with the US lessened, the EU can push even more strongly for the nature of the post-Brexit trading relationship look relatively like that which the UK and EU already has. May thus comes away from the Charlevoix G7 with both the US and EU positioned with significant leverage over her government.

This is not to say that a US-UK deal is unlikely, only that it is less likely to be one favourable – or even palatable – to the UK. Indeed, Trump now has further incentive to negotiate an agreement with May. Given the American President's preference for bilateralism, May is offering to engage him via his preferred means of negotiation, albeit one through which he is likely to exploit strategic advantages while disregarding the US' strategic interests and its shared history with its allies, as is his modus operandi. Otherwise faced with the US' G7 partners' preference for multilateralism, Trump has a chance to engage in a manner that suits him. Moreover, forging a US-UK agreement would provide Trump with an opportunity to demonstrate that he is, in fact, able to work with the US' democratic, Western allies, despite walking away from key agreements like the Paris Accord and the Iran Deal, let alone fundamental tenets of the liberal order, such as an unwavering commitment to resist protectionism. It is likewise important for the American President to do so in order to demonstrate that he is able to build positive relationships with the US' traditional partners, not just with illiberal dictatorships like North Korea.

Indeed, the UK ought to be looking at North Korea's playbook for ideas on how to get President Trump favourably to the table, as the American President is actually very predictable when it comes to responding to particular incentives that allow him to be portrayed as the great deal maker he fancies himself to be. Such tactics would be particularly useful during Trump's visit to the UK on the 13<sup>th</sup> of July.

In all, while this year's G7 summit indicates the UK is in a weaker bargaining position with its two major trade partners than it was previously thought to be, North Korea's success with the Singapore summit, immediately following the club's meeting in Canada, gives some hints for how the UK government might overcome its disadvantage as it negotiates with the Trump administration.

*This article gives the views of the author, not the position of LSE Brexit or the London School of Economics.*

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