

Intelligence MEMOS



From: Dan Ciuriak
To: Canadians Concerned about Tariffs
Date: July 27, 2018
Re: **TRADE PEACE IN OUR TIME?**

The joint statement on a trade-war truce by Donald Trump and European Commission President Juncker on Wednesday met many expectations.

For Mr. Trump's base, it has played as a triumph – the consequence of US tariffs and threats of escalation by a hard-nosed negotiator having brought the Europeans to the negotiating table with concessions on soybeans, LNG, and more to come.

To the business community and a worried public in the United States and elsewhere growing weary of a litany of stories of disrupted business and rising domestic prices, it has played as a ceasefire and a hopeful sign that the risk of a full-scale trade war has substantially diminished.

To professional trade watchers, the reaction was more guarded.

- No tariff measures have actually been withdrawn, the US investigation of auto imports under Section 232 as a national security risk to the United States was not called off, and the agreement to consider eliminating tariffs on goods expressly excluded autos. As for the trumpeted EU concessions on soybeans and LNG, the United States faced zero tariffs in the European Union on these products in any event (if only Canada could give Mr. Trump such a victory lap in exchange for trade peace).
- The agreement to form a working group to talk about reducing tariffs, non-tariff barriers and subsidies, was welcome, but these talks will fall far short of being the re-launch of the lapsed Trans-Atlantic Trade and Investment Partnership (TTIP), not least because Mr. Juncker did not have a mandate for such a re-launch in hand.
- And no basis was provided for hope of rapid movement on the range of tough issues, particularly those related to regulatory alignment between two jurisdictions with very different perspectives on the management of risk that had stalled the TTIP negotiations in the first place. And this is even before any Trump arrived the scene to widen those differences in areas such as addressing climate change, which is integral to EU trade policy.

That is the glass half empty perspective. On the positive side:

- It was more than a tweet. There was a formal joint statement, with concrete steps laid out for formation of a high-level working group to launch the new talks.
- There was a commitment to work together to reform the World Trade Organization.
- There was a hint that auto tariffs – should they be recommended pursuant to the US investigation that is still underway – would not be imposed. This is at least a temporary peace clause, which would logically, one can hope, extend to third parties as well to the EU.

Considered in light of the march to trade war since the Trump Administration took office (which I review in a forthcoming Verbatim C.D. Howe Institute article), Canadians should be wary about leaping to conclusions. The latest developments – including the concurrent news of a resumption of NAFTA talks – add little new information. The renewed US interest in rejoining the Trans-Pacific Partnership, the emergency measures to provide \$12 billion in farm subsidies, and the return to negotiations with the EU and NAFTA partners can be just as easily read as the Trump allaying concerns rattling his base in order to get through the mid-term elections as an offer of an olive branch for trade peace in our times.

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