

“EU stands up in the battle against US ‘bullies’”

News:

CNBC reported on the 13th of March, 2018, that European Commissioner for trade, Cecilia Malmstrom, addressed a trade forum “with a thinly-veiled reference to the current incumbent of the White House, insisting that Europe would “stand up to bullies” and would not be intimidated by threats,” and further disclosed that an unnamed Brussels think-tank director said that Europe would not give in to blackmail by making any concessions in order to get an exemption from Trump’s tariffs.

Comment:

On the 8th of March, Trump signed an order to impose tariffs of 25% on steel and 10% on aluminum effective after 15 days, and later announced that Canada, Mexico, Australia would be exempt and that other countries could also be exempted from the new tariffs. However, the exemptions for Canada and Mexico are only temporary and depend on renegotiating the NAFTA agreement with terms favourable to the US. Trump has been tweeting belliciously on the subject, and in response to criticism that the tariffs could incite a damaging trade war wrote: “When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win”.

These tariffs are not the first that Trump has imposed. Tariffs on solar panels and washing machines were announced on the 23rd of March. The tariffs on solar panels are targeting Chinese competition while the tariffs on washing machines target the South Korean companies LG and Samsung. The remarkable thing is that the US is following aggressive trade policies that target US allies and enemies with little apparent distinction. Trump has targeted China with these sanctions and is asking for further measures to be taken to reduce the growing balance of trade deficit with China, but he is also accusing many European countries of unfair trade: “The European Union, wonderful countries who treat the U.S. very badly on trade, are complaining about the tariffs on Steel & Aluminum. If they drop their horrific barriers & tariffs on U.S. products going in, we will likewise drop ours. Big Deficit. If not, we Tax Cars etc. FAIR!” he tweeted.

The result of such policies will be a reciprocal trade war. French Finance Minister, Bruno Le Maire, said that Europe has to respond to U.S. tariffs as failure to do so “would give the impression to the European people that we are weak.” With only one week left before the tariffs are due to be applied there is little chance of avoiding a head-on confrontation.

The US treats the world as its own farm to do as it pleases with, and is returning to the old mercantilist view of trade that considers trade as a win-lose situation. On the one hand, the US is becoming ever bolder and brazen, while showing its insecurity at the same time. This is a lonely path for a dwindling power that will likely become a lot noisier before its candle burns out.

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