



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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New U.S. Tariffs Open a Pandora's Box

Discussion at the March 7th General Council was mostly dedicated to the U.S.'s plan to impose additional tariffs on steel and aluminum. About 18 countries took the floor to denounce what Canada described as a Pandora's box that Members won't be able to close.

According to an article from the Peterson Institute for International Economics (PIIE), Canada would be the country hit the hardest by Trump's decision (trade losses of about \$3.2 billion). The EU (\$2.6 B), South Korea (\$1.1 B), Mexico (\$1 B) and Brazil (\$1 B) round up the top 5 list of countries losing the most from the steel and aluminum tariffs.

China, who is the main target of the U.S. trade policies, would only suffer \$689 million in estimated trade losses, said the PIIE article.

In retaliation for the proposed U.S.'s 25% tariff on steel and 10% tariff on aluminum, the EU plan to impose tariffs on a wide range of U.S. goods, which may in turn effectively start a trade war. A list of targeted U.S. products has started to circulate with the hope of discouraging U.S. President Donald Trump from following through.

On March 8th, President Trump did in fact sign the proclamations to impose additional tariffs on steel and aluminum.

Some observers in Geneva think privately that these proclamations should have been designed to target China specifically, as Beijing represents the administration's main enemy. As reported above, these observers note that China will likely be far less impacted by the tariffs, than say Canada, the EU, South Korea, Mexico, and Brazil, who are the five biggest exporters of steel and aluminum to the U.S.

Canada and Mexico are exempted – at least for now – but observers believe that the temporary exemption is closely linked to NAFTA and put additional pressure on the two

to swallow some of the U.S.'s poison pills contained in NAFTA 2.0 in order to bring the renegotiation to an end or face the same fate.

Others like the EU and Australia may also be exempted. If not, the EU would be forced to retaliate, which in turn may give the green light for other WTO Members to do the same if they have the courage to go there.

The other biggest loser is South Korea, as it may have its hands tied with both KORUS-FTA under review and most importantly because of the North Korea issue, as Kim Jong-Un is set to meet Donald Trump in May and pledge to stop his nuclear program.

South Korea, a U.S. military ally, has put lots of effort into this project and may find itself in a delicate position, observers note. President Trump said some countries may be exempted for military reasons and sources believe that both South Korea and Japan may fall under that category.

This leaves us with Brazil, Russia, and China as the most exposed by the U.S. steel and aluminum tariffs. China said last week at an informal heads of delegation meeting that it was smelling the smoke of a trade war.

CPTPP Signing Ceremony

Trade Ministers from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, also known as the TPP11) countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam) signed the agreement that accounts for 13% of the global economy in Santiago, Chile, on March 8th.

“The agreement demonstrates our collective commitment to an effective, rules-based and transparent trading system which is open to all economies willing to accept these principles,” the group said in a statement released after the ceremony.

“Today, we can proudly conclude this process, sending a strong message to the international community that open

markets, economic integration and international cooperation are the best tools for creating economic opportunities and prosperity”, said the Chilean President, Michelle Bachelet, in what was interpreted by observers as a criticism of President Trump’s protectionist measures.

“The signing of the Agreement enables us to move to the next phase,” the group said, reiterating their “determination to complete their domestic processes to bring the Agreement into force expeditiously.”

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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