



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

Abe, Trudeau Visit White House

Ahead of this week's bilateral meeting with Canadian Prime Minister, Justin Trudeau, on February 13th, U.S. President Donald Trump met with Japanese Prime Minister, Shinzo Abe, on Friday, February 10th in Washington, D.C. The two leaders held a discussion on economic issues over lunch, before traveling to Trump's Mar-a-Lago resort in Palm Beach, Florida, where further talks took place.

During Friday's press conference, the two sides mentioned that their bilateral economic negotiations will be handled by U.S. Vice President Mike Pence and Japanese Deputy Prime Minister Taro Aso. However, no timeline has been established as to when Pence and Aso will start meeting.

Most observers expect the automobile industry to be an important topic in the talks. At the press conference, Abe mentioned that the Japanese automotive industries have invested billions of dollars in building factories in the U.S. This in turn has benefited both countries in terms of jobs.

In an apparent criticism to Trump's tax policy proposal, Abe told the U.S. Chamber of Commerce that 70% of Japanese cars intended for the American market are actually built in the U.S., adding that no one in Japan ever complained about losing jobs because the Japanese have gained in business as well.

Trump said the U.S. is going to be an even bigger player when it comes to trade, and a lot of that will have to do with the new tax policy proposal. "We're going to have a very much incentive-based policy," he said on Feb. 10th.

Meanwhile, the issue of currency manipulation was not been raised during the meeting, according to

various sources. President Trump criticized the Japanese currency policy frequently during his presidential campaign, saying on January 31st that China and Japan "play the money market (...) they play the devaluation market and we sit there like a bunch of dummies."

TPP & NAFTA

The Japanese tried to make the case for the U.S. to remain in the Trans-Pacific Partnership (TPP). Abe said there are big chances that both countries can take advantage of the growth in Asia. This issue is likely to emerge again at the February 13th discussion with Prime Minister, Justin Trudeau, along with the renegotiation of the North American Free Trade Agreement (NAFTA), one source said.

Trade experts in the U.S. continue to think that the TPP could play an important role in the re-opening of NAFTA as it contains lots of "thoughtful chapters" such as the e-commerce provisions for which the TPP can be a good reference point, but also intellectual property rights, state-owned enterprises, labour, and environmental standards.

That being said, how the Trump Administration is going to handle the NAFTA renegotiation is entirely up the air at the moment. No one can really say what is in or what's out, although the Trump campaign rhetoric was clearly focused on the big deficit with Mexico in the industrial sector.

Some like Matt Gold, a former Deputy Trade Assistant under the Obama administration, do not seriously believe President Trump's threat to withdraw from NAFTA. They said they will be very surprised if that ends up to be the case, as returning to most-favoured-nation (MFN) tariff rates would be

better for Mexico than agreeing to a bad NAFTA renegotiation, something that is very likely if you are Mexico. According to President Trump, the balance will ultimately have to tilt toward the U.S., given its \$60 billion trade deficit with Mexico.

However, observers said the U.S. agricultural sector would be hit hard if the Trump administration elects to go with MFN rates because Mexican MFN tariff levels on agricultural goods are higher than the U.S. levels. So far, only issues with respect to sugar and avocados have been raised as problematic with regard to trade with Mexico.

One informed source said the sugar problem is due to the AD/CVD Suspension Agreements (antidumping and countervailing duty) with Mexico that are not working properly, adding that this could be solved by renegotiation of the agreements, but that hasn't happened so far.

The U.S. dairy industry, meanwhile, have praised the agreement with Mexico and plans to work to preserve

the “great benefits” of the bilateral deal with Mexico, according to International Dairy Foods Association President and Chief Executive Officer, Michael D. Dykes.

As for re-opening NAFTA with Canada, it's an entirely different story, given the ongoing complaints the dairy industry has with getting additional access to the Canadian market.

President Trump, meanwhile, described the negotiations with Canada as a “much less severe situation than what's taken place on the southern border.”

He told the February 13th press conference that followed his bilateral meeting with Prime Minister Trudeau that U.S.-Canada's “outstanding trade relationship” would only need some “tweaking” that would benefit both countries, along with “some cross-border things that will make it a lot easier for trade (...) and a lot faster for trade.”

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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