



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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Trump Takes Low Road and Lashes Out on Twitter

The June 8-9, 2018 G7 Summit in Charlevoix, Quebec, promised to be unlike no other we've seen the past few years, given the growing tensions among the group.

Some Members, including the EU and Japan, have decided to impose retaliatory actions on U.S. imports in response to the latter's decision to impose tariffs on steel and aluminium based on Section 232 of the *Trade Expansion Act* of 1969.

Despite the anxiety, the group managed to release a communiqué that was first seen as a balanced compromise. On trade, the group used some of the wording the Trump Administration has been promoting since taking over the White House.

In their communiqué, the G7 said they "acknowledge that free, fair, and mutually beneficial trade and investment, while creating reciprocal benefits, are key engines for growth and job creation." The Trump Administration has been insisting on making trade reciprocal given the growing deficits the U.S. has with a number of its trade partners.

The group went on to "underline the crucial role of a rules-based international trading system" and vowed to continue fighting protectionism, despite the unilateral actions undertaken by some lately.

"We note the importance of bilateral, regional and plurilateral agreements being open, transparent, inclusive and WTO-consistent (World Trade Organization), and commit to working to ensure they complement the multilateral trade agreements," the final communiqué reads. "We commit to modernize the WTO to make it more fair as soon as possible. We strive to reduce tariff barriers, non-tariff barriers, and subsidies."

The U.S. has lately blamed the multilateral trading system (MTS) saying the WTO – and particularly its Appellate Body has not been beneficial to them. At the May 30-31, 2018 OECD (Organisation for Economic Co-operation and Development) Ministerial meeting in Paris (France), it was agreed to launch a process that would bring the

changes required to the organization to enable it to better address today's global challenges.

That being said, this did not prevent the Trump Administration from deciding to take unilateral measures, notably with Section 232 (and section 301 against China) to protect its market, citing national security reasons.

What does dairy have to do with it?

At the end of the Charlevoix meeting, Canada, who in 2017 was the top exporter of steel and aluminum products to the U.S. with combined total exports estimated at \$12B USD, announced through its Prime Minister, Justin Trudeau, that it would not be pushed around and will retaliate by imposing tariffs on U.S. imported products in response to Section 232 duties. This mirrors what many other WTO countries have elected to do following the U.S. decision of June 1st.

President Trump felt betrayed by the Canadian Prime Minister's press conference, calling it "very dishonest and weak," and adding that U.S. tariffs on steel and aluminum were set up in response to Canada's 270% duties on dairy.

"Canada charges the U.S. a 270% tariff on dairy products! They didn't tell you that, did they? Not fair to our farmers!" Trump tweeted.

As John Barber noted in his opinion piece published in The Guardian "[Why Canadian milk infuriates Donald Trump](#)", it's quite baffling that President Trump linked his abrupt and complete reversal of position to dairy trade between U.S. and Canada that is "worth less than \$600 million USD" when WTO Members have already notified actions in "rebalancing" tariffs on U.S. imports that could amount to about \$2.55B USD by July 1st and possibly \$3.8B USD in total, pending the outcome of WTO dispute proceedings.

Contrary to Canada and Mexico who have yet to formally notify the WTO regarding their intentions (or whether their announced retaliation is a rebalancing measure

under the Safeguards Agreement), the EU and Japan (but also China, India, Russia, and Turkey), have already notified the WTO of their actions.

This may signal that both Canada and Mexico are not firmly sure of whether they would effectively impose retaliatory measures given the ongoing NAFTA negotiations. The non-notification may also signal that they do not want to be involved in debating whether the U.S.'s steel and aluminum tariffs should have been claimed under the WTO Safeguard Agreement rather than GATT article 21, as advanced by the U.S.

There was no such consideration from other WTO Members who have notified the WTO of their intention to impose retaliatory measures. The EU for instance announced that it will authorise 25% additional tariffs on more than 180 tariff lines (including motorcycles, orange juice, bourbon whiskey, blue jeans, rice, and footwear) starting June 20th.

Additional duties of 10-50% on 158 tariff lines could be imposed three years from now (from March 23, 2021) or from the fifth day following the date of the adoption by the DSB (Dispute Settlement Body) of a ruling that the U.S. safeguard measures are inconsistent with WTO rules. The estimated additional duties collected on U.S. imports is expected to reach a total of \$1.6B USD.

Japan, for its part, notified the WTO on May 18th of combined duties that would amount to \$440 million USD, based on 2017 figures. Like the EU, Japan also reserves the right to apply additional duties after the decision by the DSB that the measures imposed by the U.S. are not in conformity with WTO rules.

Then there are countries who reserved the right to impose additional duties with immediate effect. This is the case of China, which imposes tariffs of 15-25% on 128 U.S. tariff lines worth an estimated \$611.46 million USD. Same thing goes for India, with additional duties of 5 to 50% on 20 tariffs lines, related mainly to agricultural goods, for an estimated amount of \$165.56 million USD.

Russia looks to collect duties of \$537.6 million USD on U.S. imports, while Turkey notified the WTO that it would impose tariffs ranging from 5 to 40% on some 22 tariff lines accounting for an estimated \$266.5 million USD in additional duties on U.S. imports, effective from June 21, 2018.

Based on the measures notified at the WTO thus far, one could argue that Canada has been, by far, less aggressive than its WTO counterparts have been and much more accommodating than its G7 colleagues in responding to the U.S.'s decision to impose tariffs on steel and aluminum. Yet, it is Canada that has been described as "dishonest and weak."

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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