The Trump-Juncker agreement: A manoeuvre in the global trade war

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The deal on trade struck between US President Donald Trump and European Commission President Jean-Claude Juncker in talks held in Washington on Wednesday does not signify an end to the conflict between the US and the European Union. Rather, it is a manoeuvre by Washington in the ongoing and deepening global trade conflict. It is particularly aimed at strengthening the US in its battle against China by offering the EU some limited concessions.

The threat by Washington to impose a 25 percent tariff on imports of cars and auto products has not been removed, but only suspended while negotiations go ahead on broader trade relations, including working towards zero tariffs on all non-auto industrial goods.

But the very exclusion of auto products means such discussions will take place under conditions where the auto tariff threat could be raised again at any time.

The tariffs on steel and aluminium, which have sparked retaliatory measures from the EU, will remain, but will be reassessed in the course of discussions conducted through a US-EU executive working group that will be set up.

The outcome of the talks represents a significant backing down by the EU, which had earlier said it would not engage in negotiations with a "gun at its head." But that is exactly what has taken place. The EU had called for an exemption from the steel and aluminium imposts and the removal of the auto tariff threat and declared that any negotiations had to be mutually beneficial, i.e., that there had to be concessions from the US. These demands have not been met.

According to the Juncker-Trump statement, there will be no abrogation of the "spirit" of the agreement "unless either party terminates the negotiation." This leaves the way open for the US to simply pull out at any time.

It should be recalled that last May, after talks in Washington with Chinese officials, US Treasury Secretary Steven Mnuchin said the trade war with China had been "put on hold." Shortly thereafter the administration announced that threatened tariffs on $50 billion worth of Chinese goods would be going ahead, with the first tranche of $34 billion imposed on July 6. Since then, Trump has threated that tariffs on up to $500 billion worth of Chinese goods could be imposed.

It is a sure sign of the ongoing breakdown of international economic relations that the Trump-Juncker talks did not have the character of negotiations, but rather of a meeting with a Mafia don laying down an offer that could not be refused.

In the lead-up to the discussions, Trump had tweeted: "Tariffs are the greatest! Either a country which has treated the United States unfairly on trade negotiates a fair deal, or it gets hit with tariffs. It's as simple as that."

While the US has given up nothing, the EU has agreed to increase its imports of US soybeans and to become a "massive buyer" of liquefied natural gas, both regarded as significant by the US. Soybean markets and prices have hit by the restrictions imposed by China in response to the US tariffs against it and the US has likewise been looking to increase gas exports. In his European visit earlier this month, Trump characterised Germany as a "captive" of Russia because of the gas deals it had entered.

These manoeuvres by the US to improve its trade balance with the EU and to shore up the position of soybean producers take place within the broader context of the deepening trade war against China.

One of the persistent themes from both the US Congress and major corporations has been agreement with the need to take action against China, accompanied by criticism of the Trump administration from the standpoint that in taking action against the EU, Canada and other “strategic allies,” it is weakening the US position against Beijing. The concern is that if the EU is boxed into a corner, it will have no alternative but to respond to the overtures from China to present a common “free trade” front against the US.

Speaking at a joint press conference with Juncker, Trump said the talks were the launch of a “new phase in the relationship between the United States and the European Union,” which together comprise more than 50 percent of global gross domestic product and more than 50 percent of trade.

“If we team up, we can make our planet a better, more secure and more prosperous place,” he said.

Any “teaming up,” if it does take place, will have nothing to do with global security and prosperity, but will be aimed at strengthening the US against China, which key sections of the administration regard as the greatest threat to the economic and ultimately military dominance of the US.

In his prepared remarks, Trump said the US would “work closely with like-minded partners to reform the WTO (World Trade Organisation) and address unfair trading practices, including intellectual property theft, forced technology transfer, industrial subsidies, distortions created by state-owned enterprises, and overcapacity.”

China was not named, but it was the target. One of the central focuses of the Trump administration has been the “Made in China 2025” plan, under which Beijing is seeking to widen and deepen its industrial and technological base. A US statement issued to China at the beginning of May in effect demanded that China abandon the plan and become a virtual economic semi-colony of the US. While Chinese media have been told to downplay references to the plan in recent weeks, it remains non-negotiable as far as Beijing is concerned.

Trump is calculating that in return for a suspension of tariffs, the EU, which also has grievances with China’s industrial practices, and especially its moves to exert economic and possibly political influence in Eastern Europe, will join the US in common action against Beijing.

Domestic considerations also played a part in the proposed deal. There has been considerable criticism from auto companies that the imposition of tariffs on both cars and particularly auto parts would cause a major disruption to their global supply chains, with Ford, General Motors and Fiat Chrysler all issuing profit downgrade reports. Significantly, the only support within the US for the proposed auto tariffs has come from the trade union bureaucracy, with the United Auto Workers union describing the move as “long overdue.”

Other industries have also opposed the disruption and cost increases resulting from the steel and aluminium tariffs.

In its report on the outcome of the meeting, the *Financial Times* described it as appearing to be a “significant victory for the EU.” It is anything but. The US gave up nothing in economic terms, only withdrawing an immediate tariff threat, while the EU has offered major economic concessions.

Following the victory against Iraq in the 1991 Gulf War—the start of the ongoing wars extending for more than quarter of a century—the *Wall Street Journal* proclaimed that “Force Works!” Having won a victory over the EU, the Trump administration will be drawing similar conclusions. Thus, while yesterday’s deal may perhaps be characterised as a “ceasefire,” the global trade war continues and will intensify.