



Trump, European Union Leaders Pull Back From Trade War

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President Donald Trump and European leaders pulled back from the brink of a trade war over autos Wednesday and agreed to open talks to tear down trade barriers between the United States and the European Union.

But the agreement was vague, the coming negotiations with Europe are sure to be contentious and the United States remains embroiled in major trade disputes with China and other trading partners.

In a hastily called Rose Garden appearance with Trump, European Commission President Jean-Claude Juncker said the U.S. and the EU have agreed to hold off on new tariffs, suggesting that the United States will suspend plans to start taxing European auto imports — a move that would have marked a major escalation in trade tensions between the allies.

Trump also said the EU had agreed to buy "a lot of soybeans" and increase its imports of liquefied natural gas from the U.S. And the two agreed to resolve an ongoing dispute over U.S. tariffs on steel and aluminum.

"It's encouraging that they're talking about freer trade rather than trade barriers and an escalating tariff war," said Rufus Yerxa, president of the National Foreign Trade Council and a former U.S. trade official. But he said reaching a detailed trade agreement with the EU would likely prove difficult.

At least the tone was friendlier than it has been. During a recent European trip, Trump referred to the EU as a "foe, what they do to us in trade." Juncker, after Trump imposed tariffs on steel and aluminum imports, said in March that "this is basically a stupid process, the fact that we have to do this. But we have to do it. We can also do stupid."

On Wednesday, Trump and Juncker said they have agreed to work toward "zero tariffs" and "zero subsidies" on non-automotive goods.

Trump told reporters it was a "very big day for free and fair trade."

The president campaigned on a vow to get tough on trading partners he accuses of taking advantage of bad trade deals to run up huge trade surpluses with the United States.

He has slapped taxes on imported steel and aluminum, saying they pose a threat to U.S. national security. The U.S. and EU are now working to resolve their differences over steel and aluminum — but the tariffs are still in place. And they would continue to hit U.S. trading partners like Canada, Mexico and Japan even if the U.S. and the EU cut a deal.

Whatever progress was achieved Wednesday could provide some relief for U.S. automakers. The escalating trade war and tariffs on steel and aluminum had put pressure on auto company earnings. General Motors had slashed its outlook, and shares of Ford Motor Co. and auto parts companies had fallen.

"Our biggest exposure, our biggest unmitigated exposure, is really steel and aluminum when you look at all of the commodities," GM CEO Mary Barra said Wednesday. "And frankly, the biggest driver of that is steel."

Trump has also imposed tariffs on \$34 billion of Chinese imports — a figure he has threatened to raise to \$500 billion — in a dispute over Beijing's aggressive drive to supplant U.S. technological dominance.

China has counterpunched with tariffs on American products, including soybeans and pork — a shot at Trump supporters in the U.S. heartland.

The EU is stepping in to ease some of U.S. farmers' pain. Juncker said the EU "can import more soybeans from the U.S., and it will be done."

Mary Lovely, a Syracuse University economist who studies trade, said, "The Chinese are not going to be buying our soybeans, so almost by musical chairs our soybeans are going to Europe." The trouble is, China last year imported \$12.3 billion in U.S. soybeans, the EU just \$1.6 billion.

Trump's announcement stunned lawmakers who arrived at the White House ready to unload concerns over the administration's trade policies only to be quickly ushered into Rose Garden for what the GOP chairman of the Senate Agriculture Committee called "quite a startling" development.

"I think everybody sort of changed what they were going to say," said Sen. Pat Roberts, R-Kan.

"We have more confidence in him now than we did before," said Rep. Mike Conaway, R-Texas, the chairman of the House Agriculture Committee.

The White House announcement came as the Trump administration announced a final rule aimed at speeding up approval of applications for small-scale exports of liquefied natural gas. The Trump administration has made LNG exports a priority, arguing that they help the economy and enhance geopolitical stability in countries that purchase U.S. gas.

Juncker said the two sides also agreed to work together to reform the World Trade Organization, which Trump has vehemently criticized as being unfair to the U.S.

The biggest news from the Trump-Juncker meeting is that it appears to have delayed an impending trade war over autos. Trump has threatened to tax imported cars, trucks and auto parts, potentially targeting imports that last year totaled \$335 billion.

The European Union had warned that it would retaliate with tariffs on products worth \$20 billion if Trump puts duties on cars and auto parts from Europe.

But the auto trade war with Europe is on hold while the U.S. and EU engage in further trade talks. Daniel Ikenson, director of trade studies at the libertarian Cato Institute, warned that the fight over autos could quickly flare up again if Trump grows impatient with Europe.

"Auto tariffs are looming unless the EU buys more U.S. stuff and does other things Trump demands," he said.