

Amid fears over trade war, Japan pushes for U.S. tariff exemptions



Mark Muller (right) works with fellow traders on the floor of the New York Stock Exchange Thursday. Stocks are off to a mostly lower start on Wall Street as losses for banks and consumer products makers offset gains for technology companies. | AP

WASHINGTON/WHISTLER, BRITISH COLUMBIA - The Trump administration said Thursday it will impose tariffs on steel and aluminum imports from Europe, Mexico and Canada after failing to win concessions from their American allies. Europe and Mexico pledged to retaliate quickly, exacerbating trans-Atlantic and North American trade tensions. Financial markets fell amid fears of a trade war.

The import duties threaten to drive up prices for American consumers and companies and are likely to heighten uncertainty for businesses and investors around the globe.

In the Canadian resort town of Whistler, British Columbia, Finance Minister Taro

Aso pushed U.S. Treasury Secretary Steven Mnuchin to have Japan permanently exempted from Washington's metals tariffs.

Tokyo is also considering countermeasures if it is not granted an exemption.

According to Japanese government officials, Aso also asked the U.S. to exercise restraint when considering new automobile tariffs, after the U.S. Commerce Department last week launched an investigation into imported cars, trucks and auto parts.

Aso told Mnuchin that steel and aluminum imports from Japan do not pose a national security threat to the United States, the rationale provided by President Donald Trump when he announced the levies in March.

Thursday's talks between Aso and Mnuchin were held ahead of a conference of the Group of Seven economies at the Canadian ski resort.

Canadian Finance Minister Bill Morneau said Washington's trade policies would be at the top of the agenda during the three-day meeting of finance ministers and central bank governors from Britain, Canada, France, Germany, Italy, Japan and the United States.

In Paris, trade minister Hiroshige Seko and EU Trade Commissioner Cecilia Malmstrom issued a joint statement of protest, saying they "shared their serious concern."

The two ministers also warned of the possible major impact if the United States imposes restrictions on automobile and auto part imports, measures now under consideration.

"This would cause serious turmoil in the global market and could lead to the demise of the multilateral trading system," the statement said.

As for the products from Europe, Mexico and Canada, U.S. Commerce Secretary Wilbur Ross said the tariffs would be 25 percent on steel and 10 percent on aluminum, and go into effect Friday, as the administration followed through on the penalties after earlier granting exemptions to buy time for negotiations. Trump had announced the tariffs in March, citing national security concerns.

European Commission President Jean-Claude Juncker said Trump's decision

amounted to trade protectionism and that Europe will respond with countermeasures. "This is protectionism, pure and simple," Juncker said. Mexico said it would penalize U.S. imports including pork bellies, apples, grapes, cheeses and flat steel.

"Donald Trump is a bully. And the only way to do deal with a bully is to stand up and push back," Ontario Premier Kathleen Wynne said.

Financial markets dipped amid concerns about the disputes among trading partners, with the Dow Jones industrial average dropping more than 200 points.

The tariffs directed at some of the most ardent U.S. allies represented the latest move in Trump's "America First" agenda that has roiled financial markets and raised the specter of a trade war involving the U.S., China and some of the globe's most dominant economies.

The trade actions have opened the U.S. to criticism that it's burning bridges at a time when Trump is seeking to rid North Korea of nuclear weapons and help stabilize the Middle East.

"We are alienating all of our friends and partners at a time when we could really use their support," said Wendy Cutler, a former U.S. trade negotiator who is now vice president at the Asia Society Policy Institute.

Ross told reporters that talks with Canada and Mexico over revising the North American Free Trade Agreement were "taking longer than we had hoped." Talks with Europe had "made some progress" but not enough for additional exemptions, he said in a conference call from Paris.

"We continue to be quite willing and indeed eager to have further discussions," Ross said. He said he planned to travel to China on Friday for trade talks between the world's two biggest economies.

European officials, bracing for the tariffs, have threatened to retaliate against U.S. orange juice, peanut butter, kitchenware, clothing and footwear, washing machines, textiles, whiskey, motorcycles, boats and batteries. The EU will decide exact countermeasures in the coming weeks, according to the French officials.

The EU said it would take legal action Friday through the World Trade Organization, setting in motion a process aimed at settling the dispute over the

penalties. The EU move could increase pressure on Washington, but the process traditionally takes many months — and in some cases, years.

In terms of the NAFTA talks, the tariffs could hinder the negotiations among the North American neighbors. Ross said there was “no longer a very precise date when they may be concluded and therefore (Canada and Mexico) were added into the list of those who will bear tariffs.”

Brazil, Argentina and Australia have agreed to limit steel shipments to the U.S. in exchange for being spared the tariffs, the Commerce Department said.

Fears of a global trade war are already weighing on investor confidence and could hinder the global economic upturn. European officials argue that tit-for-tat tariffs will hurt growth on both sides of the Atlantic and Canada said before the announcement that it will respond in kind.

“Canada considers it frankly absurd that we would in any way be considered to be a national security threat to the United States,” Canadian Foreign Minister Chrystia Freeland said before the tariffs were announced. “The government is absolutely prepared to and will defend Canadian industries and Canadian jobs. We will respond appropriately.”

German Chancellor Angela Merkel stressed her opposition even before the U.S. announcement, saying the looming tariffs were incompatible with World Trade Organization rules. She said if there were no exemptions, “We will respond in an intelligent, decisive and joint way.”

French Finance Minister Bruno Le Maire called the U.S. tariffs “unjustified, unjustifiable and dangerous.”

“This will only lead to the victory of those who want less growth, those who don’t think we can develop our economies across the world. We think on the contrary that global trade must have rules in a context of multilateralism. We are ready to rebuild this multilateralism with our American friends,” he said.

Malmstrom, the EU’s trade commissioner, said the body “did everything to avoid this outcome.” Noting her discussions with U.S. officials, she said. “I have argued for the EU and the US to engage in a positive trans-Atlantic trade agenda, and for the EU to be fully, permanently and unconditionally exempted from these tariffs.”

Even some Trump allies in Congress said the trade moves were misguided. “Tariffs on steel and aluminum imports are a tax hike on Americans and will have damaging consequences for consumers, manufacturers and workers,” said Utah Republican Sen. Orrin Hatch. The conservative Koch brothers network’ also said it opposed the tariffs.

White House spokesman Raj Shah told Fox News: “The president’s actions are about protecting American steel, American aluminum. They’re critical for national security.”

Tariffs on steel and aluminum imports to the U.S. can help local producers of the metals by making foreign products more expensive. But they can increase costs more broadly for U.S. manufacturers that cannot source all their needs locally and have to import the materials. That hurts the companies and can lead to more expensive consumer prices, economists say.

“Unilateral responses and threats over trade war will solve nothing of the serious imbalances in world trade. Nothing,” French President Emmanuel Macron said Wednesday.

In a clear reference to Trump, Macron added: “These solutions might bring symbolic satisfaction in the short term. ... One can think about making voters happy by saying, ‘I have a victory, I’ll change the rules, you’ll see.’ ”

But Macron said those “who waged bilateral trade wars ... saw an increase in prices and an increase in unemployment.”

Besides the U.S. steel and aluminum tariffs, the U.S. is also investigating possible limits on foreign cars in the name of national security.

Ross criticized the EU for its tough negotiating position. But German Economy Minister Peter Altmaier insisted the Europeans are ready to negotiate special trade arrangements, notably for liquefied natural gas and industrial goods, including cars.

Source: <https://www.japantimes.co.jp/news/2018/06/01/business/stocks-tank-trade-war-looms-trump-slaps-tariffs-allies-eu-mexico-canada/#.WxEg1UgvxGM>

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