

Trade wars and the car industry

Mr Trump regularly condemns the German car industry for selling too many cars to the USA. He thinks it unfair that there is a 10% tariff on US cars into the EU but only a 2.5% tariff on cars into the USA. Surely it would be better and fairer if the EU removed its tariff completely or took it down to a relatively unimportant 2.5%? The US has opened a formal S 301 review of car trade and will doubtless find that there are trade problems that need to be remedied.

This part of the trade war is not yet fully joined. The USA are still busy trying to get decent reform from China, where trade terms are skewed in China's favour and where China allows abuse of intellectual property. This set of actions followed a comprehensive report into China's handling of IP under a S 301 enquiry. China has promised more enforcement of IP protections, and more market opening. This will benefit the UK as well as the USA, as under WTO rules China has to offer the same improved terms to all members. Now Mr Trump is talking about a 20% tariff on EU cars anyway

If the EU accepts Mr Trump's case about the lack of fair trade in cars then that means the end of the 10% tariff for all WTO members. That too will be a good outcome for the UK as we leave the EU. The sooner we are free to wield vote and voice for fairer and freer trade the better. This is a time of change for world trade where the UK could make a great contribution to reform. The WTO has made clear that there is a vacancy for a substantial country to lead the case for freer trade within the WTO framework. They point to substantial gains anyway from last year's Facilitation of Trade Agreement which they think will cut costs of trade substantially.

Mr Trump asks how it is that the US has a massive trade deficit and Germany and China have massive trade surpluses. He points out that the US has many fine companies with great technology and great skill levels. He thinks the terms of trade are unfair, and need amending.

The UK too has a large current account deficit. Part of this comes from the substantial EU contributions and overseas aid we pay out. Stopping the EU payments will reduce our deficit by around 15%. The EU has always done more to open goods markets where Germany is strong, and less to open service markets where the UK is stronger.