



# **Trade disputes, uncertainty and economic impact: A European Union perspective**

**Global Economic Relations in the Trump Era and After:  
Challenges and Policy Options for the EU and Canada  
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# Structure of the presentation

- Overview of main US trade policy actions taken since President Trump was elected
- Measures introduced in the on-going trade dispute(s)
- Economic and trade impact
- The “phase one” agreement
- Brexit and future EU–UK trade relations

# Main actions taken so far

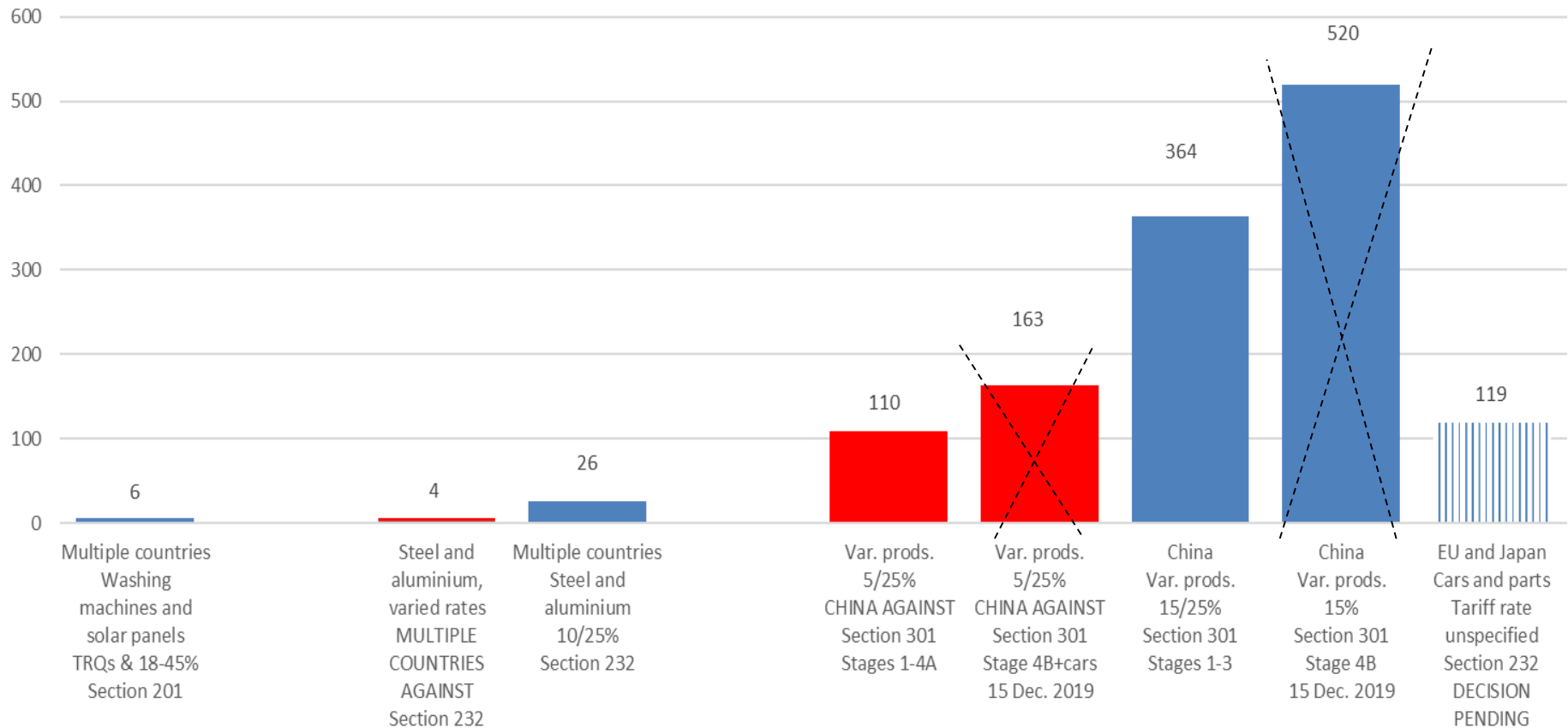
- Withdrawal from the Trans-Pacific Partnership
- Revision of NAFTA → United States-Mexico-Canada Agreement (USMCA/CUSMA)
- Amendment and modification of the United States-Korea Free Trade Agreement (KORUS FTA)
- Blockage of WTO Appellate Body appointments
- Raising tariffs (under the so called “sections”)
- A “Phase one” agreement with China

# The US “Sections”: quick recap

- Section 201: Safeguards as a result of an article being imported in such quantities that it is a substantial cause of serious injury (or threat thereof)
- Section 232: Effects of imports on national security
- Section 301: May be used to impose trade sanctions on foreign countries that either violate trade agreements or engage in other unfair trade practices

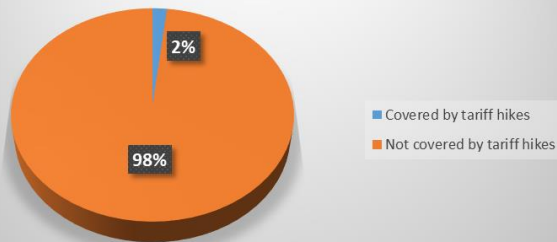
# Trump administration tariffs and affected trade

USD bn.

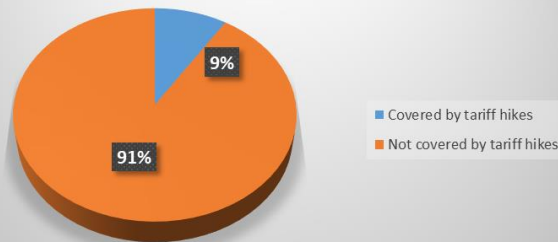


# US tariffs are gradually covering all imports from China

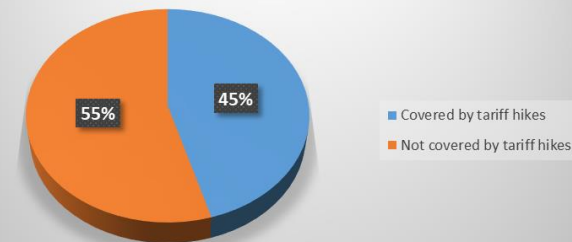
January 2018 (tariffs hikes on solar panels and washing machines)



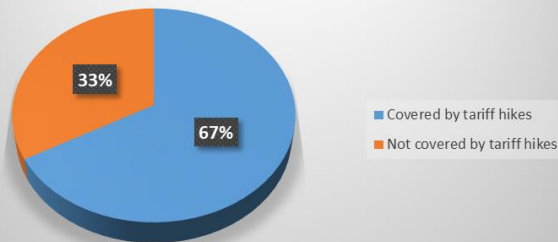
August 2018 (tariff hikes on steel and aluminium goods)



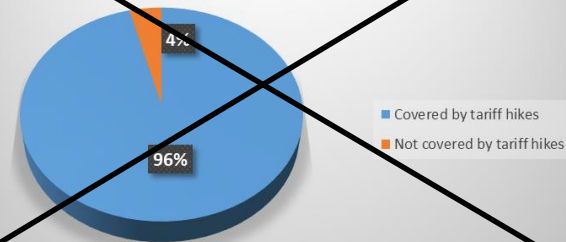
September 2018 (tariff hikes on intermediate goods)



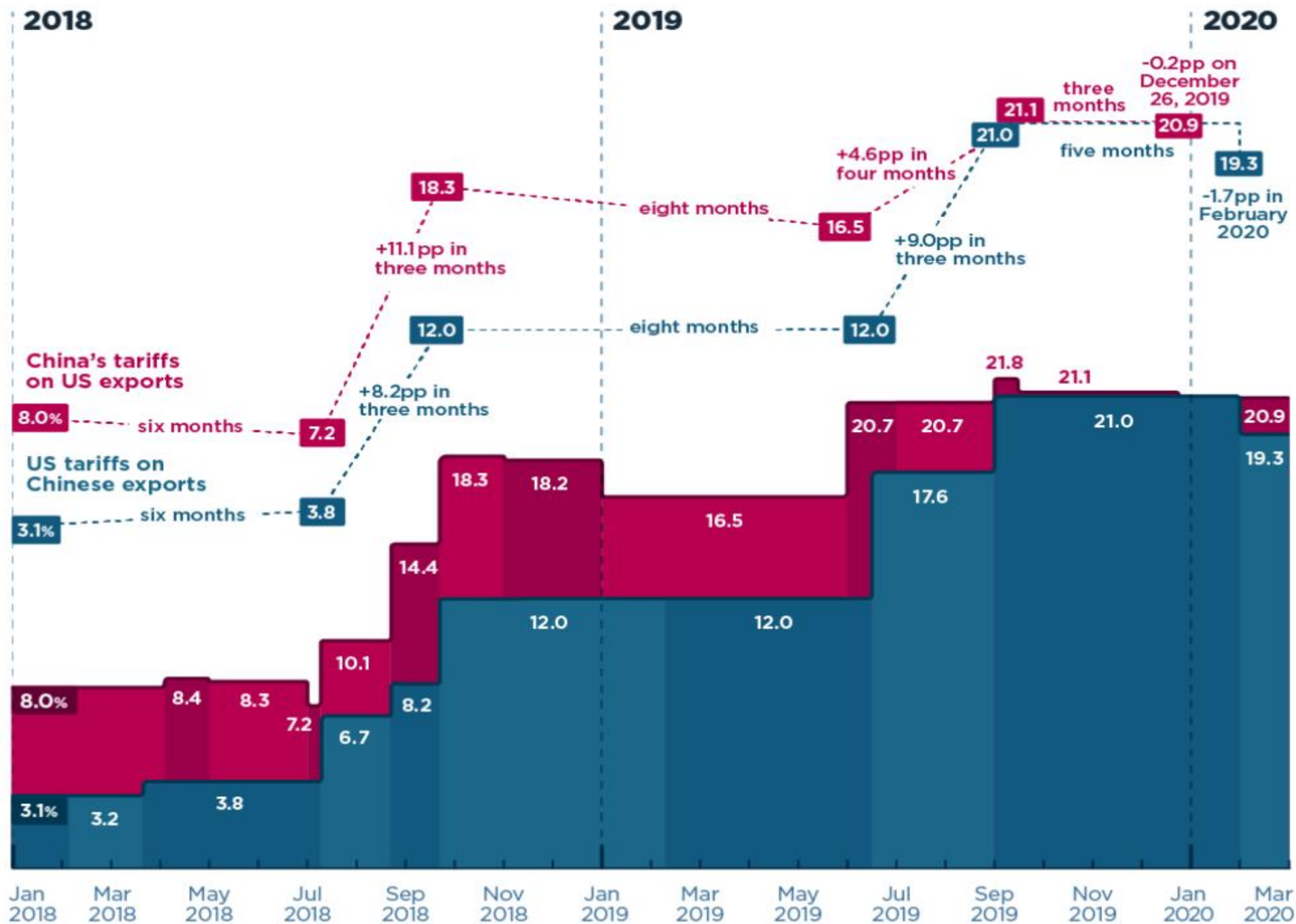
September 2019 (tariff hikes on consumer goods - 1st tranche)



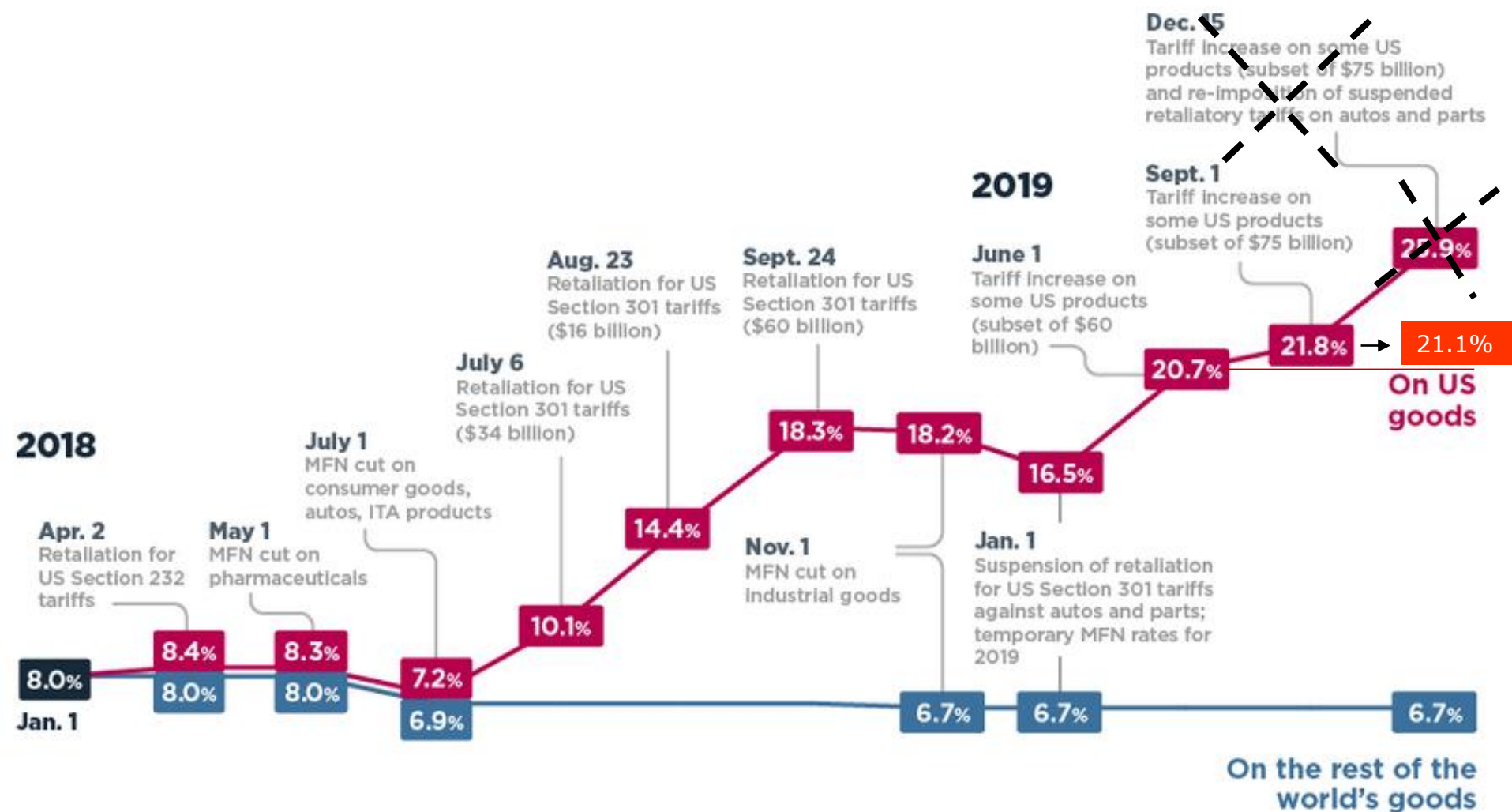
December 2019 (tariff hikes on consumer goods - 2nd tranche)



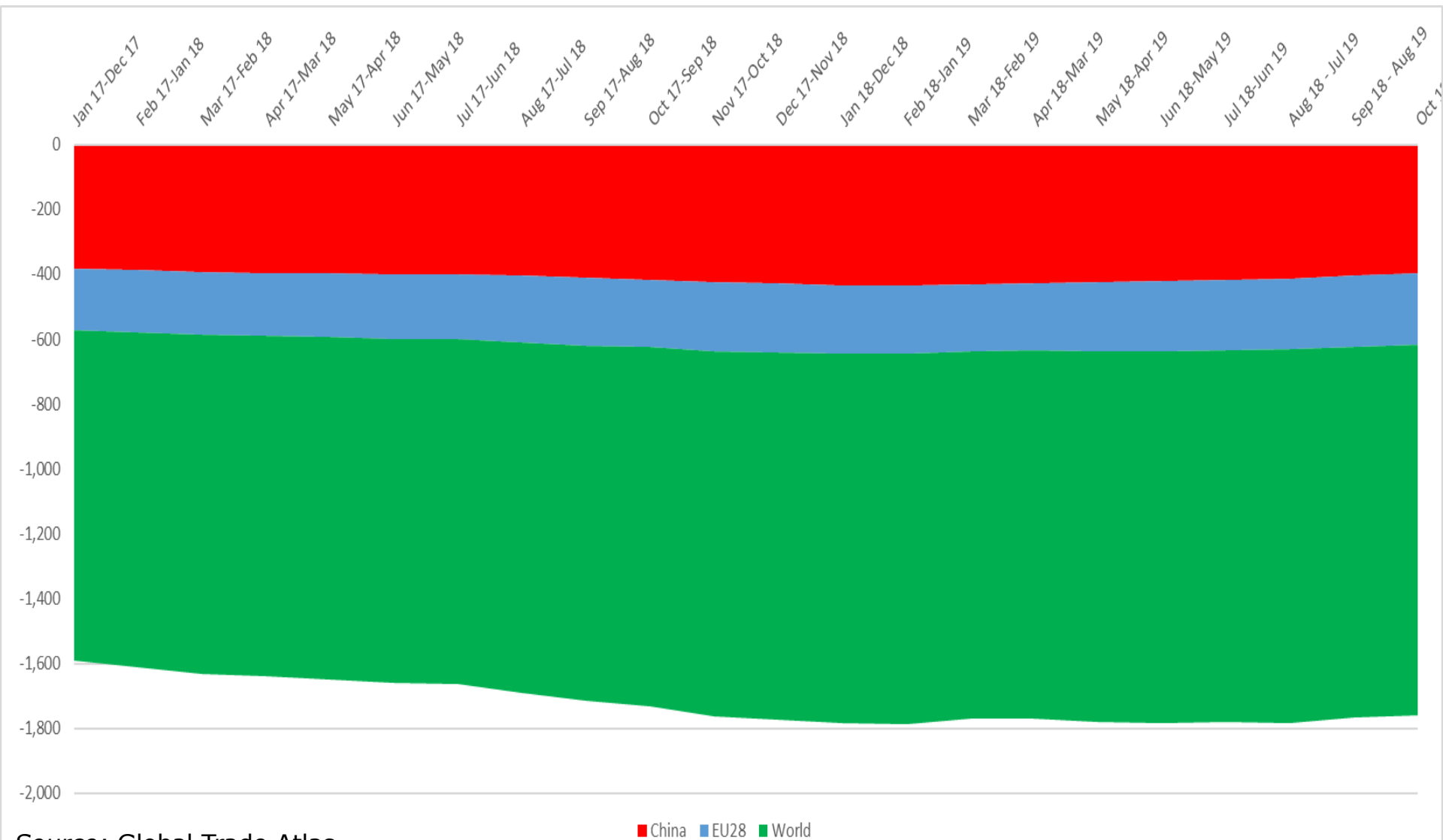
# Average tariff rate, percent



# Chinese average tariffs on the US and World imports



# The US trade balance over time (\$ billion)



Source: Global Trade Atlas

# Impact of trade measures on GDP

- World output estimated to be 0.8 percent below the baseline in 2020 (IMF, WEO (2019))
- The impact of uncertainty on world GDP is about as big as the impact of higher tariffs (including Brexit)
- Euro area GDP forecast to expand by 1.1% in 2019 and by 1.2% in 2020 and 2021
- The US-China trade tensions only marginally affect EU GDP in the short term

# Global trade outlook

- World trade growth is projected at just above 1% in 2019 as a whole. The negative impact of the trade war is at about the same magnitude
- Expected to recover to 3%-4% growth in 2020 and subsequent years (IMF). WTO says <3% in 2020
- The performance of cars and car parts matters. Vehicle purchases down 3% in 2018
  - **New emission standards**
  - **Consumer preferences**
  - **Uncertainty (Brexit and Section 232)**

# The “phase one” agreement

- Central element: Chinese commitment to import an additional \$200 bn. in 2020-21
- Seems like a high figure in light of pre-trade dispute US export growth rates to China and the current Chinese GDP growth rate
- Trade diversion a likely outcome, which would affect the EU (and others)
- Managed trade is at odds with WTO rules and principles

# The Withdrawal Agreement between the EU and the UK

- In October 2019, the EU and the UK agreed on the revised Withdrawal Agreement
- It has been ratified by both the EU and the UK. The UK leaves the EU on 31 January 2020 at 11PM (GMT)

Citizens' rights	<ul style="list-style-type: none"><li>• Protection of life choices for citizens arriving in host state until end of transition period</li><li>• Simple administrative procedures</li><li>• ECJ for citizens' rights</li></ul>
Financial settlement	<ul style="list-style-type: none"><li>• Financing of the whole MFF</li><li>• Mechanism for payment of liabilities (including pensions)</li><li>• ECJ for financial settlement</li></ul>
Transition	<ul style="list-style-type: none"><li>• Status quo – <i>minus institutions and decision-making</i></li><li>• To last until end of 2020 with a possibility to be prolonged once, for a maximum of 2 years</li></ul>
Other separation issues	<ul style="list-style-type: none"><li>• Geographical indications, goods placed on the market, protection of personal data, etc.</li></ul>
Governance	<ul style="list-style-type: none"><li>• Direct effect and primacy of Withdrawal Agreement over UK law, for the entire agreement</li><li>• EC remains the only body competent to interpret EU law</li></ul>
Ireland / Northern Ireland	<ul style="list-style-type: none"><li>• Solution found to avoid a hard border on the island of Ireland and to protect the GFA in all of its dimensions, the all-island economy, and the place of Ireland in the Single Market</li></ul>

# The EU and the UK future relationship

- The EU and the UK have also agreed on a Political Declaration setting out the framework for the future relationship
- The future trade and economic cooperation will be a “comprehensive and balanced FTA at its core”
- ...underpinned by provisions to ensure a level playing field
- The EU trade policy will not change as a result of the UK's withdrawal

## Future economic relationship

