

Snap | 25 May 2018

## Trade declines 1.2%: White House trade policy casts shadow ahead

International trade was down 1.2% percent in March so that Q1 was just 1.4% up from the last quarter of 2017. Even before the recent protectionist measures kicked in, international trade declined for the second month in a row. The White House's trade policy will cast a shadow on further trade growth for months to come



The current figure does not yet reflect the current tensions and recently taken protectionist measures such as the steel and aluminium tariffs imposed by the US at the end of March. Although countries have been exempted from the US tariffs on steel and aluminium, the price that countries like South Korea pay for this [\[1\]](#) puts a break on trade growth as well.

Last weekend's handshake between the US and China looks like a sign of de-escalation. However, the risk on trade restricting measures remains. Although the US suspended the current tariffs, the Trump administration remains focused on narrowing the US trade deficit. Since no trade policy can achieve a significant reduction in the US trade deficit and the [deficit looks likely to increase](#), tensions are bound to build-up again.

On the other front of the trade war, a deadline is closing in. The EU has only a couple of days

before its final temporary exemption from the US steel and aluminium tariffs expires (June 1st). Although the economic impact of the Steel and Aluminium tariffs by the US and the EU's retaliatory tariffs will be mild, it increases the likelihood of an expanding trade war between the [EU and the US](#) which would hurt trade growth significantly.

President Trump announcement of a section 232 investigation into national security issues with the imports of cars, shows that the trade battle is far from over. These are the same pieces of regulation he used to impose the steel and aluminium tariffs. Therefore it may take months before this translates into actual trade policy. However, the President's focus on the US trade deficit, and his limited 'successes' in bilateral negotiations make it unlikely that he will soften on trade. This casts a shadow over further trade growth this year.

[\[1\]](#) Voluntary Export Restraints