

Trump's metal tariffs show a deal's a deal, until it's not

President Trump tweeted he wants to re-introduce (sec 232) tariffs on steel and aluminium imports from Brazil and Argentina. While he might not have the authority to do this, the move signals the limited value of trade deals with the US



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Market forces not manipulation

President Trump has accused Argentina and Brazil of deliberately driving down their currencies—hurting the competitiveness of US farmers in the process. As such, he has deemed it necessary to reintroduce tariffs on metals in the hope it will push the two countries to intervene in the FX market.

In our view, however, it is not the Brazilian and Argentinian authorities who are responsible for this weakness but market forces. Argentina, for example, is facing yet another debt problem, which has been scaring international investors away. In Brazil, the central bank has actually been intervening to fight the depreciation of the *real*.

President Trump announced the tariffs on Twitter, stating that they would be effective immediately. It is unclear however, if Trump still has the authority to do this. The US Court for International Trade [ruled on 15 November](#) that an earlier 50% increase in steel and aluminium tariffs was unlawful, as the decision had been taken after the President's authority to act on the national security report had phased out.

The move by Trump signals that trade deals with the US are of limited value. A definitive exemption from tariffs was only granted to Argentina and Brazil last year after they agreed to limit their steel exports to the US. Clearly, such agreements can be discarded when the political winds shift.

Earlier this year, President Trump threatened to impose tariffs on Mexico unless it tackled the issue of illegal immigration. That decision also took the market by surprise given that the US and Mexico had only recently concluded negotiations on a USMCA trade deal.

China will be watching this closely and asking itself just how far it wants to go in negotiations with Trump, knowing that a deal could very well be short-lived.