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Rifts emerge in US-EU trade deal

Less than a week after being made, the US-European Union handshake trade deal, which was described as a truce or at least a ceasefire in the trans-Atlantic trade war, is starting to come apart.

The rift is over what was exactly agreed to at the meeting on July 25 between President Donald Trump and European Commission President Jean-Claude Juncker. The gap in interpretation, which centres on agriculture, emerged the day after the deal was struck, when Trump told an audience of US farmers: “We just opened up Europe for you farmers.”

Under the deal, the EU agreed to increase its imports of American soybeans and US liquefied natural gas in return for a suspension of a threatened 25 percent tariff on European cars and auto parts and further talks on the imposition of tariffs on steel and aluminium. But there was no agreement on any further opening up of European agricultural markets, which are protected by complex arrangements under the Common Agricultural Policy.

Immediately after the meeting, Juncker told reporters the US had “heavily insisted to insert the whole field of agricultural products. We refused that because I don’t have a mandate and that’s a very sensitive issue in Europe.”

Following Trump’s remarks and their implication that the deal went beyond soybeans, Juncker issued a statement through a spokeswoman that agriculture was “not part of it.”

“When you read the joint statement ... you will see no mention of agriculture as such, you will see mention of farmers and a mention of soybeans, which are part of the discussions and we will follow up on that,” Mina Andreeva said.

“On agriculture, I think we’ve been very clear on that—that agriculture is out of the scope of these discussions. We are not negotiating about agricultural products.”

These comments only led the US side to step up its offensive.

Larry Kudlow, Trump’s chief economic adviser, told CBS’s “Face the Nation” on Sunday that the US would start negotiations with the EU to make agreements on farm and energy products. “We’ll be setting up a layered process to examine all the different areas,” he said, indicating that broad negotiations on agriculture would be included.

Kudlow said he did not “buy” the argument that agriculture would be excluded from the negotiations. “If ag [agriculture] is not part of it, what are soybeans doing and what’s beef doing? In the final document that was signed by both, we talked about opening markets for farmers and for workers.”

The only product mentioned in the deal was soybeans. Beef was covered by separate negotiations that were taking place before last Wednesday’s meeting.

In a clear sign that Kudlow’s remarks were part of a push by the Trump administration, US Treasury Secretary Steven Mnuchin insisted that agriculture had been part of the discussions. Interviewed by Fox News Sunday, he said: “I was in the room and we had specific conversations about agriculture and the need to break down the barriers and have more opportunities for our farmers.”

But as the remarks of Juncker and Andreeva made clear, while agriculture had been discussed, the EU specifically rejected any agreement that went beyond soybeans.

Asked about the discrepancy, Mnuchin replied: “We specifically talked about soybeans, but we specifically agreed we would look at these other markets and it was very clear that our objective as part of this whole agreement is the Europeans have to open up more opportunities for our farmers and our agriculture.”

Any prospect of a broader agreement on agriculture got short shrift from French President Emmanuel Macron. Speaking after a meeting with Spanish Prime Minister Pedro Sanchez in Madrid last Friday, he said the talks between Trump and Juncker had been “useful” but he was not in favour of a “vast new trade deal” between the US and the EU.

Referring to the still unresolved issue of steel and aluminium tariffs and the continuing threat of auto tariffs, he said trade discussion “can only be done on a balanced, reciprocal basis, and in no case under any sort of threat.”

Macron said “clear gestures are needed from the US, signs of de-escalation on steel and aluminium, on which the United States have imposed illegal taxes. That, for me, would constitute a prelude to making further concrete headway.” He insisted that agriculture as a whole could not be part of any deal.

“I believe that no European standard should be suppressed or lowered in the areas of the environment, health or food, for example,” Macron said, in reference to the EU’s exclusion of US agricultural products on the grounds that they do not meet European standards.

Sanchez backed up Macron’s remarks on agriculture, saying “we don’t want trade war” but adding that he was determined to “defend the [EU’s] common agricultural policy.”

Speaking on the sidelines of a G20 meeting in Buenos Aires, Argentina, German Agriculture Minister Julia Kloeckner cast doubt on Trump’s assertion that the EU was going to “buy a lot of soybeans.” She said there was no guarantee the EU would purchase the quantity expected by Washington.

In his CBS interview, Kudlow pointed to another aspect of the US-EU deal—the attempt to bring Europe on side in the US trade war against China. Under the agreement, the EU will collaborate with the US to seek to change the rules of the World Trade Organisation to cover intellectual property theft, technology transfers and state subsidies—all measures directed against China.

Kudlow said the “EU story” was moving ahead “very rapidly” and “I think that ... puts China in a very difficult position.”

Immediately after last week’s talks, Kudlow told Fox Business Network: “The US and EU will be allied in the fight against China, which has broken the world trading system, in effect. President Juncker made it very clear ... that he intended to help us, President Trump, on the China problem.”

At the same time, the Trump administration intends keeping a gun at the head of the EU over auto tariffs. They have not been rescinded, only suspended, as the US Commerce Department continues its investigation into whether they should be imposed on the grounds of “national security.”

Trump and Juncker agreed that the suspension would remain in effect while negotiations continued. But the differences over agriculture indicate that the US could be setting up a scenario where it deems negotiations to have broken down and moves to impose the threatened tariffs.