Virginie ROBERT

To start, my first question was about last night when President Trump announced that they had a partial deal with China, and what was your reaction to it? Do you think it means anything? Is it good to have a little push on the brakes?

Taeho BARK

Well, I think it means something, but not much, because we had similar kinds of situations lately. We had one right after the G20 meeting in Argentina in December 2018. They agreed on a truce at that time. Then negotiators met again in March this year and talked about something. But they entered into another truce. In May, the same thing happened. This time, the US is just delaying the imposition of extra tariffs until just before Christmas. Therefore, it could mean something, but we do not see any visible agreement yet, that is my observation.

Virginie ROBERT

Right. That is a lot of stop and go, as you said. What was your reaction to it, Karl?

Karl BRAUNER

Yes, I like the fact that the parties are talking, and that there seems to be some convergence, but I share the view of my neighbour. It is a little bit of a relief for a very short time, but if the big goal of the US, of the President is to shrink the deficit that they have with China, a lot more is necessary, and I think a lot more inside the US is necessary.

Virginie ROBERT

Gabriel?

Gabriel FELBERMAYR

Yes, I think economically, this is pretty much insignificant because the tariffs that have already been put in place do not go away. It is just that a further escalation is avoided. Some of the things that are promised now happen anyway, so imports of pork mean for example into China are going up very strongly already, also from the United States, because they have to slaughter large shares of the pig population because of an epidemic.

On the other hand, the US President is not very eager to have tariffs on Christmas presents, so I think that the pork story and the Christmas story, then we have this sort of small deal, but it does nothing. Uncertainty is also a big issue, which we discussed this morning. It is not going away. One could even say that this type of negotiation even exacerbates uncertainty because it shows the back and forth and how transactional this all is, and how much it is showbiz.

Virginie ROBERT

It is very much like Trump, you know, transaction, showbiz, I mean we are very much into it.

What about Marcus?

Marcus NOLAND

Transactions and showbiz, yes, I think these will be running themes for the next hour. One hopes that this announcement is a first step towards something greater, but I am sceptical. Donald Trump is an avowed protectionist.
He makes no bones about it. The people who surround him do not support a liberal rules-based international order. They are not friends of the WTO. They would like to return to the world of the GATT when there was no dispute settlement mechanism. They want to see trade organised through bilateral, managed trade deals. Donald Trump, as you mentioned, wants a series of trade wars.

It is important to understand how big this is in the US context. If you simply calculate the implied, applied tariff rates on either imports from China or imports from the world as a whole, Donald Trump has moved the United States from the neighbourhood of the EU or Japan with applied rates of less than 2% to the neighbourhood of Brazil and India. We are going to be another big emerging market with populist political leadership. The implied, applied rates on China would be more than 25%. These are huge numbers.

If you look at the announcement last night, it is evident that there is no deal. There is no agreed upon text. There is not even a joint statement. The Trump administration made assertions that have not been repeated in China, and we do not know why. There is a postponement of tariffs. The tariffs were supposed to go from 25% to 30%. That has been postponed, but the increase has not been taken off the table.

The core issues that supposedly were the justification for the trade war in the first place, intellectual property rights, forced technology transfer and so on, are not mentioned. One hopes this is the seed of something that becomes much greater, but it does not look like much.

One last thing about showbiz, this also has to be understood in the context of the impeachment effort underway in the United States right now. Trump’s support among the farmers is eroding. He has been hurt badly by the Chinese retaliation on soya beans and pork, but also the fact that he pulled the United States out of TPP. Therefore, the United States producers face big trade diversion problems in the Japanese pork market, as well.

Therefore, you know, an audience like this needs to expect, over the next year or so, not just in the trade area but foreign policy area, that as the impeachment process ramps up, President Trump is going to be increasingly desperate to change the conversation in the United States. He will want achievements or victories that he can tout. Therefore, he is going to take something like this, which appears to be nothing, and turn it into, ‘We are making progress with China.’ Expect comments on trade and other foreign policy issues that may bear no resemblance to reality, that are being driven by domestic political messaging.

Virginie ROBERT

Okay, so I guess we all agree that last night we have a French expression for that, it is called, "la poudre aux yeux". I do not know how you say it in English, but it sounds well in French, it means, 'For the show'.