

Trade conflicts and contradictions

The UK establishment including the Blairite wing of the Labour party like contradicting themselves on trade. They tell us free trade is essential to the UK's prosperity, and for that reason we need to stay in the EU to have tariff free trade with the other states. They go quiet about the fact that staying in the EU and its Customs Union means we do not have free trade with the rest of the world, but have to trade over high food and drink tariffs, vehicle tariffs and numerous non tariff barriers to trade. Our trade with the rest of the world is larger than our trade with the rest of the EU, and usually faster growing, despite these obstacles.

They also gloss over the way the EU is responding to the the USA both in response to Mr Trump's words and actions where he is imposing tariffs and talking of more barriers, and as a result of the EU attacking various US companies and sectors. Mr Trump says he wants reciprocal trade arrangements, his word for fair. He says he wants the trade deal offered by the EU to the US to mirror that offered by the US to the EU. So, for example, Mr Trump says to the EU there is only a 2.4% tariff on EU cars into the USA but a 10% tariff on US cars into the EU. Does the EU intend to level this down, or is the EU relaxed about US retaliatory action on this matter? Is there some counter to this likely to see off more tariffs?

Instead of dealing with these issues the EU is busily seeking ways to regulate and tax US corporations who are good at the digital economy more. At the same time as the USA is cutting corporate taxes to make business more welcome in the USA the EU is trying to find a turnover tax which will hit mainly US technology companies operating in the EU. Will this wind the President up to further unhelpful tariff action and give him in his view more grounds for unhelpful action?

Mr Trump points out that the USA has a colossal trade deficit with the rest of the world, dominated by its large deficits with China and Germany. He is taking specific action against China as he is worried about alleged theft of intellectual property and unfair subsidies. He is concerned about the huge number of EU cars imported into the USA and the unfair tariff arrangements, and may make a move on that as well.

The UK pays to trade with the rest of the EU. It means paying to run a large deficit with them. The big imbalance in food and drink is particularly curious, as we are barred from importing more from cheaper places outside the EU by a high tariff wall, and impeded in the better answer of producing more of our own by the Common Fishing and Farming policies. It is difficult to see the EU as a paragon of free trade when you look at the complex and defensive structure of the EU Customs Union and its complex regulatory and subsidy systems.