



Brussels Should Avoid the Temptation of Trade Appeasement

By Bruce Stokes

U.S. president Donald Trump has announced that he will delay imposition of tariffs on autos imported from Europe and Japan for up to six months. Europe may be sighing with relief, but there is little cause for encouragement. Trump's tactic is unchanged: the threat of a devastating commercial conflict is meant to extract concessions from America's trading partners. As talks continue, Brussels must not lose its nerve. Appeasing Donald Trump will not work.

In January 1940, Winston Churchill, then the First Lord of the British Admiralty, warned in a radio address against short-sightedness. "Each one hopes that if he feeds the crocodile enough, the crocodile will eat him last," he warned. "All of them hope that the storm will pass before their turn comes to be devoured. But I fear greatly that the storm will not pass."

The stakes are admittedly quite different, but the crocodile today is President Trump. He has already imposed steel and aluminum tariffs on long-time American trading partners, and he now threatens them again with the proposed auto duties.

Fearing the loss of exports and the jobs they provide, Canada, the European Union and Mexico all responded to the first wave of U.S. steel and aluminum tariffs with retaliatory duties of their own. They have tried to appease Trump by offering to buy

more American farm products or accepting import quotas—American limits on how much they can sell to the U.S. market—in exchange for exemptions from the Trump tariffs. It is a wager they have yet to win. And, in so doing, they have only emboldened the self-proclaimed "Tariff Man."

The looming Trump car tariffs, a tenfold increase to 25% on current duties, are based on a dubious claim that imports are a threat to U.S. national security.

Canada would be particularly hard hit. The economy could dip by 1.3% and unemployment might rise by 0.8%, according to 2018 [estimates](#) by Toronto-Dominion Bank. For Japan, the U.S. market accounts for more than 40% of the ifocountry's auto exports and 5% of total national exports. And German car exports to the United States could fall by almost half, the Munich-based [Ifo](#) research institute concluded in a recent study.



Transatlantic Take

Together the auto, steel and aluminum tariffs could lower real income in the European Union alone by 9%, according to Ifo, hardly a trivial amount. So, U.S. trading partners' hesitancy to stand up to Trump, possibly to agree to some form of "managed trade" to ward off such pain, is certainly understandable. Few politicians are willing to expose their voters to such suffering purely as a matter of principle.

But we know that choosing pragmatism over principle can also prove costly.

It's tempting for governments in Europe, Japan, Canada, and Mexico to hope that they can appease Trump with promises of a free trade agreement that favors America's interests, betting that he won't be re-elected and there can soon be a return to the status quo ante.

It is a gamble they could well lose. Not only is there a real chance that President Trump will be re-elected, but U.S. officials have already told the Japanese and the Europeans that they have no intention of forsaking the threat of auto tariffs in the future. If they had any doubts, they should have been disabused of such notions by President Trump's threat to impose auto tariffs on Mexico over immigration issues. Auto duties are a loaded gun that the Trump administration intends to keep on the negotiating table, ready to be pointed at the head of a trading partner whenever Washington wants something.

As leaders in Brussels, Ottawa, Mexico City and Tokyo contemplate how they will respond to the threat of a trade war, they might reflect on Churchill's other putative admonition of then Prime Minister Neville Chamberlin in the wake of Munich: "You were given the choice between war and dishonor. You chose dishonor and you will have war."

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About the Author

Bruce Stokes is a non-resident transatlantic fellow for economics with GMF. Previously, he was the director of Global Economic Attitudes at the Pew Research Center in Washington, DC, and is a former international economics columnist for the National Journal, a Washington-based public policy magazine, where he is now a contributing editor.

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1744 R Street NW
Washington, DC 20009
T 1 202 683 2650 | F 1 202 265 1662 | E info@gmfus.org
<http://www.gmfus.org/>