

# Business

FRIDAY, MAY 25, 2018

**39** Merkel woos China as Trump poses new trade challenge



**40** Deutsche Bank slashes over 7,000 jobs in major shake-up



**41** Trump versus Rwanda in trade battle over used clothes



TOKYO: In this photo, cars for export park at a port in Kawasaki, west of Tokyo. — AP

## Germany dismayed; US weighs tariffs

### ‘Significant economic damage due to trade conflict is mounting’

**FRANKFURT AM MAIN:** German automakers reacted with dismay yesterday as the US Commerce Department said tariffs on car imports could be on the horizon, potentially opening a new front in a burgeoning transatlantic trade conflict. “One-sided protectionism has never helped anyone in the long term. Only free and fair trade secures increased prosperity,” a spokesman for industry behemoth Volkswagen said.

American Commerce Secretary Wilbur Ross had announced Wednesday he had initiated a so-called Section 232 investigation on auto trade—which would provide the legal basis to impose tariffs, if his department finds imports threaten US national security—after speaking with President Donald Trump on the matter. Ross promised “a thorough, fair, and transparent investigation into whether (auto) imports are weakening our internal economy and may impair the national security.”

The move comes as a June 1 deadline approaches for the White House to decide whether imports from the EU will remain exempt from border taxes slapped on steel and aluminum. Trump’s recourse to national security arguments for potential tariffs echoes his justification for the metals duties. In a separate statement released by the

White House, the president said “core industries such as automobiles and automotive parts are critical to our strength as a nation.”

Germany’s Federation of the Automotive Industry (VDA) noted that German carmakers employ some 36,500 people in the US and car parts producers 80,000 more. And it highlighted German firms’ “significant contribution to the American balance of trade in cars” with their exports to third countries. “An increase in tariff barriers should be avoided,” the body said, saying it had “always spoken out in favor of mutual reductions in tariffs and for free-trade agreements”.

German carmakers exported 494,000 vehicles to the US last year, the VDA said, while the Chambers of Commerce and Industry (DIHK) calculated autos and parts accounted for 28.6 billion euros of Germany’s 111.5 billion euros in exports to the US. Shares in Volkswagen, high-end BMW and Mercedes-Benz maker Daimler were among the worst performers in the DAX index of blue-chip German shares just before midday yesterday.

#### Global outcry

Imposing car tariffs would open yet another front in the Republican president’s confrontational rows over trade that have drawn

global outcry from allies and partners. “Evidence of significant economic damage due to the trade conflict is mounting,” tweeted economist Marcel Fratzscher of the DIW think-tank in Berlin. “The Trump administration now adding new threats with tariffs on European cars could make things a lot worse.” The latest announcement comes as negotiations with Canada and Mexico over revamping the continent-wide North American Free Trade Agreement (NAFTA) have stalled over auto demands.

Trump had earlier blamed the US neighbors to the north and south for being “difficult” in talks to renegotiate the pact. The contrast with yesterday’s visit by German Chancellor Angela Merkel to Chinese premier Li Qiang could not have been starker. “China and Germany are on the path of promoting multilateralism and bolstering free trade,” Merkel said in Beijing.

Meanwhile Japan’s trade minister Hiroshige Seko said yesterday that car tariffs would “plunge the world market into confusion” and be “extremely regrettable.” Passenger cars make up around 30 percent of Japan’s total exports to the United States and Tokyo has already threatened Washington with retaliation at the World Trade Organization for the steel tariffs.—AFP