

Spotlight: 21st Century Store Wars, Part 2 of 4

June 2018

☀️ Tariff turbulence

On May 31st, the US Administration announced a 25% import tariff on steel and a 10% import tariff on aluminum from Canada, Mexico and the EU, effective July 1st.

☀️ Plates are flinging...

...fast, prompt and furious. Retail prices will rise. Spurred into the mode of forewarned, on May 18th, the EU officially informed the  (WTO) of [additional duties on a full list of imported US products](#), supported by EU Member States and pursuant to compensation provisions in Article 12.5 of the WTO. The €6.4 billion EU claim was confirmed on June 28th as effective July 1st at the earliest, and includes a wide assortment of industrial raw material and consumer goods which contain steel or aluminum. Caught in the crossfire are food and agricultural products, including US bourbon.

☀️ On the ready

The same day as the US tariff announcement, Canada, under NAFTA rules, proposed a list of retaliatory measures for public consultation, of equal monetary value to the US tariffs. On July 1st, the Department of Finance published, for immediate effect, the final list of Canada's punitive action, [Countermeasures in Response to Unjustified Tariffs on Canadian Steel and Aluminum Products](#), valued at C\$16.6 billion. Caught up in the dispute are food and agricultural products, including bourbon. Swiftly, on June 5th the [Government of Mexico](#) announced retaliatory measures under NAFTA rules, aimed at industrial raw material, and, food and agricultural products, including but not limited to pork, cheese, cranberries, apples and bourbon.

☀️ What's with bourbon?

Bourbon is a US delicacy, traceable to an ancient origin in France, one of a [trio of refined American whiskeys](#) together worth US\$464 million. Both the composition and maturing of bourbon is subject to a US legislated [Standard of Identity](#) which specifies a mash of no less than 51% corn, storage at no more than 125° proof, and aged in charred (to impart* a smokey flavour) new oak barrels. *pardon the pun

☀️ Food and fear

The General Agreement on Tariffs and Trade came into being following WWII, as an open and orderly path to a global level playing field. Known as [The GATT Years](#), it was just that, an agreement. In 1994, after almost twenty years of painstaking global negotiations, the GATT was replaced by an organization, the [WTO](#). One sector single-handedly stalled the process for slightly more than two-years - agriculture. Not big infrastructure - water mains, tram tracks, bridges, telecommunication towers (now orbiting satellites) - but food. Signatories held out until satisfactory terms of a nation's sovereign right to food security were entrenched in the WTO.

☀️ Beyond trade agreements

The protection and authority of the WTO is limited. Overshadowed by the 2008 financial crisis was an unprecedented volatility in the commodity markets, exemplified in the [Rice Crisis of 2008](#). The cause is commonly attributed to a dearth in the major rice exporting nations (India, Vietnam, the Philippines) which saw Malaysia halt exports under a WTO provision. However, in an attempt to ward off a re-occurrence, analysts point to other factors: political pressures; the unwieldy size of global agricultural trade (US\$1.7 trillion in 2013); and misinformation.

☀️ The tectonic plates of global trade

Global trade is in a constant flux of mild tension, mitigated and maintained by diplomatic tools such as ambassadorial assignments and trade agreements, to name a few. Global trade can be likened to the geographical, subterranean tectonic plates that have continued to shift and jockey into position under the earth's surface since the dawn of creation. Usually these re-alignments generate nil or imperceptible vibrations on the earth's surface, on a surprisingly frequent, almost daily basis. Every once in a while, the tectonic plates collide, head-on. The tectonic border-to-border crashes generate violent tremors, manifested as earthquakes and tsunamis. **FF**

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