GLOBAL TRADE: Countries to watch in the run-up to 7 August

- With the new 7 August tariff implementation date for US tariffs looming, some markets will be critical to watch.
- Brazil and Switzerland are hoping to renegotiate, while India and Canada are not only faced with trade questions but also with complex geopolitical issues.
- As uncertainty is set to continue beyond 7 August, we assess some of the critical bilateral talks ahead this week.

Canada and Mexico

Talks with Canada are expected to continue in the days ahead to try to secure lower rates on non-USMCA excluded goods. Bilateral talks have become increasingly politicized, marked by retaliatory tariffs and tensions over Canada's recognition of the Palestinian state, but there is clear economic justification for improving terms given deep cross-border integration. Discussions are focused on these many benefits, and Prime Minister Mark Carney hopes to position opportunities like the One Canadian Economy Act as vital channels to further advance this cooperation through critical infrastructure investments.

Meanwhile, Mexico obtained a 90-day suspension, which at least buys more time for negotiations even if it leaves a thicket of other tariffs and fails to address the uncertainty over the future of bilateral trading relations.

Brazil

Already before last week's deadline, the US administration justified the 50% rate for Brazil not just with trade restrictions but also with the "persecution" of former president Jair Bolsonaro and alleged free speech and election issues. Despite the absence of negotiations, close to 700 exemptions were granted, including aircrafts and related equipment, as well as orange juice – two of the most important items for bilateral trade.

Meat and coffee were not exempted from the increase, but this was ultimately perceived as a first step towards further negotiations. Politically, Brazil preserved its sovereignty – a position that seems immovable. The question to watch is whether better terms can still be negotiated if Brazil continues to refuse to make concessions on its internal affairs.

India

Tensions between Washington and New Delhi have intensified after the US announced a 25% tariff on Indian goods, which as of 4 August US President Donald Trump has said will now be substantially higher given New Delhi's purchases of Russian oil. While some public refiners have recently cut Russian oil orders due to diminishing discounts, India is likely to continue buying Russian oil, particularly through private sector firms, while ongoing Russian investments in India suggest long-term energy ties will remain intact.

The Indian government has projected a modest GDP impact from the tariffs of up to 0.3%, but this likely underestimates the risk from diverted trade if US importers shift demand to lower-tariffed countries. Trade talks are set to resume in mid-August, with both sides still aiming for a deal by September.

EU and countries with deals

As discussed, given the high-level, political nature of deals struck so far, their technical interpretation and political implementation remains a key signpost to watch. This poses questions reaching from the definition of transshipments of Chinese goods in Vietnam to the exact nature of sectoral quotas in the UK.

In the EU, the coverage of entire industries – such as the wine and beauty sectors crucial to France – remain dubious. The publication of a joint EU-US statement should therefore be watched this week, with the promised zero-for-zero tariff list of special interest. In parallel, the results of the US investigations into separately tariffed steel and aluminum, pharmaceuticals and semiconductors, are still being awaited.

Switzerland

Finally, Switzerland was taken off-guard by the US imposition of 39% tariffs. The country boasts a hyper-competitive manufacturing economy focused on high-end goods, crucially including pharmaceuticals. Moreover, it is governed by an unusually consensual political system. This combination lends itself to technical compromises, making the country especially vulnerable when dealing with the highly politicised US administration.

Switzerland's national production model also remains comparably undiluted, given its only partial integration into the larger, more diverse EU single market. The all-party government is now racing to achieve a better deal but operates from a position of weakness as a small and extremely export dependent economy.

Client Portal >>

Geopolitical Research
+44 20 7186 8894
Macro@teneo.com