

GOVERNMENT

Trump's G7 recusal puts further strain on luxury trade partners

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President Trump refused to sign the G7 Summit communique as the country further distances itself from allies. Image credit: Gage Skidmore via Flickr

By DANNY PARISI

The G7 Summit is traditionally a time for leaders of nations to come together and discuss mutually beneficial agreements, but this year's event went in a considerably different direction.

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The tense summit was made difficult by fiery words from President Donald Trump harshly criticizing allied leaders and tensions over proposed tariffs. As President Trump increasingly introduces heavy tariffs on imported goods from ally countries, the effect of his highly protectionist trade policy is beginning to have an impact on luxury.

"The U.S. is a destination for luxury shopping and it certainly is closer for Canadians than a trip to Europe," said Marie Driscoll, principal of **Driscoll Advisors**, New York. "I doubt that we will see en masse boycotting, but on the margin, luxury shopping may be less desirable.

"Convenience trumps (mind the pun) most other considerations," she said.

G7 backlash

Recently, the United States has instituted harsh tariffs on trade from some of the country's closest allies, including Canada.

In opposition to these moves, Canadian Prime Minister Justin Trudeau announced plans to respond with retaliatory tariffs on the U.S.

From there, things disintegrated further. In one of the harshest statements President Trump has made against a close ally, he called Mr. Trudeau weak and said that he had "stabbed [us] in the back."

Mr. Trump also refused to sign the G7 communique, the joint statement made by member countries at the end of the summit to reaffirm their partnership and outline shared concerns and goals.



Daimler and Porsche's stock price fell after Trump threatened to tax imported luxury cars. Image credit: Porsche

The first half of Mr. Trump's presidency has had as a theme the rapid distancing of the country from its traditional allies in North America and Europe. From dropping out of the Paris Climate Accords, which every other G7 nation is still a part of, to public sparring of words with the leader of Mexico, Mr. Trump has burned bridges and put allies on edge from an economic perspective.

The tariffs imposed on the imports of goods from allies, including the proposed tariff on luxury cars from Germany, could potentially have a negative effect on the global luxury business, which relies on free-flowing trade between the U.S. and Europe, two powerhouses of luxury exchange.

Burning bridges

Recent headlines have been filled with examples of President Trump's economic policies alienating allies. For example, the president is allegedly looking to prevent the import of German cars into the United States, a move that would impact luxury marques such as BMW and Mercedes-Benz.

According to a report from German newspaper WirtschaftsWoche, Mr. Trump told French president Emmanuel Macron that he would pursue trade policies that would hinder German luxury car exports. The news has already had an effect on the European automotive sector, which was trading lower in stock markets in the wake of the report ([see story](#)).

Similarly, President Trump has repeatedly spoken of withdrawing the United States from the North American Free Trade Agreement, but this could severely harm the retail business, particularly in luxury.



U.S. luxury retailers like Nordstrom will be affected by a potential withdrawal. Image credit: Nordstrom.

NAFTA was signed in 1994 and has been in place ever since, guaranteeing free trade between the United States, Mexico and Canada. But as President Trump threatens to withdraw from the agreement, a report from A.T. Kearney found that leaving NAFTA would cost \$15.8 billion to the U.S. retail industry in the short-term ([see story](#)).

These decisions all have immediate and tangible effects on the way trade can happen between nations, but they are also contributing to a larger cultural divide.

While the signing of the G7 Summit communique is largely symbolic, President Trump's refusal to do so, along with his harsh tariffs on ally imports, is beginning to make the U.S. feel less friendly to international trade and commerce. For luxury, which is an inherently international and jet-setting business, this cultural shift could be just as damaging as any trade policy, although it is possible customers do not let politics influence their decisions too much.

"Demand for luxury brands hinges on things far more esoteric than tariffs," Ms. Driscoll said. "Luxury consumers that have a passion for an item or a brand aren't going to allow the vicissitudes of trade or politics get in the way of meeting that desire/need."

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