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SNEAK PEEK

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— **Anne-Marie Trevelyan is going toe-to-toe** with the U.S. commerce secretary on steel tariffs.

— **A top watchdog has a few choice pointers** for the trade department.

— **The EU is set to take the next step in its proposed new trade retaliation mechanism.** What could it mean for Britain?

Good morning and welcome to Morning Trade UK. Send tips, suggestions or encouragement via glanktree@politico.co.uk and ecasalicchio@politico.co.uk | Follow us on Twitter: @g_lanktree and @e_casalicchio. | Signal/WhatsApp: 07522122775 and 07834782961.

DRIVING THE DAY

AMT STEELS HERSELF FOR SHOWDOWN: International Trade Secretary Anne-Marie Trevelyan faces a crunch meeting with U.S. Commerce Secretary Gina Raimondo this afternoon to demand Washington relieves punishing tariffs on U.K. steel and aluminum makers.

It's the first face-to-face meeting between the pair and comes after that leak of a memo from Raimondo's department that tied the steel row and the Northern Ireland protocol negotiations together.

What Washington's thinking: Ahead of the meeting, Raimondo told reporters Tuesday that there's no timetable for starting negotiations with the U.K. and added that the Biden administration remains committed to maintaining the Good Friday Agreement. But she stopped short of saying U.S. concerns about the U.K.'s commitment to that agreement are holding up steel talks. (More from Raimondo here.)

Latest push: Whether or not Trevelyan's appeal is successful is another question. A written answer from trade minister Penny Mordaunt this week revealed that AMT has tried plenty of times to get the tariffs lifted but to no avail, with the latest attempt on November 12.

Don't forget: The EU did its own deal with Washington a month ago.

What are the chances? Not high, according to Harry Broadman, a former U.S. trade negotiator, at least while the Northern Ireland protocol row rumbles on. He said unless the U.K. removes the threat to trigger a safeguard clause in the protocol, it's "hard to imagine why the Biden White House would lift Trump's tariffs on steel and aluminum imports from the U.K."

Ouch: Assuming Washington would ease the tariffs just because it did the same with the EU is a "naïve reading of U.S. political and trade policy-making dynamics," he added.

Backfiring plea: Broadman said Biden is sympathetic to the U.S. metals industry and its workers, "far more so than Trump … thus, he may well see these tariffs that his predecessor implemented as awfully convenient." And he added that the more the U.K. insists on the value of eliminating the tariffs, "the more Washington could focus on them as the penalty of choice if [Boris] Johnson does disrupt the protocol and actually raise their rates."

But but but: There are other reasons too why lifting the tariffs might not be so simple, according to Philip Bell, who leads the Washington-based Steel Manufacturers Association. Bell said the U.K.'s steel sector is export-heavy and no longer has privileged access to the European market post-Brexit. That has U.S. producers worried that dropping the tariffs would mean a surge of British steel flooding the American market.

And there's more: The U.K. steel industry is dominated by Chinese and Indian-owned companies, Bell added, raising questions about whether those countries will route their cheap steel through the U.K. to undermine market prices.

Get it done: Ahead of the AMT meeting with Raimondo, Gareth Stace, director-general of U.K. Steel, urged the two sides to "strain every sinew" to get a deal.

On the AMT agenda: She's meeting the U.S. Agriculture Secretary Tom Vilsack before Raimondo, for some fun chats about chlorinated chicken, no doubt. She'll be returning on an overnight flight, landing on Thursday morning. The U.K. readout of the Katherine Tai meeting yesterday was pretty anodyne, although notably there was no mention of a future free-trade deal.

CHRISTMAS CRUNCH: To ensure they're stocked up for a bumper Christmas this year, British online home and garden retailer Christow spent 1,000 percent more on shipping containers in 2021 as global prices continued to skyrocket.

Even though Christow shouldered the extra financial burden and placed orders in January, the firm has now been told by its production factories in Asia that it won't be getting 40 percent of the Christmas trees they ordered.

Tannenbaum supply: "This latest news that we won't be receiving 40 percent of the Christmas trees has been devastating for us," said Josh Piercy, e-commerce director at Christow. "As a company, we rely on efficient and quick shipping of our products from overseas, and over the past year and a half, we have felt the impact of the huge delays to shipping."

Knock-on effect: Record-high shipping prices are contributing to a Christmas 2021 crunch of high prices, supply chain delays and low stocks of products and manufacturing components. Yet prices aren't likely to be relieved until 2023 at the earliest, experts say, and will continue to fuel inflation throughout the supply chain with little the U.K. or any government can do about it.

The numbers: Since early February, average global prices for a shipping container on the Freightos Baltic Index, which tracks global prices, have increased 126 percent. It has been a dizzying trajectory with prices growing 642 percent from $1,350 in August 2019 to $10,024 as of August 20, 2021.

Inflation pressure: The high prices are putting inflationary pressure on economies and contributing to price rises for manufacturing components not seen in decades. Manufacturers are stockpiling and scarcity is rife. The pandemic has been a big factor driving the price spike as increased demand for goods has led to congestion and bottlenecks at ports. Many goods come from Asia and pandemic restrictions in China have also pinched capacity with closures seen at Yantian and Ningbo-Zhoushan ports in recent months.

Wind up: Toy manufacturers will "definitely" feel the effects, said Richard Ballantyne, chief executive of the British Ports Association, "which is an emotive point for Christmas because everyone relates toys with Christmas presents for children."

Consumer price rises: For retailers "supplying something generic into the U.K. market," said Joanna Konings, a senior economist in international trade analysis at the bank ING, the question "is for how long you're going to take those costs on your margin" and whether to pause or drop out of exporting to the U.K. Many retailers are passing the inflated costs on to consumers as price rises even eat into the margins of big brands.

"We pride ourselves on offering value for money on our products but, like many other brands, we've been forced to pass on a proportion of the cost to customers," said Christow's Piercy.

Peak season: On the demand side, what's happening now is "we've got serious backlogs in a lot of ports and in warehouses," said Phil Levy, a former senior economist for trade on the Council of Economic Advisers in the George W. Bush administration and current chief economist for freight forwarding firm Flexport. "We're getting very close to the traditional peak season of delivering goods for the holidays," he said.

QUICK HITS

A JOB LOT: Foreign investment in the U.K. created more than 55,000 jobs in the last financial year (almost all of them via government support,) and more than 700,000 over the past decade, according to a new report from the Department for International Trade. DIT released the report as it announced Barclays as the first sponsor of the U.K. "global investment summit," due to be held October 19.

SPEAKING OF JOBS … The Department for International Trade (DIT) is looking for a stakeholder investment lead in Northern Ireland, who will develop and maintain excellent relations with Northern Ireland industry, Invest NI, business and trade representative bodies across the region. Apply here before September 1.

BREXIT BITE: The U.K. and the EU might agree to postpone again the introduction of checks on the Irish sea due October 1 to allow more time to find solutions to the ongoing trade disruption between Great Britain and Northern Ireland, according to a French official. More here from my POLITICO colleagues Clea Caulcutt and Cristina Gallardo.

OZ BY RAIL: British companies will be given zero-tariff access to Australia's railways under the terms of a trade deal agreed with Canberra. The existing 5 percent tariff on rail products will be scrapped under the deal, which also will allow U.K. companies to bid for Australian government contracts covering the supply of trains, track infrastructure and consultancy. The Times has the full story.

SAY CHEESE: Cheese exports from the U.K. have been bolstered by the Asian and Oceania markets, with shipments up 17 percent on last year. More from the Agriculture and Horticulture Development Board (AHDB) here.

SLOW NZ DAY: The Department for International Trade on Tuesday released a summary of the sixth negotiating round with New Zealand … almost a full month after it took place. "The publication of the trade round is now already out of date so it's near impossible to scrutinize," trade committee chair and SNP MP Angus MacNeil told Morning Trade U.K., noting that the minutes of the latest talks will by now likely have been overtaken by events. New Zealand is still to release its own summary of the talks.

RUSSIA V. CBAM: Russia is most likely to take the biggest hit from the EU's proposal for a levy on imports of high carbon emitting commodities like steel and cement, according to Igor Sechin, chief of the country's oil giant Rosneft. There's a good thread on it here and you can read Senchin's comments in Euractiv.

SUPPLY CHAIN CRISIS

SUPPLY IN DEMAND: Britain is feeling the squeeze. The U.K. economy is being hit by a super combo of trucker shortages, recruitment challenges, new post-EU paperwork and rising prices in supply chains. These problems, linked to

Brexit and the coronavirus pandemic, are resulting in shortages of everything from blood collection tubes to peri-peri chicken.

Not-so-fast food: The poultry sector was among the first to sound the alarm. South African fast food chain Nando's temporarily closed more than 40 outlets in Great Britain last week — 10 percent of its restaurants — and reduced trading hours at others as it struggled to find lorry drivers. Competitor KFC also admitted supply issues and warned some of its products will not be available. On Tuesday, McDonalds announced it had run out of milkshakes.

No-one is laughing: It's not just the food industry. Nearly all small British manufacturers are struggling with rising costs, according to a survey by business support groups the South West Manufacturing Advisory Service (SWMAS) and the Manufacturing Growth Programme, which said rising prices presented difficulties for 96 percent of respondents. Fifty-five percent described the problem as "major" and nearly five in 10 said trouble recruiting posed the biggest barrier to growth.

Ro-Ro ruh roh: More worryingly, medical research labs and parts of the National Health Service are experiencing delays in processing work in labs, snarling up research projects and limiting access to blood tests for some conditions.

Nothing to see here: A government spokesperson acknowledged there were problems but praised industry for responding well in difficult circumstances. "The recent pandemic has proven that the U.K. has a large, diverse and highly resilient food supply chain that has coped well in responding to unprecedented challenges," the spokesperson said. "We are working closely with the haulage industry to understand and address recent pressures."

Lots more where this came from: Our POLITICO colleague Cristina Gallardo has a full story here.

TRADE DIPLOMACY

KABUL IN A CHINA SHOP: Would Boris Johnson have been so forthright in pushing Joe Biden to extend his August 31 deadline for the American withdrawal from Afghanistan if a trade deal between the U.S. and U.K. was still hanging in the balance? The need for a quick agreement with Washington — long lauded as the grand prize of Brexit — meant former Prime Minister Theresa May and her successor did much tongue-holding while Donald Trump was in the oval office.

Getting real: But now a trade deal is so far on the backburner that contradicting the U.S. on foreign policy might be seen to come with few consequences. "Reality must have sunk in" in Downing Street, said Harry Broadman, a former trade negotiator under ex-President Bill Clinton and now managing director at Berkeley Research Group.

Yes and no: One U.S. business leader with a close eye on trade said it was true that the U.K. might feel freer to step out of line on foreign policy or climate because "they don't have to worry about mucking up their chances" of clinching a trade deal. But the same person added: "Then again, the U.K. is busily scouting about for post-Brexit legitimacy on lots of issues … and the U.S. can help them with that drive. But if the Brits are too far out in front, that might dampen how enthusiastic the U.S. is."

No crossover? Some in the trade department believe the Afghanistan issue is too grave to be lumped in with the trade debate, and the two are totally separate. But it's hard to believe Johnson would be as outspoken as he has been if a deal was on the cusp of being inked.

But, but, but: That said, the prime minister didn't have much luck trying to bang heads together at yesterday's G7. The meeting came against the backdrop of a striking Taliban proclamation: foreigners could keep leaving until U.S. troops' planned withdrawal on August 31, but Afghans not pre-approved for foreign travel now couldn't. So in the end, however much pressure the U.K., France and others could put on America, the big decisions were made before the meeting even began. More from our colleagues in Westminster, Brussels, Paris and Berlin.