

## **US-EU trade deal seen remote even if Biden occupies the White House in 2021**

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October 19, 2020

A new president may not mean a new day in trade relations between the U.S. and its largest trading partner, the EU.

Democratic presidential nominee Joe Biden has expressed a desire to work with allies to repair rifts widened under the protectionist trade policy of the Trump administration. Smoothing fractured relations with the EU, a bloc Washington did \$851.9 billion in goods trade with in 2019, would likely be a central pillar of this effort under a Biden presidency.

But those frictions have taken such a toll that efforts to repair the relationship under a potential Joe Biden presidency — such as negotiating a new trade agreement, which the Trump administration has all but abandoned — would be likely to take a back seat as he tries to balance a multilateral approach with support for U.S. trade unions, analysts and economists told S&P Global Market Intelligence.

"I do think it highly unlikely that the U.S. and EU would undertake a free trade agreement negotiation anytime soon, regardless of administration," Marjorie Chorlins, senior vice president for European Affairs at the U.S. Chamber of Commerce, said in an interview. "No FTA negotiations are currently underway, and the Biden team has not indicated that this would be on their priority list."

If Biden ascends to the White House, he would inherit four major obstacles to restoring the trading relationship with the EU: metals tariffs imposed by President Donald Trump two years ago, the digital services taxes being implemented throughout Europe that could spell millions of dollars in lost revenue for U.S. tech firms, the long-standing Boeing Co.-Airbus SE dispute and the carbon border tax being considered by the European Commission.

Driven in part by the pandemic's economic impact, U.S. imports over the past year of several key EU products fell, including diamond imports down 68.9%, autos slumping 29.9% and footwear dropping 18.6%, compared with 2016, according to Panjiva, a business line of S&P Global Market Intelligence that covers international trade and supply chains. Year-to-date, the U.S. goods deficit with the EU is down 7.7%, according to August trade data from the U.S. Department of Commerce.

The 25% and 10% tariffs on imports of European steel and aluminum, respectively, imposed by Trump in June 2018, contributed to a 20.3% drop in U.S. imports of those products from the EU in the year ended Aug. 31 compared with 2017, according to Panjiva data.

Moody's estimated that in 2019 the Trump administration's tariffs cost 300,000 U.S. jobs and roughly 0.3% of GDP, as well as costing U.S. companies and consumers more than \$60 billion.

"Here's where Biden could set the tone," Dan Ikenson, director of the Cato Institute's Stiefel Center for Trade Policy Studies, said in an interview. "On Jan. 20, he could revoke the steel and aluminum tariffs imposed on the EU under the guise of protecting national security. That gesture would be well-received and would immediately reduce production costs in both regions."

### **'Artificial trade war'**

Anthony Blinken, Biden's senior foreign policy adviser, said in a September U.S. Chamber of Commerce event that the Democrat would end the "artificial trade war" waged with the EU by Trump, calling it a "self-inflicted wound" that has driven up costs for U.S. consumers and created jitters for companies reliant on the relationship.

The Biden campaign did not return a request for comment on potential trade objectives with the EU. But Biden's "Made in America" plan promises the creation of 5 million domestic manufacturing jobs through tax credits and tightened restrictions on what qualifies as a U.S.-made product. In his campaign materials and public statements, Biden has hinted at first focusing on domestic programs and shoring up the middle class.

Given the "Made in America" plank and Biden's long-term affinity with trade unions, it is not likely that he will unilaterally dismantle the steel and aluminum tariffs, said Peter Allgeier, president of consulting firm Nauset Global and a former acting U.S. trade representative in the Obama administration. Rather, Biden is more likely to seek ways of doing so within the context of mutual problem-solving with the Europeans, he said.

"Perhaps that could involve at least some European and U.K. backpedaling on the digital services tax," Allgeier said in an interview.

This would be welcome relief for major U.S. tech companies such as Alphabet Inc., Apple Inc. and Facebook Inc., which have taxes of 1.5% to 7.5% on digital services like ad sales that have been implemented by several European countries, warning they will cost them tens of millions in annual revenue. Again, however, hurdles stand in the way. Organization for Economic Cooperation and Development officials said in a news conference Oct. 12 that negotiations will push into 2021 as European countries look to the digital levies to make up for coronavirus-induced budget shortfalls.

### **Airbus-Boeing**

Whoever wins the White House would also have inherit the Airbus-Boeing dispute, which precedes the 2020 election by nearly two decades, unless an agreement can be reached before January.

The World Trade Organization on Oct. 13 gave the green light to the EU to impose tariffs on \$3.99 billion in annual exports of U.S. aircraft and other goods, another potential blow to an already reeling U.S. aviation industry. U.S. Trade Representative Robert Lighthizer said the EU

has "no valid basis to retaliate against any U.S. products," while calling for a resolution to the dispute.

Ikenson suggested that if Biden pushes for Europeans to discard digital taxes, he could offer to drop the U.S. retaliatory tariffs already green-lit by the WTO in the aircraft dispute with the hopes that Brussels will do the same with its own approved measures.

The Trump administration has threatened retaliation against the EU for the imposition of a carbon tax, in part because of ideological differences on the environment. The EU has made the tax a priority because of concerns of foreign products, including those of the U.S., being given an unfair advantage where environmental standards are more lax.

Biden's desire to address climate change could be a way into negotiations with the EU, especially after Trump's withdrawal of the U.S. from the Paris Climate Agreement on climate change, said Uri Dadush, non-resident scholar at the Brussels-based think tank Bruegel, which is sponsored by EU member states and corporations.

The two trading partners in October 2018 announced their intention to work toward a free trade agreement, though those have not got off the ground amid the lingering political and trade issues. Negotiating areas could be too difficult and attempting to do so wholesale could amplify differences, Ikenson said, especially as the European Commission has publicly voiced concerns with how contentious negotiations would be.

"The Europeans have signaled a lack of interest in anything comprehensive in the trade area," Bill Reinsch, senior adviser for the Center for Strategic and International Studies, said in an interview. "They certainly want to clean up outstanding issues like Airbus and the [digital services tax] but don't seem enthusiastic about going back to something like the Transatlantic Trade and Investment Partnership. So, if they're not interested and Biden is pre-occupied, don't expect much new."