

# Bloomberg

## EU Eyes Tariffs Against the U.S., Putting Trade Conflict Recovery at Risk

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The transatlantic trade conflict isn't showing signs of winding down any time soon, and a ruling from the World Trade Organization means that a fresh round of retaliatory tariffs could jeopardize the nascent economic recoveries in both the U.S. and the European Union.

The WTO gave the EU authorization to impose tariffs on \$4 billion of U.S. exports over illegal government aid provided to Boeing Co., according to two people familiar with the decision. The EU previously said it would act on the levies immediately to counteract \$7.5 billion of tariffs Washington placed on European goods in a separate case involving Toulouse, France-based Airbus SE.

The judgment comes at a delicate moment, with the U.S. presidential election just over a month away and as the U.S. and the EU struggle to recover from coronavirus-induced recessions. The EU tariffs will target coal producers, farmers and fisheries, in addition to aircraft makers, all politically important industries for President Donald Trump and his Republican allies in Congress.

If the two sides can't resolve the tit-for-tat aircraft dispute, "we will have another tariff fight on our hands, with consumers and producers on both sides caught in the middle and paying the price," said Simon Lester, an associate director at the Washington-based Cato Institute

A key question now is whether the EU will move quickly to trigger its tariffs against the U.S. or await the outcome of the Nov. 3 election.

If the EU immediately triggers the new tariffs it could provoke the Trump administration, which claims it has already brought its Boeing subsidies into compliance.

If the EU waits until after the election, there's the possibility that Brussels could find a more amenable negotiating partner in Joe Biden, the Democratic nominee, whose advisers have pledged to seek a swift end to Trump's "artificial trade war" with Europe.

The WTO ruling, about a third of what the EU requested, is the latest twist in the 16-year Boeing-Airbus conflict. And it represents just one of several sources of friction in the trade relationship between the EU and the U.S.

The troubles started in 2018 when the Trump administration invoked national-security considerations to impose tariffs on steel and aluminum from Europe. As a U.S. military ally, the

EU was infuriated and promptly retaliated with levies on U.S. goods including iconic brands such as Harley-Davidson Inc. motorcycles and Levi Strauss & Co. jeans.

More recently, the U.S. threatened to impose tariffs on roughly \$2.4 billion in signature French products, including wine, cheese, handbags and makeup if Europe followed through with its plans to collect taxes on digital companies like Facebook Inc. and Alphabet Inc.'s Google.

### **Aircraft Subsidies**

While both the EU and U.S. say they want to reach a settlement to the aircraft dispute, the Trump administration has rejected all of Brussels' previous overtures.

U.S. Trade Representative Robert Lighthizer said he's seeking two things: A pledge from Europe to end its subsidies to Airbus and monetary compensation. "It is going to require commitments not to do it again but also paying back some element of the subsidy," Lighthizer said in a [Chatham House event](#) in July.

In July the governments of France and Spain revised the terms of their launch aid loans to Airbus to make them compatible with WTO rules. The Trump administration has already rejected the move as insufficient and alleged the EU's subsidy regime remains illegal.

If the U.S. and the EU are unable to reach a settlement, the bloc's newly designated trade chief has pledged to resort to targeted levies.

"We will if we will have to, but our preference would be to have an agreement with the U.S. in between where they also withdraw their tariffs," EU trade chief Valdis Dombrovskis said in a Bloomberg Television interview earlier this month.