



US proposes tariffs on \$11B of EU imports

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Dive Brief:

The Office of the United States Trade Representative (USTR) released a 14-page preliminary list of European Union goods "to be covered by additional duties," USTR said in a statement. The products total about \$11 billion.

USTR's tariff proposal comes in response to a World Trade Organization (WTO) ruling, which found EU subsidies benefited Airbus and caused Boeing to lose sales and market share, resulting in "adverse effects" on the U.S., according to USTR. The office estimates the harm at \$11 billion in trade each year and "requested authority to impose countermeasures worth \$11.2 billion per year." A WTO arbitrator must now evaluate the request's validity.

The preliminary list includes a wide variety of goods, including helicopters, food items such as seafood and cheese, wine, apparel and minerals. USTR plans to release a final list once the WTO issues a report on countermeasures, which is expected this summer.

Dive Insight:

Just as U.S. businesses started to feel hopeful about the prospect of a wind-down of the U.S.-China trade war, another largely unexpected trade battle is brewing.

News on the U.S.-EU trade front has been largely quiet over the last few months. The EU and U.S. announced last summer they planned to work toward zero tariffs, after the U.S. imposed steel and aluminum tariffs on several trading partners. They also declared a cease-fire that halted threatened tariffs on European cars. Should tariffs be implemented, it would certainly throw a wrench in the zero tariff goal.

Simon Lester with the Cato Institute and formerly the WTO noted in a tweet the proposed tariffs could result in retaliatory tariffs from the EU on the basis of Boeing subsidies, thus affecting U.S. export supply chains to the EU. The WTO found in 2012 Boeing received billions of dollars in subsidies to the detriment of Airbus. "The EU is still waiting to hear from the WTO about what 'retaliation rights' it has," CNBC reported.

A spokesperson for the European Commission said the EU is ready to retaliate in kind if tariffs on \$11 billion worth of goods take effect, according to multiple news reports.

The overall effect of tariffs on \$11 billion of EU imports — and potential retaliatory tariffs should they arise — would be relatively small compared to the 10% duties of \$250 billion in Chinese imports. It is unclear what percent tariff may be imposed on the EU.

Still, the USTR's announcement adds further turmoil for businesses trying to navigate trade policy, adjust their supply chains and mitigate tariff costs as much as possible. Tariffs on EU imports would add fuel to the already burning fire of tariffs on Chinese products, slowdowns on the U.S.-Mexico border and the uncertain future of the United States, Mexico, Canada Agreement (USMCA).