



POLICY BRIEF

Are EU-US trade talks going to fail?

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On 15 April 2019, the EU Council of Ministers agreed to resume negotiations on EU-US trade. Only France voted against and Belgium abstained from voting. According to POLITICO, the “agreement in principle”¹ was already reached on 9 April 2019 by the EU ambassadors.

The EU Council approved mandates for the EU Commission to open negotiations with the US on two agreements: the elimination of tariffs for industrial goods only (excluding agricultural products) and conformity assessment (i.e. testing, inspection and certification) of new goods². According to the American Chamber of Commerce, the EU and US should “build on the achievements made during the TTIP negotiations and work constructively to develop a positive new agenda for transatlantic cooperation”³.

Background

At the end of 2016, negotiations on a TTIP (Transatlantic Trade and Investment Partnership) were halted until further notice. 31 May 2018 became a “bad day for world trade”⁴ because the Trump Administration imposed new tariffs on steel and aluminum imports from the EU, Canada and Mexico. Members of the Parliament from the International Trade Committee condemned this step:

“The envisaged measure is unacceptable and incompatible with WTO law. US trade protectionism will isolate our strategic partner and instead of creating growth and jobs will have the contrary effect. We deeply regret this step. We strongly support the European Commission in giving a firm and immediate response by bringing forward WTO-compatible countermeasures against the United States to defend the interests of our citizens”⁵.

On 25 July 2018, President of the United States Trump and Commission President Juncker met at the White House and issued a Joint statement. It states that the US and the EU will “work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods [...]; work to reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products, as well as soybeans”⁶. The consequences of this special trade relationship would follow: “This will open markets for farmers and workers, increase investment, and lead to greater prosperity in both the United States and the European Union. It will also make trade fairer and more reciprocal”⁷.

¹ Von der Burchard, H. “EU ambassadors agree to launch trade talks with United States”. POLITICO Europe. 11 April 2019, available at <<https://www.politico.eu/article/eu-ambassadors-agree-to-launch-trade-talks-with-united-states/>>

² Council of the EU. “Trade with the United States: Council authorises negotiations on elimination of tariffs for industrial goods and on conformity assessment”. 15 April 2019, available at <https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/trade-with-the-united-states-council-authorises-negotiations-on-elimination-of-tariffs-for-industrial-goods-and-on-conformity-assessment/?utm_source=dsms-auto&utm_medium=email&utm_campaign=Trade+with+the+United+States%3a+Council+authorises+negotiations+on+elimination+of+tariffs+for+industrial+goods+and+on+conformity+assessment>

³ American Chamber of Commerce to the European Union. “Consultation response: Response to the call for proposals for EU-US regulatory cooperation activities”. April 2019, available at <http://www.amchameu.eu/system/files/position_papers/amcham_eu_response_to_the_call_for_proposals_for_eu-us_regulatory_cooperation_activities.pdf>

⁴ Palmer, D. “‘Today is a bad day for world trade’: Trump slaps U.S. allies with tariffs”. POLITICO. 31 May 2018, available at <<https://www.politico.com/story/2018/05/31/trump-hits-us-allies-with-steel-aluminum-tariffs-615327>>

⁵ European Parliament/Press room. “Trade MEPs condemn US restrictions on steel and aluminum imports”. 2 March 2018, available at <<http://www.europarl.europa.eu/news/en/press-room/20180302IPR98934/trade-meeps-condemn-us-restrictions-on-steel-and-aluminium-imports>>

⁶ European Commission/Press Release Database. “Joint U.S.-EU Statement following President Juncker's visit to the White House”. 25 July 2018, available at <http://europa.eu/rapid/press-release_STATEMENT-18-4687_en.htm>

⁷ Ibid.

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After this meeting, the EU-US Executive Working Group was established and EU Trade Commissioner Cecilia Malmström and the U.S. Trade Representative Robert Lighthizer met five times until March 2019. In January 2019, the European Commission presented to Member States its proposals for negotiating mandates. EU Commissioner Malmström commented on this action:

"Today's publication of our draft negotiating directives is part of the implementation of the July joint statement of Presidents Juncker and Trump. Ambassador Lighthizer and I have already met several times in the Executive Working Group and I have made it very clear that the EU is committed to upholding its side of the agreement reached by the two Presidents. These two proposed negotiating directives will enable the Commission to work on removing tariffs and non-tariff barriers to transatlantic trade in industrial goods, key goals of the July Joint Statement"⁸.

On 11 January 2019, the Office of the United States Trade Representative published its Summary of Specific Negotiating Objectives. It states:

"We are committed to concluding these negotiations with timely and substantive results for U.S. consumers, businesses, farmers, ranchers, and workers, consistent with U.S. priorities and the negotiating objectives established by Congress in statute. We may seek to pursue negotiations with the EU in stages, as appropriate, but we will only do so based on consultations with Congress"⁹.

On 9 April 2019, President Trump announced via Twitter to impose new tariffs on \$11 billion of EU products. He reasoned that according to WTO findings the EU Airbus subsidies "adversely impacted the US"¹⁰. Three days later, an official list of products followed¹¹. On the other hand, EU Trade Commissioner Malmström issued a list of \$20 billion of U.S. goods that could be used as a countermeasure on 17 April 2019. She said:

"European companies must be able to compete on fair and equal terms. The recent WTO ruling on U.S. subsidies for Boeing is important in this respect. We must continue to defend a level-playing field for our industry. But let me be clear, we do not want a tit-for-tat. While we need to be ready with countermeasures in case there is no other way out, I still believe that dialogue is what should prevail between important partners such as the EU and the U.S., including in bringing an end to this long-standing dispute. The EU remains open for discussions with the U.S., provided these are without preconditions and aim at a fair outcome"¹².

⁸ European Commission/DG Trade. "EU-U.S. Trade Talks: European Commission presents draft negotiating mandates". 18 January 2019, available at <<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1971>>

⁹ Office of the United States Trade Representative/ Executive Office of the President. "United States-European Union Negotiations: Summary of Specific Negotiating Objectives". January 2019, available at <https://ustr.gov/sites/default/files/01.11.2019_Summary_of_U.S.-EU_Negotiating_Objectives.pdf>

¹⁰ <<https://twitter.com/realDonaldTrump/status/1115578769518018560>>

¹¹ Office of the United States Trade Representative. "Initiation of Investigation; Notice of Hearing and Request for Public Comments: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute". Federal Register 84 (71). 12 April 2019, available at <https://ustr.gov/sites/default/files/enforcement/301Investigations/Preliminary_Product_List.pdf>

¹² European Commission/Press Release Database. "WTO Boeing dispute: EU issues preliminary list of U.S. products considered for countermeasures". 17 April 2019, available at <http://europa.eu/rapid/press-release_IP-19-2162_en.htm>

Main stumbling blocks of EU-US trade negotiations

As mentioned in the background, imposing tariffs and countermeasures has negative influence on trade relations because they represent barriers to free trade. It is necessary to eliminate these barriers to allow more opportunities for businesses. The American Chamber of Commerce to the EU strongly recommends removing U.S. tariffs on EU imports of steel and aluminum and is against the introduction of U.S. tariffs on European automobiles and their parts. According to its estimates, the economic impact of auto tariffs “could be as much as ten times that of the steel and aluminum tariffs”¹³.

Other hindrance that might hamper negotiations is the question of agriculture. Since the July 2018 meeting of the two Presidents, the EU wanted to exclude agriculture from the negotiations, whereas the US wanted to include it. On 16 April 2019, President Trump mentioned that he might impose tariffs on cars and “everything else that comes in”¹⁴ if the Europeans insist on excluding agriculture. Apparently, trade is not fair because the EU “can sell anything they want” but “barely take [U.S.] agricultural products”¹⁵.

This is also related to different sanitary standards of goods between the EU and US. The EU banned products such as beef treated with hormones or chickens washed with chlorine which are allowed in the US. On the other hand, the EU is lagging behind the US in approval of biotechnology products. The American Chamber of Commerce to the EU suggested to both sides to “drive for timely, science-based and effective implementation of existing laws for biotech approval of products”¹⁶. Furthermore, there is a concern about climate standards raised by President Macron. He stated on 22 March 2019 during the European Council Summit in Brussels:

“I am not in favour of having new trade deals, in whatever form, with whoever is, with partners that do not have the same climate standard than we have because that would be unfair competition for our companies, our farmers...”¹⁷.

However, on 2 May 2019 the U.S. House of Representatives passed legislation that would prevent U.S. President Trump from withdrawing of the US from the Paris climate agreement. Therefore, the climate standards between the EU and US will remain the same.

Future prospects

Despite of all the differences, EU Trade Commissioner Malmström believes that the new negotiations “will help ease trade tensions. We are now ready to start formal talks for these two targeted agreements that will bring tangible benefits for people and economies on both sides of the Atlantic. I am convinced that breaking down barriers to trade between us can be win-win.”¹⁸

¹³ See 3.

¹⁴ Von der Burchard, H. “Trump to EU: Include agriculture in US trade talks or face tariffs”. POLITICO Europe. 16 April 2019, available at <<https://www.politico.eu/article/trump-to-eu-include-agriculture-in-us-trade-talks-or-face-tariffs/>>

¹⁵ Ibid.

¹⁶ See 3.

¹⁷ Rios, B. “France conditions support for opening US trade talks”. EURACTIV. 22 March 2019, available at <<https://www.euractiv.com/section/economy-jobs/news/france-conditions-support-for-opening-us-trade-talks/>>

¹⁸ European Commission/ DG Trade. “EU-U.S. Trade: Commission welcomes Council’s green light to start negotiations with the United States”. 15 April 2019, available at <<http://trade.ec.europa.eu/doclib/press/index.cfm?id=2010>>

President Juncker is also positive about the upcoming trade talks:

“We want a win-win situation on trade, beneficial for both the EU and the U.S. Notably we want to slash tariffs on industrial products as this could lead to an additional increase in EU and U.S. exports worth around €26 billion. The European Union and the United States have one of the most important economic relationships in the world. We want to further strengthen trade between us based on the positive spirit of last July”¹⁹.

Others see these efforts between the EU and US more like a sort of play that could lead to no or very little results. For example, chair of the EP’s trade committee Bernd Lange perceives the talks as “a concept to de-escalate, but you can’t seriously negotiate with it”²⁰. Stephen Claeys, a partner at the law firm Wiley Rein, claims that the EU is “being driven by wanting to avoid [car] tariffs”²¹. Director general of the Commission’s trade department, Jean-Luc Demarty, thinks that progress could be reached “most likely in individual separate projects agreed between the two sides”²².

¹⁹ Ibid.

²⁰ Von der Burchard, H. and Behsudi, A. “The great transatlantic trade charade”. POLITICO Europe. 4 February 2019, available at < <https://www.politico.eu/article/the-great-transatlantic-trade-charade-european-union-us-donald-trump-tariffs-cars/>>

²¹ Ibid.

²² Ibid.

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