

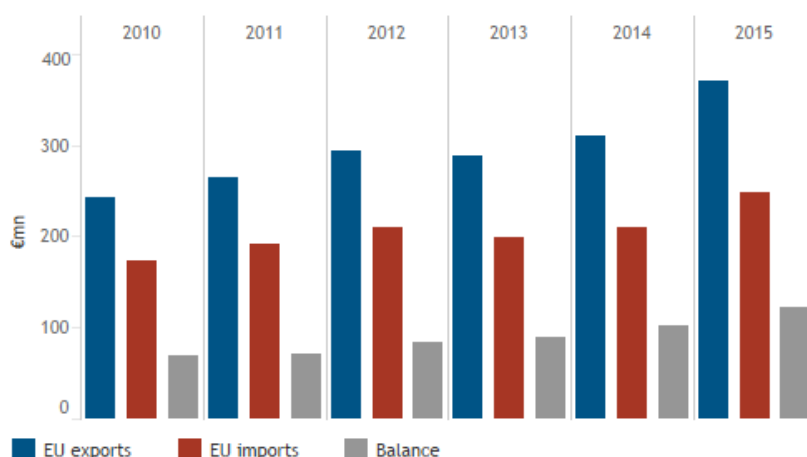
# A Trump answer to an Obama trade question

Blog post by Associate Adviser Guillaume Ferlet, 10 February 2017

On Wednesday next week, the US Trade Representative will hold a public hearing on whether the US should reinstate retaliatory tariffs on various imports coming from the EU, in retaliation for an EU ban on US hormone-treated beef exports. This is a longstanding trade irritant between the EU and the US, first erupting with a (successful) US complaint at the WTO in 1996. A compromise reached in 2009 allowing greater quantities of non-hormone beef on the EU market temporarily removed US punitive tariffs, but US farmers believe they have not done as well out of these expanded quotas as they should have. Wednesday will debate putting tariffs back.

The question will provide a good test case of how a trade problem raised by the Obama administration might be answered by the Trump one. In doing so, it will start to demarcate the instincts of the former from the latter in material ways. Even though the consultation was initiated under the Obama administration, it is doubtful that reinstating the punitive tariffs was something they would have seriously considered. The consultation was seen more as leverage on the EU in the TTIP negotiations and on a range of trade irritants between the two partners. With the Trump administration, we can expect something altogether different. Given what we know about the Trump administration's negative view of trade deficits as a fundamental US weakness, and its willingness to contemplate taxing imports as part of its wider tax changes, a re-imposition of tariffs at the end of the consultation process now looks entirely plausible.

EU trade in goods with the US



Source: DG Trade

The change of US administration could also bring a politically-driven change in focus on EU products targeted for retaliation in the US. French cheese and Italian Vespas are probably the most high-profile items on the current list of potential targets (they were also TTIP foot-draggers), but with Trump and advisers like Peter Navarro clearly exercised by the weight of Germany in the EU

relationship, there might be a particular desire to go after German exports. This means that the final selection of products targeted for retaliation could well be more prominently focused on German goods.

As for the EU's response, the ban on hormone-treated beef will not be rolled back, even if US retaliatory tariffs are reinstated. To do so would be interpreted as an unacceptable lowering of food standards in the face of US pressure. What the EU will certainly do is retaliate. Brussels could be expected to bring the case to a WTO compliance panel, arguing that the 2009 compromise has now deprived the US of its right to resort to retaliatory tariffs – though this would be a slow process and the Trump administration's compliance with a WTO decision is an open question. It would also not be hard for Brussels to find a few trade defence cases against the US to prosecute, and there are a range of other trade dialogues with the US in areas such as GMOs where work could be suspended. Collateral damage could even spill over into areas such as the debate on the EU-US Privacy Shield. There is nothing new about an element of posturing in EU-US trade relations: next week we might find out if this is something more.