

# Transatlantic reprieve? Implications of a Biden presidency for EU-US trade

Blog post by Senior Associate Miranda Lutz and Associate Alessandro Gangarossa, 29 October 2020

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This week's decision by the EU to hold off on retaliatory tariffs against US subsidies to the aircraft manufacturer Boeing is a sign of Brussels' interest in working towards resetting transatlantic relations after the US elections. The possibility of a new president in the White House potentially means reduced trade tensions with the EU. But those thinking that this reset could result in an about-face in US policy will inevitably be disappointed.

There would be some high-profile de-escalation. The threat of auto tariffs against European car makers would almost certainly retreat under Biden. The Trump administration itself had balked at this step despite the threat, so it will not be hard for Biden to shelve the idea. It is less clear what Biden will do for Section 232 tariffs on steel and aluminium. Biden could seek an exit ramp for these tariffs or some other plausible political mechanism to end the duties on US allies. But Biden will have his eye on the votes he will almost certainly have won in blue-collar, blue wall states like Pennsylvania.

Biden would also seek to shift the contours of US and European engagement with China to address Beijing's assertiveness on technology and trade issues. The EU wants an assertive but WTO-respecting partner to line up against China, and Biden would provide this. International dossiers like WTO reform and climate change both offer the opportunity to build a positive shared agenda. Biden may take the olive branch on Boeing/Airbus - although EU tariff threats are less likely to be material here than the current state of the industry - with Boeing announcing a 20% cut in workforce in 2021. However, given Boeing's strong support in Congress, rolling back US tariffs on EU goods may be politically difficult.

Beyond that, some key tensions will remain. Biden's resolve to repair relations with the EU will face an early test when the next administration is due to green-light Trump's tariffs in response to France's imposition of a digital services tax (DST). US Section 301 investigations on similar attempts to tax digital companies across the continent will also fall under the responsibility of the next administration, clashing with EU capitals' quest for resources to fund their economy recovery plans. While Biden has sharply criticised Big Tech for not paying their fair share of domestic taxes, this does not mean he will roll over on foreign taxes. Like Obama before him, close Democratic links with Big Tech may be a factor here.

Prospects for a bilateral free trade agreement between the US and the EU would also remain low. It was Trump's 232 threats on autos that created the incentive for an FTA negotiation from the EU side, and given European domestic tensions over such an agreement with the US, a lack of White House interest may mean Brussels also focuses elsewhere. However, the possible completion of a UK-US FTA may revive EU interest.

Ultimately, Joe Biden will be heavily focused domestically, and on post-covid economic recovery in particular. Restoring US international leadership is important, but secondary. And in some respects, domestic political imperatives will require a degree of continued confrontation with the EU. So while a Biden win would be broadly good news for EU-US trade relations - and it is hard to imagine much worse than the nadir of the last four years - that does not mean EU-US relations will be smooth sailing.