

Global trade

EU weighs international talks on cutting car tariffs

Brussels moves to head off trade war by involving big exporters



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Jim Brunsten in Brussels Shawn Donnan in Washington 2 HOURS AGO

Brussels is considering talks on a tariff-cutting deal between the world's big car exporters to prevent an [all-out trade war](#) with the US, say diplomats briefed on the initiative.

The idea is being studied by [EU](#) officials ahead of a meeting between Jean-Claude Juncker, president of the European Commission, and President [Donald Trump](#) in Washington this month, amid concern that time is running out to convince the US not to impose punitive duties on the motor sector.

Three diplomats said the European Commission is studying whether it would be feasible to negotiate a deal with other big car exporters such as the US, South Korea and Japan. Such a move could address Mr Trump's complaint that the US sector is unfairly treated, while reducing export costs for other participating countries' auto sectors.

Under such a deal, participants would reduce tariffs to agreed levels for a specified set of products — a concept in international trade known as a “plurilateral agreement” that lets countries strike deals on tariffs without including the entire membership of the WTO.

Brussels has sought views from some capitals on the idea, the diplomats said, stressing that it is not yet clear whether a deal will be pursued or what range of auto-sector products would be covered.

The commission would only say that Mr Juncker “has

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US industry official

not yet decided what to discuss at the meeting with president Trump” and “will develop his thinking and his strategy in the coming weeks”. It added: “If you want a strategy to be successful you have to keep it to yourself.”

The EU has been at the centre of negotiations over reducing auto trade barriers in recent years, both as part of talks with the Obama administration that stalled and a “cars for cheese” deal with Japan that

would eliminate EU import duties on Japanese cars over time.

Mr Trump has railed at the bloc's imposition of a 10 per cent tariff on imports of passenger cars compared with US duties of 2.5 per cent. The EU says his complaint ignores the higher barriers the US imposes on other products, such as pick-up trucks.

Last month Mr Trump [threatened](#) to impose 20 per cent duties on EU cars if barriers to US exports were “not soon broken down”. The Department of Commerce is also investigating whether imports of foreign cars and car parts undermine US national security.

At a press conference on Monday with Mark Rutte, Dutch prime minister, Mr Trump said it would be “positive” whether or not the US could “work something out” with the EU. Mr Rutte interjected: “it's not positive . . . we have to work something out.”

EU leaders have ruled out unilateral concessions to Washington, pledging instead to defend their economic interests against US protectionist policies. Brussels warned the commerce department last week that the EU and other big economies may target up to \$300bn of US goods with retaliatory tariffs if Mr Trump acts on his threats on cars.

But Brussels is also exploring ideas that Mr Juncker could suggest during his talks with Mr Trump.

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One diplomat from an EU member state said the idea of a sectoral deal on cars “at first sight raises substantial concerns”, not least because the bloc has

agreed it will not discuss any market opening with the US until Mr Trump drops trade measures and threats against Europe.

Any market access talks would “have to benefit the whole EU, and not just a couple of countries”, the diplomat said in reference to Germany, whose car sector stands to take a heavy hit from Mr Trump's car tariffs.

A senior industry official in the US added that EU officials have vaguely floated the idea of a sectoral deal, but that US business is not enthusiastic.

“I don't know that would make a lot of sense for us. We've always been opposed to lowering tariffs until we get better market access elsewhere,” the official said, noting non-tariff barriers faced by

US carmakers in other markets, as well as concerns expressed by manufacturers such as Ford over alleged currency manipulation by Japan and other countries.

The industry official also questioned whether Mr Trump, who has repeatedly made clear that he prefers one-on-one to multilateral negotiations, would agree on a sectoral approach.

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