

Opinion **The FT View**

Jean-Claude Juncker, Donald Trump and an elusive EU-US trade pact

Europe should be sceptical that the US president is serious about a deal



Jean-Claude Juncker can do little more at his meeting with Donald Trump than reiterate that the EU is ready to talk if the US can come up with realistic proposals © AFP YESTERDAY

On Tuesday, the day before Jean-Claude Juncker, head of the European Commission, meets Donald Trump in the White House, the US president [repeated a message](#) that falls somewhere between an offer and a threat.

“Either a country which has treated the United States unfairly on [Trade](#) negotiates a fair deal, or it gets hit with Tariffs,” he tweeted. The EU knows well that Mr Trump is serious. It has already seen tariffs imposed on its steel and aluminium exports, to which it has felt forced to retaliate. It now faces threats of more to come on its [car sales](#).

It is tempting for Brussels to take Mr Trump at his eccentrically-expressed word and try to forge a deal to reduce tariffs all round rather than engage in further retaliation. An earlier tweet from Mr Trump on Tuesday suggested the EU had been intimidated into doing exactly that.

Some EU member states, particularly Germany, concerned about its sacred auto industry, have mooted the idea of a plurilateral tariff-cutting deal among the world’s biggest vehicle producers. Another idea floating about is an EU-US bilateral pact to cut tariffs to nil across a broad spectrum of goods.

This course of action, though, is fraught with difficulties. Quite apart from the economic and political difficulties in assembling such deals, it assumes, in the face of much evidence to the

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contrary, that Mr Trump actually wants free trade rather than simply repatriating supply chains to the US.

A plurilateral car deal, attractive though it sounds, is likely to [founder rapidly](#) on some inconvenient facts. While its tariffs for conventional cars are low, the US levies a steep 25 per cent duty on light trucks including pick-ups, protection Mr Trump is highly unlikely to want to remove.

Another is that, given the complexity of supply chains, assembling a critical mass of car-producing economies is tougher than it sounds. Although it produces relatively few finished cars, China is a big manufacturer of auto parts. It retains high tariffs on parts of its car manufacturing industry and is unlikely to want to shift [very much](#).

A bilateral deal between the EU and the US is also politically implausible. From the European side it would mean opening highly-protected markets such as agriculture. Because of “most-favoured nation” provisions in previous trade agreements, Brussels would have to cut tariffs to other countries, such as Canada. From the American point of view, any deal is unlikely to address “non-tariff barriers”, including technical rules and standards, which for many US exporters are the highest hurdles to accessing the EU market.

Once US trade policy moves away from unilateral tariffs imposed on national security grounds and on to signing trade deals, so Congress, and the powerful exporter lobbies, gain a much bigger say relative to the White House. Congressional Republicans have shown little inclination to stop Mr Trump imposing tariffs beyond issuing plaintive press releases, but they are likely to put up more of a fight if he tries to push through a bilateral trade pact they and their donors do not like.

In reality, Mr Juncker can do little more at his meeting than reiterate that the EU is ready to talk if the US can come up with a serious and politically realistic proposal for a deal. As a precondition, as Brussels has already correctly insisted, Mr Trump must first drop the actual and threatened tariffs on the EU. In the absence of such a turnaround, the EU should focus its attention on building deals and supply chains with countries that want an open trading system, not expending political capital and credibility on one that very obviously does not.

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