

**Global trade**

## EU prepares two-step trade plan to tackle Donald Trump

If the Republican candidate returns to the White House, Brussels will offer a quick deal then threaten retaliation against tariffs



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#### Andy Bounds in Brussels YESTERDAY

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Brussels is developing a two-step trade strategy to deal with Donald Trump, offering the Republican a quick deal if he wins a second term as president, and targeted retaliation if he opts for punitive tariffs instead.

EU officials see the carrot-and-stick approach as the best response to Trump's pledge to impose a 10 per cent minimum tariff, which they estimate could reduce [EU](#) exports by around €150bn annually.

Negotiators are planning to approach the [Trump](#) team, if he wins the election in November, before he takes office to discuss which US products the EU could buy in bigger quantities.

Should talks over improving trade fail and Trump applies higher tariffs, the European Commission's trade department is drawing up lists of imports it could hit with duties of 50 per cent or more.

"We have to show we are a partner for the US, not a problem," said a senior EU official. "We will look for deals, but we are ready to defend ourselves if it comes to it. We won't be guided by fear."

Trump's first term between 2017 and 2021 was painful for the EU, which runs a

substantial goods trade surplus with the US.

After Trump introduced tariffs on €6.4bn of imports of steel and aluminium from the EU and elsewhere in 2018 on national security grounds, the EU hit back with rebalancing tariffs of a value of €2.8bn.

In designing the measures, Brussels opted to go after Trump's core voters with swingeing duties on bourbon whiskey, Harley-Davidson motorcycles and power boats. Those tariffs are suspended until March, part of a temporary deal with the Biden administration to pause the metals tariffs.

Valdis Dombrovskis, EU trade commissioner, told the Financial Times he was hopeful the two sides could avoid a repeat of past "confrontation".

"We believe the US and EU are strategic allies and especially in the current geopolitical context, it's important that we work together on trade," he said.

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However, he added: "We defended our interests with tariffs and we stand ready to defend our interests again if necessary."

The Latvian called for a "co-operative approach" and said Brussels was open to "targeted deals" to reduce the €156bn trade deficit in goods.

During Trump's first term, Brussels initially cut a deal on lobsters, a staple of Maine, a state Trump hoped to win in the 2020 presidential race. It had already returned a rare Republican governor and representative in 2016.

Exports were suffering because of a recent free trade deal between the EU and Canada, which reduced prices [for Canadian shellfish](#).

The EU dropped tariffs on imports of US live and frozen lobster products — as well as for all other countries without a trade deal, in accordance with global trade rules. In return, the US halved tariffs on a bundle of goods including crystal glassware and cigarette lighters.

Further deals followed on beef and soyabeans to appease Trump's voters in the Midwest.

Nevertheless, the annual US trade deficit widened to €152bn in 2020 from €114bn in 2016 when Trump won the election.

Since Russia's full-scale invasion of Ukraine in 2022 the EU has been importing large amounts of liquefied natural gas to replace supplies from Moscow. The US deficit has held steady under President Joe Biden, hitting €156bn in 2023.

However, EU officials caution that it is hard to increase US exports substantially, as they tend to be less valuable than EU ones. Commodities dominate, while leading EU exports are pharmaceuticals, cars and expensive food and drink, such as champagne.

The EU economy is also growing at less than half the rate of the US, damping demand.

Jan Hatzius, chief economist of Goldman Sachs, recently forecast that a tariff war would damage the EU more than the US. It would cost 1 per cent of EU GDP, compared with 0.5 per cent of the US. However, it would also add 1.1 per cent to the inflation rate in the US, compared with 0.1 per cent in the EU.

Brussels policymakers hope Trump would not want to stoke inflation when voters are worried about the cost of living. But, the senior official, said: “Whatever happens this time, we are better prepared.”

*Data visualisation by Janina Conboye*

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