

Trump trade row: EU considers tax on Levi jean imports

Required Annotations		Student-Created Annotations		Summary / Questions / Reflection	
----------------------	--	-----------------------------	--	----------------------------------	--

Required	Student-Created
----------	-----------------

Cecilia Malmström, EU Commissioner for Trade, told the BBC the items were on a draft list of US goods to be taxed.

Last week, the President said he would tax imported steel, declaring: "trade wars are good".

His comments have prompted reaction around the world.

Prime Minister Theresa May expressed her concern in a telephone call to Mr Trump on Sunday.

What is the EU considering?

Ms Malmström told the BBC: "We are looking at possibilities to retaliate, meaning we will also put taxes or **tariffs** on US imports to the European Union."

She said they would wait for the final decision, but added that "we are of course preparing. This has been in the air for some time". She said that if the US went ahead and applied taxes to European steel, the EU would take the issue to the World Trade Organization (WTO).

Ms Malmström stressed that Europe was looking to respond "to **retaliate** but not escalate".

But any action by Europe is likely to provoke further action by the US.

Has there been any impact on European business so far?

Shares in major European car makers fell on Monday following a threat by US President Trump to tax their vehicles.

Mr Trump said if the EU "wants to further increase their already massive tariffs and barriers on US companies... we will simply apply a tax on their cars".

The US is an important market for cars built in the country. US demand for British-built cars rose by 7% in 2017, with exports reaching almost 210,000, and the US is now the UK's second-largest trading partner after the EU, taking 15.7% of car exports.

What are US's trading partners making of this?

Downing Street said that during Mrs May's call to President Trump on Sunday she raised "our deep concern at the President's forthcoming announcement on steel and aluminium tariffs, noting that **multilateral** action was the only way to resolve the problem of global overcapacity in all parties' interests."

Zhang Yesui, spokesperson for China's National People's Congress, said it was natural that "some friction will exist" between the US and China, given the volume of trade between them surpassed \$580bn (£420bn) last year.

But he said China would take "necessary measures" if its interests were hurt.

Canada said tariffs would cause disruption on both sides of the border. Prime Minister Justin Trudeau said he was "confident we're going to continue to be able to defend Canadian industry".

EU trade chiefs could apply 25% tariffs on around \$3.5bn of imports from the US - targeting iconic US exports including Levi's jeans, Harley-Davidson motorbikes and Bourbon whiskey.

Brazil, Mexico and Japan, that have said they will consider retaliatory steps if the president presses ahead with his plan next week.

The move has also been strongly criticised by the International Monetary Fund and the WTO.

Has Trump got political support at home for a trade war?

A number of Republicans have questioned the wisdom of the tariff proposal and have been urging the president to reconsider.

Senator Orrin Hatch said American citizens would be made to pay.

Senator Ben Sasse agreed that "kooky 18th Century **protectionism** will jack up prices on American families".

Jason Furman, former chairman of the Council of Economic Advisers under President Obama, told the BBC the proposed tariffs were "a very costly and inefficient way to help a small number of people".

He says consumers are likely to face higher prices. "This could be bad or awful, there's no scenario under which it's good."

Industry bodies like the US Motor and Equipment Manufacturers Association have expressed deep concern.

But steelworkers in Pennsylvania and Indiana will welcome Mr Trump's comments.

Is there room for compromise?

President Trump hinted on Monday that if the US achieved a better deal for itself in the latest North American Free Trade Agreement (Nafta) he would abandon plans for a tariff on Canada's and Mexico's steel imports.

Substantial changes to the Nafta agreement are not likely to happen soon, however. The current round of Nafta talks, about updating the 24-year old treaty, are due to finish on Monday and have achieved little.

This is the seventh round of eight scheduled meetings. The next is planned for April.

Is Trump right about the trade imbalance?

The US imports steel from more than 100 nations and brings in four times more steel from abroad than it exports.

Since 2000, the US steel industry has suffered, with production dropping and the number of employees in steel work falling.

The US is the largest export market for EU cars - making up 25% of the €192bn (£171bn; \$237bn) worth of motor vehicles the bloc exported in 2016 (China was second with 16%).

Summary

Write a summary of this article. Remember to use the "Objective Summary" handout you received some time ago.