

Germany's EU Council Presidency

From a US Perspective

As Germany prepares to assume the Presidency of the European Council in July, the European Union faces trade challenges on multiple fronts. While the EU hopes to finalize a trade agreement with the United Kingdom by the end of 2020, the EU-US relationship is shifting. Both sides hope to improve relations after weathering tensions over the past two years of trade disputes (US steel and aluminum tariffs and EU retaliation) and non-trade issues (Huawei; defense spending).

To ensure a successful German European Council presidency and increase the chances of a transatlantic trade agreement, it is critical the bilateral relationship remains strong. The Christian Democratic Union (CDU) currently faces some internal challenges, with the resignation of Annegret Kramp-Karrenbauer, Chancellor Angela Merkel's successor. Moreover, President Donald Trump recently named US Ambassador to Germany Richard Grenell to serve as Acting Director of National Intelligence, a role he will serve concurrently. Despite this uncertainty, positive US-German relations should only complement Germany's European Council leadership, which in turn may result in a more comprehensive trade deal between the US and EU.

Optimistic Signs in the Transatlantic Relationship

The US and EU have discussed a bilateral trade deal for years. The Obama Administration promoted the Transatlantic Trade and Investment Partnership (TTIP), a comprehensive framework to eliminate tariffs, increase market access, and reduce regulatory burdens. Upon taking office, President Trump quickly abandoned TTIP. However, new trade negotiations in 2017 faltered over clashes on agricultural goods and other sensitive issues.

Trade tensions increased in 2019 when President Trump threatened Section 232 tariffs on European automobiles. Moreover, the decades-long Boeing-Airbus dispute reached a new stage in 2019 when the World Trade Organization authorized US retaliatory tariffs on European goods. Amid these developments, both sides released their trade negotiation objectives in early 2019.

Since the US has concluded a Phase One trade deal with China and re-negotiated the US-Mexico-Canada Agreement (USMCA), the US and EU enter 2020 with a renewed focus on advancing a trade deal. Also viewed positively is EU Trade Chief Phil Hogan's optimistic announcement of hoping to secure a deal by 18 March, coupled with the US declining in February to increase the Boeing-Airbus retaliatory tariffs.

Notably, US Ambassador Dennis Shea's recent comments at the EU Trade Policy Review in Geneva outlined the Trump Administration's concerns with the customs

union and potential obstacles to securing a comprehensive trade agreement. Given the upcoming US presidential election, the two sides are more likely to conclude a “mini-deal” limited to achievable areas of US-EU cooperation, which will likely not be subject to US congressional approval. Speculatively, such a deal could lower EU auto tariffs on US vehicles and possibly increase EU approval of US goods. As he has with other trading partners, President Trump will continue to use the threat of Section 232 auto tariffs as leverage towards achieving a satisfactory agreement – one that ultimately addresses the US trade deficit with the EU, which was nearly \$178 billion in 2019.