

ECONOMY AND FINANCE

BETWEEN PARTNERSHIP AND PUNITIVE TARIFFS

Prospects for a New U.S-E.U. Trade Agreement
in the New Congress

Chris Schwartz
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The United States has recommitted to negotiations with the European Union on a comprehensive trade agreement, but there is a very narrow path for completing a deal before the next U.S. national elections in 2020.



Reaching an agreement will likely mean dropping some controversial issues from consideration, especially the U.S. demand to negotiate broadly on agriculture; movement by the U.S. on steel and aluminum tariffs; and a commitment by the E.U. to toughen its stance on China.



Even if negotiators can find common ground, winning Congressional approval for an agreement may be a challenge given the complex politics of trade among both Democrats and Republicans.

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1

THE CURRENT STATUS OF TRANSATLANTIC TRADE NEGOTIATIONS

When President Donald Trump announced his intention to impose new tariffs on steel and aluminum, the issue of European trade was thrust into the spotlight. But unlike in Europe, where the debate over the Transatlantic Trade and Investment Partnership (TTIP) was often front-page news, for most Americans the broader discussion of a comprehensive free trade agreement with the European Union has barely been on the radar screen. A 2016 poll for the Bertelsmann Foundation found 46 percent of respondents said they didn't know enough about TTIP to make a decision. Among those who did offer an opinion, support had fallen sharply, from 53 percent in 2014 to just 15 percent. (Bluth 2016)

Now that the Trump administration has said it will revive talks with the E.U. on a successor to TTIP, there's little precedent for how the discussion may play out in the court of public opinion. The past debates over other major free-trade agreements—such as the North American Free Trade Agreement (NAFTA) and the Trans-Pacific Partnership (TPP)—might not be much of a guide. Unlike those agreements, TTIP would be the first major public debate on trade in which the U.S. is the party with lower labor, environmental, and consumer protection standards.

When President Trump took office, work on TTIP effectively ceased. But his Secretary of Commerce, Wilbur Ross, made an important distinction. »It's no mistake that, while we withdrew from TPP, we did not withdraw from TTIP,« Ross said in the Spring of 2017. Ross—who before becoming Commerce Secretary made a fortune in the steel, automotive, textile, and coal industries, often by purchasing bankrupt companies at a deep discount—reiterated this position in March 2018. »[President Trump] terminated the trans-Pacific deal; he didn't terminate TTIP,« he said. »That was meant quite deliberately and quite overtly as a message that we're open to discussions with the European Commission.« (Bravo and Chatterly 2018)

Since then, the process has moved forward, albeit with several bumps in the road.

- On March 8, 2018, President Trump signed proclamations that imposed 25 percent tariffs on steel and 10 percent tariffs on aluminum, though the E.U. was given a temporary exemption. When that exemption expired in May 2018, the E.U. responded with retaliatory tariffs on rice, corn, orange juice, peanut butter, cranberries, whiskey, steel, aluminum, appliances, motorcycles, and certain articles of clothing, among other products.
- On July 25, 2018, after meetings between President Trump and European Commission President Jean-Claude Juncker, the U.S. and E.U. announced in a joint statement they »would work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods. We will also work to reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products, as well as soybeans.«
- On October 16, 2018, U.S. Trade Representative Robert Lighthizer notified the U.S. Congress that the Trump administration would pursue separate trade agreements with the U.K., European Union, and Japan. »I am pleased to notify Congress that the President intends to initiate negotiations on a trade agreement with the European Union (E.U.),« he wrote to Congress, stating that negotiations would begin no sooner than 90 days from the date of the letter.
- Ambassador Lighthizer and E.U. Trade Commissioner Cecilia Malmstrom met the week of November 14, 2018, to discuss the broad outlines of negotiations. But even as these meetings were taking place, the Trump Administration was threatening new tariffs that could derail the process—this time on cars imported from the E.U. »We would do the same were we to be targets of tariffs on cars and car parts,« Malmstrom said, referring to the retaliatory tariffs the E.U. imposed after the U.S. raised duties on steel and aluminum. (Rappaport and Ewing 2018)
- There are other suggestions that negotiations are off to a very rocky start in 2019. On January 30, 2019, Bernd Lange—the German Social Democrat who chairs the EU Parliament's Committee on International Trade—proposed a resolution that suggests there are vast differences between the trading partners on how to proceed. The resolution states that »during the 90-day statutory period for consultations, the US side was unable to conduct any scoping discussions with the EU,« and notes that a number of issues (including steel and aluminum tariffs, the Trump administration's considera-

tion of additional tariffs on automobiles, and the U.S. withdrawal from the Paris Climate Agreement) present serious obstacles to the talks. The proposed resolution concludes that »negotiations of a trade agreement with the U.S. under the above mentioned conditions will not be successful in producing an outcome that would be in the interest of European citizens and therefore calls on the Council not to endorse the recommendations for authorising the opening of negotiations of an agreement with the U.S.« (Lange, 2019) MEP Lange's impression seems to be echoed by other observers as well. As Peter Chase, a senior fellow at the German Marshall Fund of the United States, put it, »Both sides put their cards on the table, but they seem to be playing different games.« (von der Burchard and Behsudi, 2019)

THE BREXIT QUESTION

The shape and timing of the final Brexit agreement may also influence trade negotiations with the E.U. President Trump has sided with those who believe Prime Minister Theresa May's withdrawal proposal does not create a clean enough break with the E.U. »I think we have to take a look at seriously whether or not the U.K. is allowed to trade because right now, if you look at the deal, they may not be able to trade with us, and that wouldn't be a good thing,« he said in November 2018—a view shared even by some members of her own Conservative party. President Trump—who said shortly after he took office that the U.K.'s decision to leave the E.U. would »end up being a great thing«—surprised May by stating recently that her proposed Brexit compromise, which has since been voted down by the British Parliament, »sounds like a great deal for the E.U.« (Peoples 2018, Sopel 2018).

May, for her part, told Parliament she believes it is »clear we will have an independent trade policy, and the government would be able to negotiate trade deals around the rest of the world« during the transition period. But others dispute that assertion. »Negotiating a free-trade agreement with the U.K. and U.S. will inevitably force the U.K. to choose which standards they want to adhere to,« former head of the National Foreign Trade Council Bill Reinsch said. »The E.U, with which it has the most trade? Or the U.S., with which it has the second-most trade?« (Adam and Booth 2018).

All this could have a major impact on negotiations with the E.U. Securing a trade deal with the U.S. would be a major victory for Brexit supporters, and President Trump may prefer to negotiate the first of his bilateral trade agreements with U.K. Conservatives with whom he feels more ideologically aligned. (He might also believe the urgency of pro-Brexit leaders' desire to secure a trade pact with the U.S. gives him more leverage in negotiations.) If that's the case, it would be at least two years (until the end of the transition period) until a deal with the U.K. could be finalized. That would put off negotiations with the E.U. until well into the next U.S. Presidential administration.

2

WHAT'S AT STAKE: AN OVERVIEW OF THE ISSUES IN PLAY

There are many issues that need to be sorted out in trade talks between the U.S. and the E.U. This report is not the place to delve into each of those in detail. It is, however, helpful to briefly summarize the major issues—especially those likely to create political fault lines.

ELIMINATING TARIFFS

The stated goal of E.U. and U.S. negotiators is to reach an agreement that includes »zero tariffs.« Tariffs between the U.S. and E.U. are already generally fairly low. The average applied tariff by the U.S. in 2016 was 3.5 percent, versus 5.2 percent for the E.U. (Akhtar 2018) But for certain individual products, tariffs can be significantly higher, and resolving those issues will be much more difficult. For example, the U.S. imposes a 35 percent tariff on clothes and shoes imported from the E.U., a 350 percent tariff on raw tobacco, and a 130 percent tariff on peanuts. The E.U. levies tariffs of 61 percent on U.S. beef, 69 percent on butter, and 26 percent on fish and seafood, among others.

For other goods, tariff rates differ depending on which direction goods are shipped. The E.U., for example, imposes a 10 percent duty on cars imported from the U.S., while the U.S. only levies a 2.5 percent tariff on imports from the E.U. It is hard to overemphasize the importance of auto tariffs in the Trump administration's thinking. Part of the reason for that is practical. The automotive industry supports a large number of jobs, not just in assembly plants but at parts suppliers and in white-collar support occupations. But an equally important part of it is that the auto industry remains a potent symbol of U.S. manufacturing's golden era. Given President Trump's campaign promises to rebuild American manufacturing, success on this front would be seen as a major accomplishment for his presidency. While many of the President's remarks have focused on imports of autos and auto parts from Mexico, he has also cited disparate auto tariffs between the U.S. and E.U. as a concern. In May 2018, the U.S. Dept. of Commerce went so far as to launch an investigation into whether the import of motor vehicles and parts constitutes a national security threat. The Commerce Department's final report on the matter was released on February 17, 2019, and numerous media reports suggest that the Trump Administration is leaning in favor of imposing auto tariffs as high as 25 percent.

(Kulisch, 2019) Since the deadline for Presidential action expired on May 18, 2019—90 days after receiving the report—experts expect the President to delay any potential tariffs amid the China stand off for another six months.

HARMONIZING REGULATORY FRAMEWORKS

The U.S. and the E.U. have fundamentally different approaches to regulation. Many believe trying to harmonize these points of view could derail negotiations altogether. European regulations follow the »precautionary principle,« which prohibits passage of new laws if they have negative effects on consumers or the environment. A reasonable suspicion of potential harm is sufficient—it does not need to be proven scientifically. The U.S. uses a »science-based« approach, which reverses that burden of proof. Those who raise concerns about the safety of a product or chemical must prove it is unsafe before regulators step in.

U.S. proponents of a comprehensive free trade agreement argue the E.U. standards constitute an overly restrictive barrier to trade. Businesses on both sides of the Atlantic contend differing consumer protection systems drive up costs that are ultimately passed on to consumers. For example, the Auto Alliance—a trade group that represents most automakers operating in the U.S.—contends that differing auto safety standards in the U.S. and E.U. increase costs by \$2.3 billion per year. (Alliance of Automobile Manufacturers 2016)

Concerns about the cost burden appear to run in both directions. According to a report commissioned by the European Parliament, »Better regulatory cooperation can also enhance market access for EU exporters, especially small and medium sized companies. This is particularly of interest for the leading E.U. exporters to the U.S. in sectors such as automotive, machinery and chemicals in terms of regulatory standards.« (Woolcock 2015:18) BMW said in 2014 that TTIP would save the automaker \$500 million per year by standardizing regulations, and the German auto industry as a whole as much as \$1 billion per year. German automakers—including BMW, Daimler, Audi, Robert Bosch, and the German Automotive Industry Association (VDA)—were major proponents of TTIP. (Elkins 2014, Taylor 2015)

Opponents of expanded free trade agreements fear efforts to harmonize regulations will inevitably reduce safety, consumer, environmental, and labor protections to the lowest common denominator. This is, of course, a major concern for the E.U. because of its generally stricter regulations, but it also worries certain U.S. states (such as California) that have passed regulations that are stronger than the national standard.

Nowhere is this debate more apparent than in agriculture. U.S. farmers have long sought improved access to the European market. The Farm Bureau—the lobbying arm of the U.S. agri-business sector—believes E.U. regulations that limit their ability to export beef, pork, poultry and genetically modified crops are inconsistent with guidelines set forth by the World Trade Organization (WTO). Loosening these regulations is at the top of their wish list.

The E.U. is just as passionate about opposing provisions that would open its market to genetically modified foods, chicken treated with chlorine, beef raised with growth hormones, and certain food additives in pig and cattle feed. After Greenpeace leaked classified documents from the TTIP negotiations, many in Europe believed their worst fears had been confirmed. »Critics say the so-called TTIP papers have confirmed their worst fears about genetically modified food and a lowering of consumer protection standards in Europe are likely to further strengthen opposition,« Hans Kundnani wrote in *Foreign Policy*. »In particular, the papers showed U.S. negotiators putting their European counterparts under pressure to ease restrictions on genetically modified food in exchange for a reduction in barriers to the export of European cars—hardly surprising, but alarming to Europeans who distrust GMOs.« (Kundnani 2016)

OTHER BARRIERS TO MARKET ACCESS

One especially contentious issue is whether to relax rules restricting the ability of foreign bidders to participate in the public procurement process. »Buy American« programs, for example, which have existed at the federal level for decades, give U.S. bidders a significant price advantage over foreign bidders, from as low as 6 percent to as high as 50 percent in the case of Defense projects. Federally funded road, transit, airport, and railroad projects generally have requirements that iron, steel, and certain other goods must come from the U.S, and President Trump has proposed extending these requirements to other infrastructure projects. Similar measures exist at the state and local level. U.S. unions have for decades supported policies to encourage the purchase of American-made goods and U.S.-based services, and many community-based organizations see local hiring and purchasing agreements as a key tool for revitalizing economically distressed areas.

Similar barriers exist in the E.U. The U.S. reported that in 2010 it had opened \$837 billion of federal procurement opportunities to foreign bidders, compared to a total of \$381 billion for the next five largest parties to the WTO's Agree-

ment on Government Procurement—the E.U., Japan, South Korea, Norway, and Canada. (Gianopoulos 2017) The U.S. Trade Representative has also cited a 2011 E.U. report that stated just 1.6 percent of all Member State procurement contracts were awarded to firms bidding from outside that country. (Office of the U.S. Trade Representative 2017:174)

Tackling the barriers in public procurement will be complicated because many of the policies in question exist at the state and local level (in the U.S.) or at the member state level (in the E.U.). But talks may become even more complex when it comes to removing barriers to trade in services, which has become almost as important as the trade in goods. The U.S. exported \$231 billion in services to the E.U. in 2016 compared to \$270 billion in goods. (Office of the U.S. Trade Representative 2018)

The U.S. Trade Representative has identified a number of barriers to U.S. companies' ability to deliver services in the E.U., such as E.U. citizenship requirements to practice law, operate a pharmacy, or receive a license for some other professions; European content quotas on broadcast television and Internet-based video streaming services; and the application of E.U. telecommunications regulations to some services provided over the Internet.

The E.U. has also identified barriers to trade in services, especially in the financial sector, where it contends there are too many restrictions on the services that European financial services companies can offer in the U.S. Opponents of including financial services in a U.S.-E.U. trade agreement contend that this could weaken the ability of the U.S. to adequately regulate its own financial markets. When TTIP negotiations were still active, then-U.S. Trade Representative Michael Froman told the *Financial Times*, »Unlike the other sectors in TTIP, there are multiple existing forums focused on the co-ordination of financial services regulation, including a bilateral forum. The Europeans have yet to show us what they would like to see improved about these forums or why having the same group of people talk about the same issues in a new forum would add value or yield a different outcome.« (Donnan 2014)

THE INVESTOR-STATE DISPUTE RESOLUTION PROCESS

The Investor-State Dispute Settlement (ISDS) process was among the most controversial provisions in TTIP, and will likely rear its head again in future trade agreements. (It was included, for example, in the Comprehensive Economic Trade Agreement between the E.U. and Canada signed in October 2016.) In short, it allows both public sector stakeholders and private companies to use arbitration—rather than existing courts—to resolve any disputes that arise as part of the agreement.

The concept first arose in trade agreements with countries where the rule of law was not as strong, but ISDS opponents argue this is not a concern in the U.S. and Europe.

These provisions have been a particular concern of environmental groups and consumer organizations that have historically formed the backbone of efforts on the ground to mobilize opposition to free trade deals. They believe the process is an end-run around the democratic process that corporations will use to weaken regulations. »ISDS is like a supreme court of the world, but it doesn't have judges, and you don't know who they are and you never heard of it. It's only there to protect foreign investors,« said Gus Van Harten, associate professor of law at the Osgoode Hall Law School of York University in Toronto. (Vincenti 2014)

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THE U.S. POLITICAL LANDSCAPE ON TRADE

Skepticism in the U.S. about the impact of unfettered free trade cannot be dismissed as merely a product of these unusual political times. Such concerns far predate the election of President Trump. In fact, opposition to free trade policies has until recently been driven almost entirely by Democrats in Congress who argue these deals give multinational corporations too much power, undermine unions and workers, threaten the environment, and expose consumers to potentially dangerous products. While there have been small groups of Republicans who opposed trade deals in the past—most notably some »Tea Party« Republicans, only in the past few years has this opposition really gained traction with »America First« conservatives. While these groups agree on some things, their ideological differences prevent them from functioning as a close-knit coalition with a single set of policy demands on trade—unless that demand is simply to vote no when agreements come up for ratification.

Concerns about trade are largely rooted in a deep desire to revive America's manufacturing sector. A May 2017 Gallup poll asked, »In your opinion, what would be the best way to create more jobs in the United States?« One in five people (19 percent) said the best way would be to keep manufacturing jobs in the U.S.—more than any other category, including reducing government regulation (12 percent) and lowering taxes (12 percent). Republicans (24 percent) were more likely than Democrats (16 percent) to list manufacturing as their top job creation priority. (Newport and Dugan 2017)

But the number of manufacturing jobs in the U.S. has declined—from 18.4 million in 1970 to about 12.6 million in 2018—with the largest share (about five million jobs) having been lost since 2000. (Scott 2015, Bureau of Labor Statistics 2019) It is not just the loss of manufacturing jobs that concerns many in the U.S.—it is also the quality of the jobs that remain. The National Employment Law Project found »real wages for manufacturing workers declined by 4.4 percent from 2003 to 2013—almost three times faster than for workers as a whole,« (Ruckelshaus and Leiberstein, 2014) while a study by the University of California at Berkeley concluded one in three U.S. manufacturing workers must rely on public assistance to make ends meet. (Jacobs et. al., 2016)

In communities where manufacturing was once king, Americans have seen up-close how trade imbalances have real-world consequences for workers. In 1993, before NAFTA

was passed, the U.S. enjoyed a \$1.7 billion trade surplus with Mexico. By 2017, that had shifted dramatically, to a \$71 billion deficit (U.S. Census Bureau 2019), resulting in the loss of 700,000 U.S. production jobs to Mexico. (Faux 2013) The issue surfaced most recently when General Motors announced in November 2018 that it would close three U.S. assembly plants and move some of the work to Mexico. Shortly thereafter, GM reported it was now the largest automaker in Mexico.

The trade deficit with China, meanwhile, soared to \$376 billion in 2017—an all-time high. (U.S. Census Bureau 2019) That deficit, EPI contends in a 2017 report, cost the U.S. 3.4 million jobs from 2001 through 2015. China won its advantage not by competing fairly, but through »currency manipulation, illegal industry subsidies, tariff and non-tariff barriers to imports, dumping, and the suppression of wages and labor rights—all of which have limited the growth of U.S. exports.« (Economic Policy Institute 2017) Certain industries—such as steel and aluminum—have been especially hard hit. In April 2018, the U.S. Dept. of Commerce opened an investigation into the surge of low-cost Chinese aluminum imports that has caused some domestic producers to close. Commerce Secretary Wilbur Ross said the probe was justified, in part, on national defense grounds. Only one U.S. smelter now produces the high-purity aluminum needed to manufacture two U.S. fighter jets. (Lawder 2017)

And then there's Europe. In 2017, the U.S. had a \$151 billion trade deficit with the E.U.—more than twice as large as the deficit with Mexico, and up 992 percent since 2007. (U.S. Census Bureau 2019) Of that, 42 percent (\$63.7 billion) is attributable to Germany (U.S. Census Bureau 2019), largely because of Germany's strength in automotive, machinery, and medical manufacturing. President Trump has said the U.S. has »a MASSIVE trade deficit with Germany... Very bad for U.S. This will change.«

INSIDE THE REPUBLICAN MIND

The trade debate will continue to play out in complex ways within the Republican party. Donald Trump made opposition to free trade a central theme of his presidential campaign, and has continued the same rhetoric once in office. President Trump has referred to himself a »Tariff Man,« and

he believes that his embrace of tariffs and hardline stance on China is critical to energizing his political base.

The President's positions on trade are an uneasy fit with some factions within his party. Congressional Republicans, for example, have comprised the bulk of the votes to ratify free trade agreements and extend Fast Track authority. Under Fast Track, Congress can vote to either approve or deny a deal negotiated by the President, but cannot amend the deal or use parliamentary maneuvers such as the filibuster to prevent it from coming up for a vote. Without Fast Track, ratifying any comprehensive trade agreement becomes much more complicated. Republicans generally favor pro-business policies and rely heavily on political contributions from large corporations and business associations (such as the U.S. Chamber of Commerce) who have supported free trade agreements, including TTIP. Farmers also generally support more access to foreign markets, and are concerned that E.U. imports of agricultural products will exceed U.S. exports to the E.U. by more than \$10 billion dollars. (Cooke and Jiang 2018) The Farm Bureau has been vocal in its criticism of high E.U. tariffs and other trade barriers on certain products, especially beef, dairy products, and poultry. The impact on farmers is politically important because rural voters have become significantly more Republican in recent years (Kurtzleben 2016)—a trend that was confirmed even during the 2018 midterm elections in which Republicans suffered deep losses in the House of Representatives.

In 2014, Senate Majority Leader Mitch McConnell—the top Republican in the Senate, who clashed frequently with then-President Barack Obama on a range of issues—indicated they shared a common agenda when it came to trade. »I've got a lot of members who believe that international trade agreements are a winner for America and the president and I discussed that right before I came over here,« Sen. McConnell said in 2014. »I think he's interested in moving forward. I said, »Send us trade agreements, we're anxious to look at them.«« (Walsh 2014) The numbers support Sen. McConnell's statement—on all the major trade votes in Congress, from NAFTA in 1993 to the extension of Fast Track trade authority in 2015, the President relied on a substantial majority of Republican votes for the bills to pass.

Republican voters, meanwhile, are divided on the issue. According to a May 2018 survey by the Pew Research Center, 46 percent of Republicans believe free trade agreements have been a bad thing for the country, while 43 percent believe they have been a good thing. That's a major change from where Republican voters stood right before the 2016 presidential elections, when 63 percent believed these trade deals were a bad thing for the country. (Jones 2018)

DISCUSSING THE DEMOCRATS' DIVISION

The Democratic party is also somewhat divided on the question of free trade. At the executive level, Democratic presidents have embraced loosening trade restrictions. NAFTA was enthusiastically signed and implemented by President

Bill Clinton (though negotiations started years earlier under a Republican administration), and the TTP, TTIP, and the U.S.-Korea Free Trade Agreement all were negotiated during the administration of President Barack Obama.

But Congressional Democrats have, for the most part, opposed such agreements, even against the wishes of presidents from their own party. Large majorities of Democrats voted against all the major trade bills (though enough broke ranks to allow the measures to pass by a narrow margin). Rep. Nancy Pelosi, who has held the top Democratic post in the House of Representatives since 2007, does not appear to have made any public statements specifically on TTIP. But when President Obama sought the authority to fast-track completion of the TPP, Pelosi emerged as a vocal opponent.

Congressional Democrats were able to successfully challenge President Obama on TPP in large part because key parts of its organized base—especially unions, environmental groups, and other public-interest organizations—mobilized significant opposition on the ground to the deal. Those same groups will certainly be keeping a close eye on trade negotiations with the E.U. as well. In May 2014, the AFL-CIO (the federation that includes most U.S. unions) and the European Trade Union Confederation (ETUC) issued a joint statement demanding »a commitment from the European Union and the United States to achieve a »gold standard«; agreement that improves living and working conditions on both sides of the Atlantic and guards against any attempt to use the agreement to lower standards or impinge on democratic decision making.« (AFL-CIO and ETUC 2014) Manufacturing unions will likely continue to support certain targeted tariff hikes, and demand that trade agreements take tough stands on dumping, currency manipulation, and labor standards. Environmental and consumer groups will insist that any agreement must uphold important regulatory protections, addresses climate change, limits trade in fossil fuels, and eliminates the proposed ISDS process.

When it comes to Democratic voters, however, surveys suggest they largely favor free trade agreements. The Pew survey found 67 percent of Democratic voters say free trade agreements have been a good thing, up 8 points from the eve of President Trump's election. (Jones 2018) Some of that increase may be attributable to the animosity Democrats feel toward the Trump Administration. It is tempting to find reasons to oppose any policy he supports. That may change as Democratic presidential candidates court voters in the Midwest with a message that includes trade.

4

TRADE DEALS IN THE NEW CONGRESS

The process of ratifying the new United States-Mexico-Canada Agreement (USMCA)—the successor to NAFTA—will provide a preview of how the new Congress will approach trade deals. Unlike a treaty, which only requires Senate approval, both houses of Congress must approve trade agreements. Under the Fast Track rules, however, Congress can only vote yes or no, it cannot amend the agreement. Current indications are that Democrats are willing to consider the USMCA, but want to take a close look at key provisions. »Added protections for working people and some reductions in special privileges for global companies is a good start, but we still don't know whether this new deal will reverse the outsourcing incentives present in the original NAFTA,« AFL-CIO president Richard Trumka said shortly after the deal was announced. »It also is critical that we see what final labor enforcement, auto rules of origin and government purchasing provisions will look like.« (Cassella 2018)

Ambassador Lighthizer might be in a unique position to cobble together a workable coalition. He served as Deputy Trade U.S. Representative under President Ronald Reagan, which gives him credibility among conservatives, and as Chief of Staff for moderate Republican Sen. Bob Dole when he chaired the Senate Finance Committee, which has jurisdiction over trade. But he has also enjoyed support from some liberals, including Senator Sherrod Brown, an Ohio Democrat and likely presidential candidate who has been vocal in expressing concerns about trade deals. If, however, Congress doesn't move decisively to ratify the UMCA, President Trump has said he is prepared to withdraw from NAFTA outright (which otherwise remains in effect until a replacement agreement is ratified), leaving legislators with the choice of the new agreement or the pre-NAFTA trade regime.

Party affiliation alone is not a reliable indicator of where a member of Congress might stand on a trade agreement with the E.U., but there are several factors that may provide clues:

- **Support for President Trump:** To the extent the President remains popular with his base, Republican elected officials in strongly pro-Trump districts and states will have an incentive to follow his lead. Democrats in competitive districts (especially in the Midwest) may also feel they need to oppose certain free-trade agreements to win re-election.
- **Record on Trade:** The most important recent vote on trade was in 2015, when Congress renewed Fast Track trade authority. The vote was largely viewed as a referendum on the TPP, and therefore provides a useful measure of where elected officials stand on trade. How a member votes on the USMCA may provide another important data point.
- **Ideological Affiliations:** Both Democrats and Republicans have established caucuses that attract like-minded members. Some of these caucuses, which are mostly limited to the House of Representatives, have well-defined positions on trade, and can help us understand where members may vote differently from the majority of their party. On the Republican side, the Freedom Caucus—closely associated with the Tea Party movement—worked to block extension of Fast Track authority in 2015, and remain close to President Trump on trade issues. The more mainstream conservative caucus—the Republican Study Committee (RSC)—supports free trade. On the Democratic side, the centrist New Democrat Coalition tends to support free trade and opposes the recent steel and aluminum tariffs, while the Congressional Progressive Caucus (CPC) has taken a more skeptical view.
- **Importance of Manufacturing:** Trade talks with Europe will find the U.S. in the unfamiliar position of being the nation with lower labor standards and generally looser regulations. Lured by the appeal of low wages and weak protections for unions, investment by E.U. corporations in U.S. manufacturing has soared by 500 percent, from \$205.5 billion in 1997 to a cumulative total of \$1.23 trillion in 2007. (Bureau of Economic Analysis 2019) Mercedes, for example, exports \$5 billion of vehicles each year from its plant in Alabama. (Roberts 2018) BMW's plant in South Carolina is now the company's largest, and exports 70 percent of the vehicles it produces. (Bryan 2018) A new trade agreement with the E.U. might encourage European companies to invest even more in their U.S. affiliates, choosing to manufacture goods in the U.S. rather than exporting them from Europe. It might even provide an incentive for European multinationals to produce more goods in the U.S. for export back to the E.U. If European manufacturers promised to create new manufacturing jobs in

the U.S., it could put pressure on politicians in those states to support an agreement with the E.U.

- **Importance of Agriculture:** Farmers are always eager to expand their markets. If a proposed trade agreement included strong language on opening up E.U. markets to American farm products, it would likely enjoy strong support from agricultural states.
- **Impact of Retaliatory Tariffs:** Over time, retaliatory tariffs may take a toll on some communities and force individuals to choose between ideological beliefs and local economic realities. In March 2018, the Brookings Institution identified 15 states that would experience a disproportionate impact from the E.U. tariffs. Brookings later expanded the study to look at the combined impact of retaliatory tariffs from the E.U. China, and NAFTA nations, and found that counties that voted for President Trump are harder hit by retaliatory tariffs than the more urban areas that tended to support Hillary Clinton. (Bouchet and Parilla, 2018a and 2018b)

The first hurdles any trade agreement must clear are the relevant committees in the House of Representatives (Ways and Means) and the Senate (Finance). These committees will provide the first concrete glimpse into how Congress may ultimately vote on the agreement.

SENATE FINANCE COMMITTEE

Republicans will hold a narrow 15–13 majority on the Finance Committee, which is led by Sen. Chuck Grassley of Iowa—a state that is heavily dependent both on agriculture and manufacturing exports. Grassley, who supports efforts to open more markets to U.S. exports, has said he is »not a fan of tariffs,« and that he »strongly disagree[s] with the notion that imports of steel and aluminum, automobiles, and auto parts somehow could pose a national security threat.« Still, in January 2019, he said of President Trump’s threatened auto tariffs, »I know Europe’s very afraid of it. It’s probably the only thing that will bring Europe to the table in a reasonable way.« (Behsudi 2019a) For Grassley, that means tackling agriculture. He has said he »expect[s] the agreement with the European Union – and the UK, when ready – to address agriculture.« (Grassley 2018) Sen. John Cornyn, who chairs the subcommittee on International Trade, Customs, and Global Competitiveness, wants Congress to approve the USMCA. He has said that trade officials »don’t feel the same sense of urgency« to ratify the agreement, which is especially important to his border state of Texas. (Byrd 2018) He has opposed the steel tariffs, which he says have a »negative impact on ... Texas and on jobs.« (Izler 2018)

A majority of the committee’s Republicans favor liberalizing trade. Every Republican on the committee who was in the Senate in 2015 voted in favor of extending Fast Track, and there is substantial opposition to the steel and aluminum tariffs. Sen. John Thune, a member of the Finance Commit-

tee and the second-ranking Republican in the Senate, has spoken out against the tariffs, in large part because of the impact of retaliatory tariffs on his heavily agricultural home state of South Dakota—a state President Trump won with 62 percent of the vote. (Connolly 2018) Ohio Sen. Rob Portman, himself a former U.S. Trade Representative, has also expressed concerns about the impact of tariffs on his state, which is heavily reliant on both manufacturing and agriculture. Senator Johnny Isakson spoke out at a Senate hearing in June 2018, arguing that aluminum tariffs would hurt Coca-Cola, one of the largest companies in his home state of Georgia, and Sen. Patrick Toomey (Pennsylvania) called on the President to exempt companies his state from the tariffs. Senator James Lankford (Oklahoma) proclaimed on the Senate floor, »We don’t need retaliatory tariffs moving across every industry in our nation destabilizing what we’re doing in the economy.« (Needham 2018, Toomey 2018, Lankford 2018)

But there are also Republican committee members who support the tariffs. Last year, Sen. Toomey (along with now-retired Senator Bob Corker) introduced a non-binding bill reaffirming that Congress should have a role in imposing tariffs. A vote against the bill was, in effect, a vote of confidence in the President’s aggressive stance on trade. Three Senators on the Finance Committee voted no—Tim Scott (South Carolina), Mike Crapo (Idaho), and Michael Enzi (Wyoming). (Carney 2018) Both Sens. Crapo and Enzi supported the President’s tariff policies despite the fact that their states are among the hardest hit by retaliatory tariffs.

The Democratic faction on the committee that supports liberalizing trade is smaller, but still important. Five Democrats—including the committee’s top Democratic member, Ron Wyden of Oregon—voted for Fast Track. More recently, Sen. Wyden argued at a June 2018 hearing that retaliatory tariffs were hurting small businesses in his home state of Oregon. (Needham 2018) Last year, Colorado Sen. Michael Bennet introduced a bill (co-sponsored by Sen. Patty Murray, the third-ranking Democrat in the Senate) to repeal the steel and aluminum tariffs. (Bennet 2018) Sens. Mark Warner (Virginia), Maggie Hassan (New Hampshire) and Tom Carper (Delaware) have also been critical of the tariffs.

Sen. Sherrod Brown, meanwhile, has been a vocal supporter of the steel tariffs, and worked to block efforts last summer that would prevent the tariffs from taking effect. (Brown 2018) He is backed by Sen. Bob Casey, the top Democrat on the trade subcommittee, who has called the tariffs a »welcome step.« (Cornwell 2018) Both Brown and Casey are from swing states that will be key battlegrounds in the 2020 presidential race.

HOUSE WAYS AND MEANS COMMITTEE

After taking control of the House of Representatives during the 2018 mid-term elections, Democrats will have a 24–14 majority on the Ways and Means Committee. The Committee’s chair—Richard Neal from Massachusetts—said short-

ly after the announcement that the U.S. would resume trade talks with the E.U., »With many sectors of the U.S. economy seized with anxiety over the impact of the President’s trade policies, perhaps these notices indicate that the Trump Administration will finally try to create new economic opportunities for U.S. workers and businesses through constructive engagement with important U.S. trading partners and allies.« Neal has supported the steel and aluminum tariffs, and as recently as January 2019 warned the Trump administration against loosening tariffs against China without winning »a fundamental reset of the U.S.-China trade relationship.« (Neal 2018a, 2018b, 2019)

A large majority of Democrats on the committee are expected to demand a high bar on trade deals, especially when it comes to worker protections and China. Just five committee Democrats voted to extend Fast Track authority in 2015. But as evidenced by the contentious race for the new chairperson of the subcommittee on trade, not all Democrats are on the same page. Rep. Earl Blumenauer (Oregon) beat out Rep. Bill Pascrell (New Jersey), who had emerged as the preferred candidate of labor unions still upset with Blumenauer over his 2015 vote to support Fast Track. Unions believed that Rep. Pascrell would do more to ensure trade deals include strong worker protections, while Rep. Blumenauer is seen as more welcoming of free-trade agreements. (Behsudi 2019b)

Three Republican committee members closely aligned with President Trump—Rep. Devin Nunes (California), Rep. Jason Smith (Missouri), and Rep. Tom Reed (New York)—will likely continue following the administration’s lead. But most Republicans appear to favor liberalizing trade. Every Republican member of the Ways and Means committee who was serving in the House at the time, for example, voted to extend Fast Track authority. Rep. Kevin Brady (Texas), the top Republican on the trade subcommittee, has expressed his own concerns about the President’s trade policy, saying, »Tariffs are taxes. They impede economic growth.« (Love-lace 2018) Rep. Vern Buchanan (Florida), the ranking Republican on the trade subcommittee, has also expressed concern over steel tariffs.

Pro-free-trade Republicans have been forming an alliance with the eight committee members affiliated with the centrist New Democrat Coalition. In March 2018, the New Democrats sent a letter to top Congressional leaders that argued, »We believe that these tariffs could drive up steel and aluminum prices for U.S. consumers and manufacturers, creating far reaching U.S. supply chain ramifications and potentially driving companies to move manufacturing operations and jobs overseas.« (Ellis 2018) Then in December 2018, two of these Democrats—Rep. Ron Kind (Wisconsin) and Rep. Susan DelBene (Washington)—joined 11 Republicans in a letter to Ambassador Lighthizer calling for a »negotiated end« to the tariffs. (Walorski 2018) Seven of the Republican signers remain on the committee.

5

POSSIBLE NEAR-TERM SCENARIOS FOR E.U.-U.S. TRADE

While it is impossible to predict the future, we can articulate several potential scenarios for how trade talks between the U.S. and E.U. might play out over the next few years.

SCENARIO 1: PRESIDENT TRUMP MOVES QUICKLY TO NEGOTIATE A NEW AGREEMENT WITH THE E.U. PRIOR TO U.S. NATIONAL ELECTIONS IN 2020

It may still be possible to negotiate some sort of trade agreement between the U.S. and the E.U. before the next U.S. national elections in November 2020, but things would have to fall into place quickly.

- **The U.S. would have to commit to moving the process with the E.U. before—or at least at the same time as—the process with U.K.**
- **There would likely have to be a real and lasting end to the trade war between the U.S. and the E.U.** That would almost certainly involve rolling back at least some of the tariff increases, and would likely require cooperation between the two sides on other issues of concern—especially China. If the E.U. took a stronger stance against China's bid to win market economy status or took similar steps that show more assertiveness, it would go a long way toward reassuring leaders in the U.S. that Europe will remain a strong ally in efforts to reign in uncontrolled exports from China. After the E.U. adopted a new anti-dumping policy in November 2016—one that would remove the distinction between market and non-market economies and instead apply a single set of rules to all countries—many in the U.S., as well as many European manufacturing industries, felt Europe set a dangerous precedent. (Strain 2017)
- **Both sides would have to narrow the scope of negotiations.** If either side insists on tackling its full agenda, the process is likely to take much longer, or break down entirely. Agriculture would likely be one of the first issues off the table. Different approaches to food safety regulation, tariff issues, and the E.U.'s system of »geographic indicators« (which requires that certain products, such as champagne and Parmigiano-Reggiano cheese, are produced in a specific geographic region) are all thorny enough that they could trip up negotiations.

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Shortly after the July 2018 meeting between President Trump and European Commission President Juncker, U.S. Agriculture Secretary Sonny Perdue said, »Lighthizer definitely plans to make agriculture a topic in these discussions going forward. ... I think the truce that was called was, let's see how we can have conversations for the benefit of both the United States and the EU. For us, that includes agriculture.« But a spokesperson for the EU disagreed. »When you read the joint statement ... you will see no mention of agriculture as such, you will see a mention of farmers and a mention of soybeans, which are part of the discussions and we will follow up that,« the spokesperson said. »We are not negotiating about agricultural products.« (Ferguson 2018)

Opening up public procurement might be another issue that negotiators save for the future. After leaving his post as the U.S. ambassador to the E.U. in 2017, Anthony Gardner reflected, »If we can't make fast progress on the original, ambitious agenda, it may be worthwhile to adjust our objectives to better reflect political realities. This would include postponing discussions on government procurement, given that both parties diverge so strongly in their appraisals of the other's degree of market access.« (Gardner 2017)

- **The agreement would have to include provisions that help elected officials who have spoken out against free trade deals save face.** For progressive Democrats, that might mean eliminating the Investor-State Dispute Resolution process (which is already absent from the trade agreement between the U.S. and Australia); strengthening environmental and consumer protection provisions (including, potentially, some relief on prescription drug prices); or possibly maintaining some tariff protections for key U.S. industries (especially steel and auto). For anti-trade Republicans, the most persuasive developments might be commitments from European multinationals to expand their U.S. investments, especially in pro-Trump areas of the South and Midwest. Both sides would welcome stronger commitments to get tough on trade with China.

SCENARIO 2: TRADE NEGOTIATIONS WITH THE E.U. STALL UNTIL AFTER U.S. NATIONAL ELECTIONS IN 2020

If the above conditions aren't met, obstacles to an E.U. trade deal will likely push negotiations until after the U.S. national elections in 2020, leaving the matter up to a new Congress and, possibly, a new president. A long debate in Congress over ratifying the USMCA—regardless of its outcome—would eat up valuable legislative time, and make it that much harder to also ratify an E.U. trade agreement. The Trump administration's threat to impose auto tariffs hangs over the whole discussion. If those materialize, the E.U. is likely to respond in kind. In such a climate, it is almost impossible to imagine the two sides moving forward on a broader trade agreement.

If negotiations over a U.S.-E.U. trade agreement do extend beyond 2020, the whole process is thrown into uncertainty. Trade is almost certainly going to be a major issue in the next national elections. Potential Democratic candidates hold widely divergent positions on trade, from ardent free-trade advocates such as billionaire businessman and former New York City Mayor Bloomberg to skeptics such as Senators Elizabeth Warren and Sherrod Brown. There's no reason to believe Trump will alter his position heading into the election, and only a very small chance that another Republican will challenge him. But if there is another contender, it will very likely be from the moderate wing of the party, the one that has consistently supported free trade agreements.

The other reason things get complicated after 2020 is that Fast Track trade authority currently expires on July 1, 2021. Congress could, of course, vote to extend it, but that requires the approval of both houses of Congress and the signature of the President. There's no guarantee that all three entities would support extending the Fast Track policy, which has been controversial almost every time it has been up for discussion in recent years.

There may, however, be larger forces which, over time, create the conditions that make a trade deal possible between the U.S. and the E.U. In particular, the growing political and economic influence of China might make both sides more eager to reach an agreement. As former U.S. Ambassador to the E.U. Anthony Gardner writes, »If we don't set the rules of global trade together during the next five to 10 years, others, such as China, will. Put crudely, skeptics in Europe should be told: You may not like the U.S., but surely you'd rather do a deal with us, who abide by the same high standards of social protection, than with countries or regions that don't share these values.« (Gardner 2017)

SCENARIO 3: TRADE ISSUES ARE RESOLVED PIECEMEAL, THROUGH A SERIES OF BILATERAL AND MULTILATERAL AGREEMENTS

Given the range of issues on the table and the shifting political winds in both the U.S. and Europe, reaching a compre-

hensive trade agreement right now might prove impossible. But some issues may still be addressed piecemeal, either through narrow bilateral agreements or multilateral forums.

For example, some issues that had been part of TTIP might be addressed through the Trade In Services Agreement (TISA). Sometimes described as »The most important free trade agreement you've never heard of,« TISA is a plurilateral agreement being negotiated among 23 nations who were frustrated that not enough progress was being made in WTO negotiations over barriers to access for services. Though negotiations have currently stalled because of uncertainty about where the U.S. stands, some have characterized TISA—which covers such issues as trade involving e-commerce, telecommunications, and financial services—as »a way out of the trade war.« (Matthews et. al. 2018) Opponents of broad free trade agreements say TISA is just TTIP in a different form. »TPP and TTIP are not dead: now they're called the Trade In Services Agreement,« reads one headline. (Dolack 2017)

Some issues might be resolved on a transactional basis outside of the scope of comprehensive trade negotiations. For example, the U.S. may agree to reduce steel tariffs if the E.U. makes safeguards against the dumping of steel permanent. The E.U. adopted these safeguards in July 2018 to prevent China from diverting large amounts of low-cost steel from the U.S. to the E.U. to avoid the new tariffs, and now plans on keeping them in place through 2021. (European Commission 2018, 2019)

Other issues might be tackled in multilateral forums such as the WTO. In September 2018, the trade ministers of the U.S., E.U. and Japan released a joint statement affirming their willingness to work together on a number of shared concerns, including a »common view on the need for reform at the WTO.« These concerns included forced technology transfer, unfair trading practices by non-market economies, industrial subsidies and state-owned enterprises, and digital commerce. (Office of the U.S. Trade Representative 2018b) Progress on these fronts might rebuild trust between the U.S. and E.U. on trade and make it easier to negotiate a comprehensive trade agreement.

6

CONCLUSION

Americans' opinions on trade are profoundly shaped by the importance that many people, both liberal and conservative, place on re-establishing the U.S. as a thriving manufacturing nation. The most important measure of success for most people is not productivity or output, but jobs.

Despite the importance Americans put on manufacturing jobs, the U.S. lacks a coherent policy to grow its industrial base. Regardless of whether you believe tariffs are a useful tool, it is unlikely that tariffs by themselves will bring back the glory days of American manufacturing. A complete policy to revitalize manufacturing would include real investments in workforce development, starting with stronger STEM and vocational training in the public education system. It would include physical infrastructure investments, and a plan to use state and local development subsidies strategically to build strong manufacturing corridors. Today, too many of those subsidies are used instead to lure manufacturers from one part of the country to another. Finally, an effective plan would have to prioritize not just the quantity of manufacturing jobs, but also the quality. Achieving that last goal would require major reforms to U.S. labor law that protect workers' right to organize a union.

Achieving those goals will require assembling a new coalition across party lines—one that bridges the gap between the Rust Belt (which has seen the largest declines in manufacturing) and the South (where manufacturing has been ascendant). As long as President Trump is the most prominent opponent of free trade agreements, assembling such a coalition will be exceedingly difficult. But as polarized as U.S. politics are, there are still some signs bipartisan coalitions are possible. In December 2018, for example, President Trump signed a major criminal justice reform bill, the *First Step Act*, that enjoyed support from stakeholders as diverse as the American Civil Liberties Union and the conservative Koch brothers. Most conservatives have, for decades, taken a tough-on-crime stand, but in recent years a growing number of religious conservatives have softened their position, motivated largely by calls from evangelical Christian groups to reform the criminal justice system. Democrats and Republicans supported the *First Step Act* for different reasons, for sure, but they still were able to hammer out a compromise. Might something similar also be possible one day on trade?

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APPENDIX: COMPOSITION OF SENATE AND HOUSE COMMITTEES ON TRADE

Table 1
Senate Finance Committee

Member	Trade Sub-committee	Party	State	% of State for Trump (2016)	Yes Vote on Fast Track (2015)	Manufacturing	Agricultural Exports (% of GDP)	Jobs Impacted By Retaliatory Tariffs
Chuck Grassley (Chair)	✓	R	IA	52 %	✓	18 %	11 %	5.4 %
Mike Crapo		R	ID	59 %	✓	11 %	10 %	11.6 %
Pat Roberts	✓	R	KS	57 %	✓	16 %	9 %	7.1 %
Michael Enzi		R	WY	70 %	✓	5 %	3 %	6.2 %
John Cornyn	Chair	R	TX	53 %	✓	13 %	4 %	4.8 %
John Thune	✓	R	SD	62 %	✓	10 %	10 %	11.3 %
Richard Burr		R	NC	51 %	✓	7 %	8 %	6.8 %
Johnny Isakson	✓	R	GA	51 %	✓	11 %	6 %	5.6 %
Rob Portman		R	OH	52 %	✓	17 %	5 %	6.1 %
Patrick Toomey		R	PA	49 %	✓	12 %	4 %	5.4 %
Tim Scott		R	SC	55 %	✓	17 %	5 %	7.0 %
Bill Cassidy		R	LA	58 %	✓	20 %	4 %	5.3 %
James Lankford		R	OK	65 %	✓	9 %	5 %	7.6 %
Steve Daines		R	MT	57 %	✓	6 %	7 %	10.6 %
Todd Young		R	IN	57 %	n/a	29 %	5 %	7.9 %
Ron Wyden (Ranking Member)		D	OR	41 %	✓	20 %	6 %	6.6 %
Debbie Stabenow	✓	D	MI	48 %		19 %	4 %	5.9 %
Maria Cantwell		D	WA	38 %	✓	12 %	5 %	5.4 %
Robert Menendez		D	NJ	42 %	Did Not Vote	8 %	3 %	2.5 %
Thomas Carper		D	DE	42 %	✓	6 %	4 %	4.0 %
Benjamin Cardin	✓	D	MD	35 %		6 %	3 %	2.7 %
Sherrod Brown		D	OH	52 %		17 %	5 %	6.1 %
Michael Bennet		D	CO	44 %	✓	7 %	5 %	4.2 %
Robert Casey Jr.	Ranking Member	D	PA	49 %		12 %	4 %	5.4 %
Mark Warner		D	VA	45 %	✓	9 %	6 %	5.3 %
Sheldon Whitehouse		D	RI	40 %		8 %	3 %	4.6 %
Maggie Hassan		D	NH	47 %	n/a	12 %	4 %	4.9 %
Catherine Cortez Masto		D	NV	45 %	n/a	4 %	4 %	2.1 %

Table 2
House Ways and Means Committee

Member	Trade Subcommittee	Party	State	% of District for Trump (2016)	Yes On Fast Track (2015)	Manufacturing (% of State GDP)	Agriculture (% of State GDP)	% of State Jobs Affected By Retaliatory Tariffs	New Dems	CPC	Freedom Caucus	RSC
Richard Neal (Chair)		D	MA	37 %		9 %	3 %	2.5 %				
Terri Sewell**	✓	D	AL	29 %	✓	17 %	5 %	9.5 %	✓			
Judy Chu		D	CA	28 %		11 %	5 %	4.3 %		✓		
Jimmy Panetta**	✓	D	CA	23 %	n/a	11 %	5 %	4.3 %		✓		
Linda Sanchez		D	CA	27 %		11 %	5 %	4.3 %		✓		
Mike Thompson		D	CA	24 %		11 %	5 %	4.3 %				
John Larson		D	CT	36 %		11 %	3 %	4.2 %				
Stephanie Murphy**	✓	D	FL	44 %	n/a	5 %	4 %	2.4 %	✓			
John Lewis		D	GA	12 %		11 %	6 %	5.6 %		✓		
Danny Davis**	✓	D	IL	9 %		13 %	5 %	4.3 %		✓		
Brad Schneider		D	IL	33 %	n/a	13 %	5 %	4.3 %	✓			
Dan Kildee**		D	MI	46 %		19 %	4 %	5.9 %		✓		
Steven Horsford		D	NV	45 %	n/a	4 %	4 %	2.1 %		✓		
Bill Pascrell**	✓	D	NJ	33 %		8 %	3 %	2.5 %				
Brian Higgins**	✓	D	NY	38 %		5 %	3 %	1.7 %				
Tom Suozzi		D	NY	46 %	n/a	5 %	3 %	1.7 %	✓			
Earl Blumenauer*	Chair	D	OR	23 %	✓	20 %	6 %	6.6 %		✓		
Brendan Boyle		D	PA	25 %		12 %	4 %	5.4 %	✓	✓		
Dwight Evans		D	PA	7 %	n/a	12 %	4 %	5.4 %		✓		
Lloyd Doggett		D	TX	31 %		13 %	4 %	4.8 %		✓		
Don Beyer**	✓	D	VA	21 %	✓	9 %	6 %	5.3 %	✓	✓		
Ron Kind**	✓	D	WI	49 %	✓	18 %	7 %	9.0 %	✓			
Gwen Moore		D	WI	22 %		18 %	7 %	9.0 %		✓		
Suzan DelBene**	✓	D	WA	38 %	✓	12 %	5 %	5.4 %	✓			
Kevin Brady (Ranking Member)		R	TX	73%	✓	13 %	4 %	4.8 %				✓
David Schweikert**	✓	R	AZ	52%	✓	8 %	4 %	4.2 %			✓	✓
Devin Nunes**	✓	R	CA	52%	✓	11 %	5 %	4.3 %				
Vern Buchanan*	Ranking Member	R	FL	54%	✓	5 %	4 %	2.4 %				✓
Darin LaHood		R	IL	61%	n/a	13 %	5 %	4.3 %				✓
Jackie Walorski		R	IN	59%	✓	29 %	5 %	7.9 %				✓
Jason Smith**	✓	R	MO	75%	✓	13 %	6 %	6.6 %				✓
George Holding**	✓	R	NC	53%	✓	19 %	8 %	6.8 %				✓
Adrian Smith**	✓	R	NE	75%	✓	11 %	12 %	11.2 %				
Tom Reed		R	NY	55%	✓	5 %	3 %	1.7 %				✓
Brad Wenstrup		R	OH	56%	✓	17 %	5 %	6.1 %				✓
Mike Kelly		R	PA	58%	✓	12 %	4 %	5.4 %				✓
Tom Rice**	✓	R	SC	58%	✓	17 %	5 %	7.0 %				✓
Kenny Marchant**	✓	R	TX	51%	✓	13 %	4 %	4.8 %				✓

ABOUT THE AUTHOR

Chris Schwartz is the Founder and Principal of Blue Pencil Strategies LLC, a consulting firm that works with unions, worker centers, and other progressive activists on research, strategic planning, message development and training. From 2010-2018, he was Research Coordinator and later Assistant Organizing Director for the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). He also worked as Research Coordinator for the Service Employees International Union (SEIU). Chris Schwartz started his career as a journalist.

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Friedrich-Ebert-Stiftung | Western Europe/North America
Hiroshimastr. 28 | 10785 Berlin | Germany

Responsible:
Michèle Auga, Head, Western Europe/North America
Phone: +49-30-269-35-7736 | Fax: +49-30-269-35-9249
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BETWEEN PARTNERSHIP AND PUNITIVE TARIFFS

Prospects for a new U.S.-E.U. Trade Agreement in the New Congress



While the United States has committed in principle to comprehensive trade talks with the European Union, the process is off to a rocky start. Initial discussions have played out against a complex global backdrop. Uncertainty about the shape and timing of the final Brexit agreement, as well as escalating concerns about China's trade practices, create a wide range of practical and political complications. Reaching a broad trade deal quickly will likely require dropping some controversial issues from consideration, especially the U.S. demand to negotiate broadly on agriculture; movement by the U.S. on steel and aluminum tariffs; and a commitment by the E.U. to toughen its stance on China.



Negotiators also face other daunting challenges, such as harmonizing the trading partners' fundamentally different approaches to regulation and navigating concerns about a proposed investor-state dispute resolution process. Even if negotiators can find common ground, winning approval in the court of public opinion—and ultimately the U.S. Congress—could be difficult. Skepticism in the U.S. about the impact of unfettered free trade cannot be dismissed merely as a product of these unusual political times. Such concerns far predate the election of President Donald Trump. In fact, until recently opposition to free trade agreements has been driven largely by Democrats concerned about their impact on labor, consumer safety, and the environment. Voters on both sides of the political spectrum believe revitalizing manufacturing is vitally important to the nation's long-term economic health, and that trade agreements should support that goal.



This study suggests there are three possible paths forward. First, the trading partners could remove the most controversial issues from the table and negotiate a narrower agreement prior to the 2020 U.S. national elections. Second, negotiations could stall until after 2020, leaving the direction to a new Congress and, possibly, a new President. Third, the U.S. and E.U. could resolve issues piecemeal, relying on a series of bilateral and multilateral agreements rather than a comprehensive trade deal.

Further information on the topic can be found here:
www.fes.de/international/wil