

Harris vs. Trump on Trade Policy: The Good, the Bad, or Just Ugly?



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#TrumpvsHarris
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• Executive summary

This paper explores potential trade policy directions for the United States under either a second Trump administration or a Harris Presidency. Under Trump, trade policy would likely be more aggressive, centred on tariffs, isolationism, and protectionism. Trump views trade as a zero-sum game and would likely escalate measures against China and allies like the EU to reduce the US trade deficit. His administration would prioritise domestic manufacturing and autarky, viewing trade as a national security and geopolitical leverage tool.

In contrast, Kamala Harris is not expected to prioritise trade, at least in the early part of her Presidency. Her approach would largely continue the Biden administration's "worker-centric" trade policies, emphasising sustainable and fair trade practices, with a focus on human rights, labour, and environmental standards. Harris would likely pursue strategic partnerships and multilateral frameworks, though she would also be willing to use tariffs selectively, particularly against China, to safeguard American jobs and industries, thus also not complying with multilateral rules.

Both candidates share concerns over avoiding China to become the new superpower and protecting the US economy, although Trump would likely pursue a more radical decoupling strategy. Neither administration is expected to prioritise free trade agreements, and multilateral engagement, especially with the World Trade Organisation (WTO), would be deprioritised under both candidates.

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The European Union (EU) must prepare for an increasingly inward-looking US trade policy, regardless of the outcome. Under Trump, EU-US relations would likely face heightened tensions, with tariffs, trade disputes and a reshuffling of value chains significantly affecting EU exports and economic growth. A Harris Presidency would offer more stability, but EU-US relations may still be marked by cautious cooperation, particularly in addressing global trade challenges posed by China.

Key recommendations for the EU include balancing short-term and long-term priorities: deepening the EU cohesion allowing it to respond to unilateral aggressive initiatives, while deepening transatlantic cooperation through platforms like the Trade and Technology Council (TTC), strengthening ties with like-minded democracies, and adopting a unified approach to counterbalance US pressure. The EU should also continue its leadership in modernising global trade rules through the WTO.

• Introduction

The countdown to US elections on the 5th of November 2024 has started. The electoral campaign is coming to an end, but despite a lot of bombastic statements, much uncertainty remains concerning what the two candidates will do once elected, especially on the trade policy front. Many voices talk about continuity between the first and a second Donald Trump Presidency and between the Joe Biden Presidency and a Kamala Harris Presidency. But will it be really that simple? No matter who wins, we are likely to face an administration that is different from the previous ones, which would translate into a different approach to trade policy as well.

While Europeans are more weak and divided than never, Trump is likely to come back stronger and angrier, meaning also a more aggressive and resolute use of trade tools. Harris is mostly unknown in the trade world, hence the great uncertainty on what direction she will take. Those who discount her as just a Biden II Presidency may be surprised.

Meanwhile, on the other side of the Atlantic the main question is what does this mean for the European Union and its economy, as well as for transatlantic relations. The EU and the US remain each other's most important partners, but the times of the TTIP seem far gone to leave space for a more tense relationship to be managed. Will the EU have to face the Good, the Bad or both might be ugly trade policies?

The upcoming elections will lead to two different scenarios. How may each one impact the EU and how can Europeans respond to the next US administration's policies?

I • Trade policy: priority or secondary?

Along with migration, trade is a central issue in Trump's campaign, as he seeks to end an opening that benefits more foreign countries than the United States, which he says is being abused.

In terms of trade doctrine, Trump's rhetoric has not changed since his Presidency. His vision of trade is still a zero-sum game, reminiscent of a mercantilist approach revolving around maximising exports and minimising imports through restrictive trade measures. Like during his first mandate, Trump's objective for trade policy remains mostly to reduce the US deficit in trade in goods (disregarding trade in services), claiming that such deficit "hurts the economy very badly" and destroys American manufacturing jobs. He puts the blame on trade agreements and third countries, including long-standing allies like the EU, whom he thinks are taking advantage of the US openness. In this sense, trade becomes a tool in Trump's eyes to redress said injustice and castigate trade partners that are trading unfairly with the US, threatening them with protectionist measures if they do not submit to his demands.

A second mandate would likely see a much more aggressive "tariff man" against both China and like-minded countries than during the first one, given that he now masters the rules of the game and he would be surrounded by loyalists. Trump's transactional approach is coupled with an autarchic approach, according to which the US does not need the rest of the world to thrive. On the contrary, similarly to the current Biden's doctrine, it needs to bring jobs back home, through an "America first" and decoupling and isolationist strategy. Furthermore, WTO rules and international commitments do not matter in Trump's trade policy, as they also played at the disadvantage of the US in his view. In sum, trade policy would certainly be a priority for a second Trump Presidency (as highlighted in his campaign programme)¹, but only as leverage and tool to achieve objectives other than trade, meaning industrial, geopolitical and security objectives.

For Kamala Harris, trade policy is unlikely to be treated as a priority, at least for the first two years of the mandate, since a new President's focus is traditionally mainly on domestic issues. Her campaign² platform merely states that she is against unfair trade practices, and she has not yet clearly outlined a proper trade policy doctrine. Overall, Harris is expected to show continuity with Biden's trade policy and, whatever her convictions, she would have to manage the rising polarisation of US citizens. She would remain aligned with his "workers-centric" approach to defend American jobs and would give priority to selective protectionism, based on national security objectives and support to strategic industrial sectors. Her Californian origin, however, gives reason to hope for a more progressive approach to trade and industrial policy. She is not necessarily opposed to open trade, but, as per the traditional Democrats' priorities, she is likely to prioritise sustainable trade, supporting compliance with high human rights and sustainability and labour standards through trade tools, as well as supply chain resilience, as was the case under Biden's Presidency before her. However, we can expect more coordination with allies on these common challenges compared to Biden, even if Harris is also open to sacrificing WTO rules to achieve her goals. The attention she pays to the regulation of artificial intelligence and the protection of personal data could also offer opportunities for cooperation with the Europeans³.

1 Donald Trump campaign website, <https://www.donaldjtrump.com/issues>

2 Kamala Harris campaign website, <https://kamalaharris.com/issues/>

3 Lassus, R. (2024, August 24) [Le moment Harris: la démocratie renaît-elle en Amérique ?](#) Le Grand Continent.

To understand the trade policy doctrine of the two presidential candidates, it is crucial to look at their advisors. In Washington DC, “personnel is policy”. Roles at the National Security Council, National Economic Council, Department of Commerce, USTR, Council of Economic Advisers, Treasury etc. would play a key role in shaping the next US trade policy.

On Trump’s side, known names like former Director of the Office of Trade and Manufacturing Policy Peter Navarro and former US Trade Representative Robert Lighthizer are likely to make a comeback. Coupled with J.D. Vance as Vice-President, they represent a vision of trade policy centred on scepticism about the international order, isolationism, anti-China sentiment and tariffs, as well as a confrontational relation with the EU.

On the other hand, Harris should delegate trade policy to advisors more likely to be traditional DC insider practitioners, with a more pragmatic approach to trade. Her Vice-President, Tim Walz, is not expected to have much influence on Harris’s trade doctrine, given his mostly limited direct involvement in the issue. However, during his debate with J.D. Vance, Walz criticised Trump’s protectionist trade policy for its negative impact on domestic industry and the additional inflationary impact that the new high tariffs announced by Trump would have. Walz has a pragmatic approach to trade policy that reflects his strong ties to rural communities and his preference for policies that benefit farmers. As a member of the House Agriculture Committee, he was involved in shaping key farm bills, and his trade views often reflect the needs of rural economies, including the need to preserve export markets.

II • The end of US leadership for open trade?

In both scenarios, market access and an open and positive trade agenda, which anyway have never been the US trade policy’s strongest focus, would not figure among the president’s priorities, notably in a time when industrial policy is taking centre stage. Trump is opposed to an open border agenda *tout court*, and is more interested in bringing production home rather than opening market opportunities for US business abroad. During his first mandate, Trump opted rather for the revision of trade deals like the USMCA or the US-South Korea FTA, and the conclusion of a mercantilist Phase I deal with China. The TTIP negotiations with the EU were frozen, and he just launched talks with Kenya and the post-Brexit UK at the end of his mandate in 2020. However, in his world, trade deals are more trade management tools to achieve his domestic objectives than a win-win agreement between peers. A second mandate will likely lead to a new revision of current FTAs, starting with the USMCA.

Harris is committed to commercial diplomacy and is expected to demonstrate more support to US exports than Trump (as previous statements⁴ on the need to sell American products abroad and Walz’ past trade missions show), even though it is unlikely that she would spend political capital on new trade liberalisation initiatives. Both Harris and Walz do not have a positive record when it comes to supporting comprehensive free trade deals, having voted down agreements like TPP and USMCA in their previous capacity, notably for environmental protection and labour reasons. As initiated by Biden through the Indo-Pacific Economic Framework (IPEF), Americas Partnership for Economic Prosperity (APEP) and similar initiatives not including market access provisions, Harris would more probably focus on continuing

4 World Trade Law. (2019, September 13). [Trade talk in last night’s Democratic debate](#). International Economic Law and Policy Blog.

the work under these frameworks and concluding additional strategic partnerships with like-minded countries to promote high standards (on labour, digital, environment...) rather than negotiating tariffs reductions.

In general, it is safe to assume that the Trade Promotion Authority (TPA) to negotiate international trade agreements would not be renewed in the next presidential mandate, no matter the outcome of elections.

III • Economic security: same focus but different methods and speed.

American jobs first and economic security focused on anti-China policy will be at the forefront of US trade policy in the next term as the most important bipartisan issues. “Economic security is national security” is a slogan that is likely to resonate with both candidates. In both cases, trade policy would be increasingly intertwined with foreign policy and security objectives, especially vis à vis China. The difference between the two candidates would be the strategy chosen to reshore American jobs and speed and scope of a more protectionist and assertive trade policy agenda: a radical decoupling vs a strategic decoupling.

Trump’s objective is to “relocate entire industries” back to the US and cut dependencies on China for national security and economic security reasons: basically undertaking a decoupling from the PRC, but also punishing additional countries with whom the US has a trade deficit.

Trump’s use of export controls, sanctions and economic coercion is expected to be more extensive, as done already during his first mandate in multiple occasions like extraterritorial sanctions against Iran. Threats to cut companies and countries out of the American market and the dollar-based financial system, if they do not comply with his demands, are likely to be common practice. Europe’s dependency on US security assistance would be used to gain trade concessions and push the EU to align to his approach to China and decouple from the country.

His plan includes⁵ the introduction of a 15% “Made in America tax rate” and the appointment of a “manufacturing envoy” to “convince major manufacturers to pack up and move back to America.” Local content requirements would be widely used as an incentive to relocalise businesses to the US.

But Trump would use tariffs as the main tool to close the US market and to get concessions from trade partners, also in policy areas not related to trade (eg, foreign policy). It is expected that he would impose tariffs first and then force third countries to the negotiation table, instead of just threatening the use of tariffs to already open a dialogue with partners. Campaign statements, recommended by Lighthizer, suggest⁶ not only duties of 60% or higher on Chinese goods, but 100% tariffs on some Mexican-made goods, 100% tariff on countries who try to leave the dollar, as well as a 10-20%⁷ universal baseline tariff on most imported products (on top of existing duties), no matter the origin and potentially no matter whether the US

5 Sentner, I. (2024, September 24). [Trump promises in Georgia speech to “take other countries ‘jobs’”](#). Politico.

6 Donald Trump campaign website, <https://www.donaldjtrump.com/issues>

7 Garrison, J. (2024, August 15). [Donald Trump pitches 10% tariff as cornerstone of economic policy in 2024 campaign](#). USA Today.

has an FTA with those countries of origin. “Higher tariffs will increase incrementally if other countries manipulate their currency or otherwise engage in unfair trading practices”, states⁸ his programme.

Navarro is also suggesting the use of the US Reciprocal Trade Act against countries with higher MFN tariffs. The main target would be countries with larger deficits like the EU and China, as well as countries with higher tariffs than the US like developing countries. For his part, Trump is inclined to consider both options. Additionally, previous tariffs against major allies like the EU would probably be reimposed (eg, 232 steel and aluminium tariffs, tariffs linked to the Airbus vs Boeing dispute).

The real question is how many of these tariffs would be implemented in the first 100 days of his potential second Presidency. As Trump demonstrated in his first mandate, a 60% tariff against China could be applicable in the short term. Tools like the International Emergency Economic Powers Act (IEEPA)⁹ or Section 338 of the 1930 Tariff Act could be used outside of the trade statutes he used in his first mandate (eg, Section 301 of the Trade Act of 1974). Nevertheless, an across-the-board levy (in particular violating the terms of existing trade agreements) would be an unprecedented case and may require a greater role of Congress. Trump could make use of the IEEPA in this case too, the Tariff Act of 1930 or Section 122 or 301 of the Trade Act of 1974 from day 1. But the Congress’ taxation authority may also be required, as a tariff of this kind may raise a revenue argument.

The Congress could amend these laws to obstruct Trump, but having seen the lack of reaction from the Congress during his first mandate, this is an unlikely scenario. The composition of the Congress, especially the Senate would also impact its balancing capacity. A hostile Congress could try to reverse course with the empowerment of the President in trade policy to challenge Trump on his tariff plan - as well as to leverage trade policy to regain authority over Harris. But it would be even more difficult for a divided Congress to counter Trump’s tariffs policy. Midterm elections would also play an important role in defining the direction of US trade policy.

Various studies have thus tried to assess the impact of Trump’s tariff war against China, as well as to predict the potential impact of additional duties. His trade policies, and the consequent retaliation from trade partners, would have cost the US 245,000 jobs¹⁰ (some estimate 75,000 fewer jobs¹¹ in manufacturing because of tariffs on steel and aluminium only), a reduction in aggregate US real income of 1.4 billion USD¹² per month and the imposition of around 80 billion USD¹³ worth of new taxes on American households.

In addition, Moody’s¹⁴ found that a 10% universal baseline tariff would result in 2.1 million fewer American jobs and a 1.7% smaller economy by 2028. According to the Tax Foundation¹⁵, the threatened tariff increase would “hike taxes by another 524

8 Donald J. Trump. (2023, February 27). [Agenda47: President Trump’s new trade plan to protect American workers](#). Donald J. Trump.

9 Wilson, W., Schott, J. J., & Cimino-Isaacs, C. (2019, April 15). [U.S. trade policy primer: Frequently asked questions](#) (CRS Report No. R45618). Congressional Research Service.

10 US-China Business Council. (February 2021). [The US-China economic relationship](#). US-China Business Council.

11 Russ, K., & Cox, L. (2020, February 6). [Steel tariffs and U.S. jobs revisited](#). Econofact.

12 Amity, Mary, Stephen J. Redding, and David E. Weinstein. 2019. “[The Impact of the 2018 Tariffs on Prices and Welfare](#).” *Journal of Economic Perspectives*, 33 (4): 187–210.

13 Tax Foundation. (2024). [Trump tariffs and Biden tariffs](#). Tax Foundation.

14 Jones, C. (2024, June 20). [Biden vs. Trump: Whose economic policies are better for America?](#) USA Today.

15 Tax Foundation. (2024). [Trump tariffs and Biden tariffs](#). Tax Foundation.

billion USD annually and shrink GDP by at least 0.8%, the capital stock by 0.7%, and employment by 684,000 full-time equivalent jobs.” The U.S.-China Business Council (USCBC)¹⁶ estimates that trade war between US and China would lead to 1.6 trillion USD less in real GDP over the next five years, 320,000 fewer jobs in 2025, and 6,400 USD less in real income for American households by the end of next year. The Peterson Institute for International Economics (PIIE)¹⁷ calculates that the cost from “Trump’s 10%/60% tariff proposals [...] would be ‘nearly five times those caused by the Trump tariff shocks through late 2019, generating additional costs to consumers from this channel alone of about 500 billion USD per year.’”

According to the CEPII¹⁸, the global economy would be negatively impacted by the new tariffs (with a decline of 0,5% of world GDP. But the US and China would be much more severely affected by their brutal decoupling than the rest of the world, with a sharp contraction of GDP in the US (-1.3%) and China (-1.3%), a limited negative impact in France and Germany, and significantly positive effects on Canada and Mexico. Therefore, too many “compared to the negative impact on the US and China “most US trading partners would benefit from a more protectionist US trade policy against China”.

For her part, Harris should remain aligned with Biden’s selective strategic decoupling. President Biden’s national security adviser, Peter Sullivan, made a rhetorical adjustment when he suggested in April 2023 that the US was not for decoupling from China, but rather for a de-risking limited to “a small yard with high fences”. But the economic security yard has already rapidly expanded with the recent tariffs up to 100% on a range of imported Chinese strategic technologies (EVs, steel and aluminium, semiconductors, batteries, critical minerals, solar cells, ship-to-shore cranes, and medical products), combined with a ban on Chinese software and hardware in connected and autonomous vehicles on US roads on national security grounds.

Harris is expected to pursue this targeted but effective decoupling to reshore manufacturing capacities with a focus on industrial policy and US competitiveness. Despite claiming¹⁹ not to be a “protectionist Democrat”, Harris states in her campaign²⁰ programme and her economic policy agenda²¹ that she would focus on preserving the “American leadership in semiconductors, clean energy, AI, and other cutting edge industries of the future”, as well fighting against Chinese unfair trade practices “that undermine American workers.” The expansion of the economic security toolbox would follow this strategic industrial approach.

Like Biden before her, Harris would prioritise large-scale subsidisation to the domestic industry with FDI screening and export controls to defend US economic interests. She has been a proponent of the Inflation Reduction Act, the CHIPS and Science Act and the Buy American Act and would keep her focus on promoting American manufacturing and innovation and countering China’s rise, even if that means violating WTO rules on subsidies. She would probably complement her industrial policy push with a larger use of export controls and outbound investment control to prevent China from gaining leadership on emerging and green tech.

¹⁶ US-China Business Council. (February 2021). [The US-China economic relationship](#). US-China Business Council.

¹⁷ Freund, C., & Gertz, G. (2024, May). [Global trade at a crossroads: Policies for growth and security](#) (Policy Brief No. 24-1). Peterson Institute for International Economics.

¹⁸ Bouët, A., Maty Sall, L., Zheng, Y.,(2024, Octobre) [Trump 2.0 Tariffs: What Cost for the World Economy?](#) (Policy Brief N° 49). CEPII.

¹⁹ ABC News. (2019, September 12). [Read the full transcript of ABC News’ 3rd Democratic debate.](#)

²⁰ Kamala Harris campaign website, <https://kamalaharris.com/issues/>

²¹ Harris, K. (2024). [Policy book: Economic opportunity](#).

Concerning tariffs, Harris has been vocal against Trump's use of tariffs, calling them a "national sales tax" given their impact on American workers. The Biden/Harris administration kept many of Trump's duties and has only softened irritants in the Transatlantic trade relations with a temporary suspension of sanctions linked to the Boeing-Airbus dispute and of higher tariffs on European aluminium and steel imports. It also didn't fear introducing new tariffs²² (up to 100%) against China. But they were targeting specific technologies while Trump would impact a huge range of basic consumption goods. Harris would probably continue to be cautious in imposing tariffs, targeting mostly China and minimising the unintended consequences on American households. Allies like the EU may expect to avoid a reinstatement of duties against their exports.

IV • Trade and sustainability: two confronting views.

Sustainability is another issue that would differentiate their trade and industrial policy. Trump pulled out of the Paris Agreement in 2017 and announced that he would do it again if reelected. He criticised Biden's Inflation Reduction Act (IRA) as a "waste" of money, threatening to rescind it, or at least to repeal some major programmes under it or limit funding. He could use the IRA incentives as a coercive tool against companies or trade partners to decouple from China. His rejection of green policies also means that the resolution of frictions with the EU opened by the US IRA and the EU Carbon Border Adjustment Mechanism (CBAM) would not see a resolution under his mandate. The achievements of the Transatlantic Initiative on Sustainable Trade (TIST) are also likely to be discontinued.

On the contrary, Harris made clear her interest in elevating sustainability (including social sustainability) to the top of her agenda. In her previous capacity as Senator, she co-sponsored the Green New Deal resolution and introduced the Environmental Justice for All Act, while as Vice-President she enacted the IRA. As already mentioned above, Harris also rejected several trade agreements because their environmental and labour provisions were not deemed ambitious enough. Sustainability and labour considerations would continue, as under Biden, to play a major role in any trade and trade facilitation talk between the US and its partners, as the discussions on a US-EU Critical Minerals Agreement showed (the partners were not able to find an agreement because of complaints from the US about some labour provisions). During the Biden/Harris administration, the US and EU were also unable to conclude a Global Arrangement on Sustainable Steel and Aluminium (GSA). These examples demonstrate that, despite the potential to cooperate more on a sectoral basis on common sustainability issues, the US and EU approach still diverge deeply and that Harris would not be ready to compromise on the US green and social objectives. However, her Presidency could put more emphasis on reducing greenhouse gas emissions by creating climate hubs - with allies - focused on phasing out carbon-intensive products.

22 The White House. (2024, May 14). [Fact sheet: President Biden takes action to protect American workers and businesses from China's unfair trade practices.](#)

V • **Bilateral engagement: between resignation and wishful thinking.**

Trump's relation with third countries is based on his personal relationship with the leader of those countries. He would adjust his trade policy based on personal bilateral relations. Being a like-minded country, an historical ally or an FTA partner would not prevent him from targeting them with his protectionist toolbox. He also privileges bilateral relations over multilateral and plurilateral frameworks, since this grants him more leverage and negotiating power. At the same time, Trump/Vance's isolationist stance makes it unlikely for him to prioritise any kind of bilateral relationship.

Concerning the EU, Trump already made clear during his first Presidency that he does not perceive it as an ally, but rather as an exploiter of the US: "Europe treats us worse than China". Hence, the EU (in particular Germany) is likely to be one of the main targets of his aggressive trade measures, as already in the case of his first Presidency when he threatened to target the EU automotive sector and more precisely the German automotive industry). Trump has no real interest in cooperating with his transatlantic partners (unless they accept to buy large quantities of American products), but some sort of dialogue between the two allies will always remain, not least because of the high level of integration of their economies and the significance of the transatlantic market for the business. However, the Trade and Technology Council (TTC), the dialogue platform created in 2021 to restore trust between the two blocks after the Trump Presidency, is certainly unlikely to survive in a second Republican mandate unless it is a fully-fledged anti-China club. More importantly, Trump's position on the ongoing war in Ukraine would play a fundamental role in defining the US trade relationship with its European partner, probably jeopardising even more the transatlantic relationship.

Harris, on the other hand, is likely to put more emphasis on the need to strengthen alliances, in particular for the purpose of building resilient and diversified supply chains. But it remains an open question whether she would be more open than Biden to exempt allies from protectionist measures (like the local content requirement in the IRA).

Harris may not shy away from pressuring like-minded countries to align with the US goals and approach, like what Biden did with Canada. She could do the same with the EU, potentially using frameworks like the TTC, the G7 or small groups of allies to try to unilaterally impose the US approach and build convergence to the US export controls against China. Despite a successful coordination on export controls against Russia, which is supposed to continue under the TTC and G7, frictions between the US and its partners may arise in the case of China because of different policies on the PRC, like shown in the case of export restrictions on chip-making equipment and the US bullying of the Netherlands and Japan. Different levels of pressure and economic coercion may not be a taboo for a Harris Presidency.

By contrast, under Harris, there are hopes that the status quo in the EU-US relationship would be preserved. Both she and Walz are aware of the importance of the economic relations with the Europeans, despite opposing the TTIP at the time. But given her clear focus on the domestic policy agenda, Harris is not expected to prioritise the strengthening of the transatlantic ties. Will then Harris seek cooperation with the EU against China's unfair trade practices, trying to win the European block to follow the US approach to the Chinese challenge or by forcing it to align on the US strategy like Biden forced the Dutch company ASML to ban exports of chips manufacturing to China? Chances that the TTC is maintained are high, even though it may change its structure, name and focus, especially to address new common

priorities like overcapacity and more China-related common concerns. However, a scenario where the TTC becomes a negotiating platform for binding joint decisions is unlikely under Harris. Yet, her attention to Ukraine and the Middle East may provide an additional incentive to strengthen coordination with the EU, in particular on sanctions against Russia.

Unlikely for the EU, differences in the approach to China and the US dependencies on the PRC are expected to be more nuanced between the two Presidencies, given how bipartisan the opposition to China's rising power is in the US. As anticipated above, Trump would prioritise a large use of China-specific tariffs. As part of his 4-year plan to phase out all Chinese imports of essential goods, targeting in particular pharmaceuticals, electronics, and steel, he would potentially review the *de minimis* exemption and prohibit Chinese investment in critical industries and the participation of Chinese SOEs in government procurement to cut off China from the American market. Additionally, a second Trump's Presidency would focus on the enforcement of the Phase One deal concluded with China in 2020, while also seeking a Phase Two deal.

Contrary to Trump, Harris' China strategy would continue to engage with Beijing at different levels, while implementing a selective strategic decoupling. A Harris Presidency would also continue the ongoing work²³ to review the *de minimis* exemption, as recently announced by the Biden administration. Harris/Walz would focus on safeguarding the US global tech leadership, protecting American jobs and defending human rights. Walz in particular, during his time at the Congress, cosponsored several bills concerning human rights violations in China. It remains to be seen whether Harris would scale up cooperation with like-minded countries to address China's unfair practices, potentially using more persuasion than coercion to ensure alignment on the US approach to these issues.

VI • What is left of the multilateral engagement?

The time when the US was leading and investing in the multilateral framework, especially in the World Trade Organisation (WTO), seems to be over, independently from who wins the elections. Neither Harris nor Trump are likely to prioritise multilateral cooperation, while, on the contrary, being open to violating WTO rules to pursue their domestic objectives.

In Trump's view, the WTO has only benefited China, while putting the US at a disadvantage. The Most Favoured Nation (MFN) rule, in particular, is perceived by him and his advisors as a detriment to level playing field and one of the causes of the US trade deficit. In addition to Lighthizer's decoupling strategy but also to the work of the bipartisan US Congressional Select Committee on the Strategic Competition Between the US and the Chinese Communist Party, a new Trump administration would be pushing for the repeal of China's MFN status (also known as Permanent Normal Trade Relations) as a way to tackle unfair trade practices. This could potentially lead to tariff rates beyond 60% and similar²⁴ to those faced by Cuba or North Korea. UBS Group AG estimates²⁵ that China's growth rate would be halved by Trump's tariffs.

²³ The White House. (2024, September 13). [Fact sheet: Biden-Harris administration announces new actions to protect American consumers, workers, and businesses by cracking down on de minimis shipments with unsafe, unfairly traded products.](#)

²⁴ U.S.-China Business Council. (February 2023). [The economic impact of China PNTR repeal.](#)

²⁵ Rugaber, C. (2024, July 16). [US tariffs at 60% would halve China's growth rate, UBS says.](#) Bloomberg.

Trump's sabotage of the WTO during his first Presidency led to the stalling of its dispute settlement system, especially by blocking the reappointment of new judges in the Appellate Body. It is unlikely, however, that he will push for the US to leave the organisation, given the lengthy process involving the Congress. It is more probable that he will withdraw *de facto* from the WTO, not engaging in the ongoing work (at both multilateral and plurilateral level) and keeping the blockage of the Appellate Body, potentially even operating to obstruct the overall functioning of the organisation and paralysing it. Trump may also push for creating clubs to strip China of the MFN status: a "WTO minus China" strategy²⁶.

Nevertheless, it is important to notice that in terms of WTO sabotage, the Democrats, starting already with the Obama administration, have a record that is as deleterious as Trump's. It is actually Obama who started the blockage of the WTO Appellate Body, complaining that the body exceeded its mandate in multiple circumstances. The Biden administration has done nothing to redress the situation (the US in Geneva does not even have a negotiating position on the dispute settlement system, despite their active engagement in informal talks). Even worse, under USTR Katherine Tai, the US withdrew²⁷ from ongoing plurilateral discussions on some aspects of the Joint Statement Initiative on e-commerce, claiming the need for "policy space", while not endorsing the stabilised text²⁸ agreed by most of the JSI members in July 2024. Biden has also shown no particular concern for WTO rules the moment he introduced the IRA, whose provisions are undoubtedly non-WTO-compliant. On her side, Harris claimed²⁹ to be supportive of a rules-based international order and international economic rules, but she is not expected to prioritise WTO reform in her mandate, nor to refrain from going against WTO rules if necessary. With Harris the current status quo is supposed to be maintained. She would probably privilege issue-specific plurilateral engagement with like-minded countries to multilateral engagement.

VII • Impact on the EU and the transatlantic relationship

An increased pressure on allies to align with the American vision of the world coupled with a more inward-looking "America first" US policy would likely prompt a stronger prioritisation of EU strategic autonomy and economic security. This would resonate with the new European Commission's stated priorities, illustrated by the position of a Commissioner for "trade and economic security", and provide more reasons to the EU to diversify its strategic relationships and strengthen ties with other like-minded countries like the UK, Canada, Japan, South Korea, Australia etc.

A second Trump administration would be the most disruptive scenario for the EU and the transatlantic relationship. Compared with the moderate economic impact on EU GDP and employment of previous Trump's tariffs, even 10% (if not 20%) import tariffs would substantially affect the EU economy, reducing EU exports by a third (around €150 billion annually³⁰) and costing up to 1% of the GDP, according to

²⁶ Gorton, M. (2020, December 22). [Will the WTO survive a change of administration?](#) Akin Gump.

²⁷ Office of the United States Trade Representative. (2023, October 12). [USTR statement on WTO e-commerce negotiations.](#)

²⁸ World Trade Organization. (2023). [E-commerce negotiations: Report of the e-commerce working group.](#)

²⁹ Harris, K. (2024). [Policy book: Economic opportunity.](#)

³⁰ Bounds, A.. (2024, July 29). [EU prepares two-step trade plan to tackle Donald Trump.](#) Financial Times.

Goldman Sachs³¹. Oxford Economics³² finds that Germany's GDP would experience a 0.4% drop in GDP, while Ireland, the Netherlands, and Sweden would suffer a reduction of 0.6% of their GDP.

A major blow to the European market will also come from the trade flows diversion caused by the new duties added to the Biden/Harris ones, like already seen in the case of new tariffs on EVs. Many of these products, especially Chinese ones, that would not have access to the US market would risk being diverted to the EU, with obvious problems for the domestic industry. This would not be limited only to China. Other countries, particularly Mexico and Vietnam, which have played a mediating role between China and the US in the decoupling process, are likely to be hit hard by Trump's trade policies, given their large trade surpluses with the US. Through the existing EU-Vietnam FTA, many of the Vietnamese products that would not make it in the American market would be redirected to the EU. Not having an FTA with the US would also put the EU at a competitive disadvantage with respect to countries like Canada and Mexico - USMCA partners that may be able to obtain exemptions from the new restrictive US measures, like during Trump's first mandate.

There are many concerns in the EU also about potential increases in prices of goods (including intermediary goods needed for production in the EU), energy and costs for both EU companies and consumers. Especially in the case where previous tariffs are reinstated, US companies may find it less efficient to source from the EU and may be incentivized to search for other suppliers outside of Europe, following a cost/benefit rationale (while there are also increasing additional legislation and compliance costs). Even if Trump would tend to reduce the subsidies provided by the IRA, the expected US focus on industrial policy may also impact the EU's attractiveness to foreign investment, including American investment.

VIII • How should the EU respond?

On the eve of the elections, the 27 seem resigned to waiting for the *fait accompli* of a second Trump Presidency or a Harris Presidency, which would finally announce the colour of the day in terms of trade policy. Despite some ongoing contingency planning at the European Commission level, there is not enough strategic anticipation at European level.

In the short term, therefore, calibrating the EU's response to potential unilateral aggressive US initiatives affecting the EU requires a focus on building cohesion among the 27 member states around EU interests.

The EU is more fragmented than it was in 2018, when Trump announced his first tariffs. At that time, after the Brexit vote, Michel Barnier's method, based on coordination within the Commission's directorates-general, transparency and dialogue with Member States, and a focus on using the single market for the benefit of all 27, made it possible to foster a surprising European cohesion. Following the Commission's important retaliatory measures in response to the steel and aluminium tariffs, the announcement of additional measures in the event of tariffs targeting the car industry acted as a deterrent and prevented the implementation of new tariffs. Today, budgetary constraints and domestic fragmentation within several member states are undermining collective strategic thinking - reduced to a very inward-looking domestic approach.

³¹ Bounds, A.. (2024, July 29). [EU prepares two-step trade plan to tackle Donald Trump](#). Financial Times.

³² Oxford Economics. (2024). [What Trump 2.0 would mean for European growth](#).

In addition, the challenge is to prepare an assertive defensive response while preserving a resilient relationship with the US that transcends political cycles and promotes long-term stability and mutual benefits.

The European Commission made it clear that in the case of new tariffs it is ready to first retaliate using its trade defence tools and then negotiate to push back on US coercion, even though they are willing to avoid a trade war. It has set up³³ a dedicated group of officials to prepare contingency plans, especially for a Trump's Presidency scenario. DG Trade would notably be exploring³⁴ 50% or more duties on some US exports to the EU as a response to Trump's aggression.

Beyond a potential first shock, the European Union should remain open to negotiating with the new US administration to find sectoral or "mini" deals, potentially being open to agree on buying more American products, to address tariffs spikes and other irritants like local content requirements (like in the case of the IRA and the connected Critical Minerals Agreement, currently being negotiated).

Additionally, the EU could make use of new instruments in its autonomous measures toolbox. Several EU countries would urge restraint in retaliating against their biggest ally given their security dependence on the US. But the Anti-Coercion Instrument (ACI) will only prove to be an effective deterrent tool if used. The Foreign Subsidy Regulation (FSR) could be used if the massive state aid provided by the IRA ends up causing competitive distortions in the Single Market. The International Procurement Instrument (IPI) could also be used to respond to additional local content requirements added to procurement contracts.

The EU's greatest weakness would be to be confronted with a growing internal disagreement over how to use these tools to handle the US protectionist agenda. How the EU responds to US bullying will be as much a test of its credibility as how it responds to the Chinese challenge. Therefore to remain a credible power vis-à-vis the US, there are short-term priorities:

- The new European Commission must actively engage with Member State capitals to avoid fragmentation or conflicting responses to the US action. The task force that already exists within the Secretariat General of the Commission, involving the DG Trade and other DGs to prepare the EU to a Trump or a Harris victory, should act as a central contact point and coordination platform to build cohesion with the member states. This task force would be a counterpart to the one that should be created on EU-China relations.³⁵
- Be prepared to use deterrence mechanisms that require the US to engage in dialogue, consultation, or negotiation before taking unilateral actions. These tools have been designed with the primary objective of bringing the trading partner to the negotiating table, avoiding escalation and allowing the EU to assertively defend its interests.
- A comprehensive contingency plan to mitigate the potential impact of US unilateral measures on the European economy and ensure EU economic resilience should include financial support for industries most vulnerable to trade disruptions and US protectionist measures.

³³ Foy, H. (2024, August 2). [EU sets up team to prepare for Donald Trump's potential return to power](#). Financial Times.

³⁴ Bounds, A.. (2024, July 29). [EU prepares two-step trade plan to tackle Donald Trump](#). Financial Times.

³⁵ Fabry, E. (2021, February 16) [Using the 'Barnier method' to deal with China](#), Blogpost, Jacques Delors Institute.

- Grasp the urgency of Enrico Letta and Mario Draghi respective recommendations to significantly boost the Single Market competitiveness and build long-term economic resilience. Strengthening strategic industries, securing supply chains, improving regulatory efficiency, investing in human capital, and increasing public investment (potentially accepting to invest in a new common debt) will help the EU withstand potential shocks from US trade policies.

In a scenario of a Harris Administration, it would also be key to preserve the achievements of the TTC and build on the progress already obtained to maintain continuity in the EU-US dialogue and coordination, while also ensuring that these outcomes bring tangible and commercial benefits to both economies in the longer term. In addition to investing in building relationships with the new US administration and Congress early on, maintaining consistent technical-level dialogues through the TTC would allow to make the case for the strategic importance of transatlantic relations. Opportunities to collaborate further on rising common challenges like overcapacity and other economic security-related issues may help bridge the gap between the EU and the US on dealing with China.

In the medium-long term, this requires the Europeans to:

- Institutionalise and expand the TTC to serve to resolve trade disputes before they escalate and address emerging areas of concern such as digital regulation, green technology standards and economic security. In particular, the TTC should be used to deepen EU-US strategic cooperation on common challenges coming from China, without transforming this platform into an “anti-China club”, and rather focusing on joint or complementary strategies to ensure economic resilience. The role of the TTC as a strategic platform, already outlined by transatlantic coordination on sanctions against Russia, should be strengthened and emphasised further, especially to ensure that EU and US consult and coordinate with each other before taking unilateral measures that could have indirect consequences on the partner.
- Establish a formal platform for business engagement, including representatives from businesses, and policymakers from both sides of the Atlantic, to promote consistent dialogue and coordination on critical economic issues, fostering stronger cross-Atlantic business ties and ensuring continuation regardless of political shifts in the US. Such platform could take the form of a Transatlantic Business TTC, meaning a stakeholder engagement platform like the existing Trade and Technology Dialogue, but more institutionalised than the TTD, managed jointly by European and American institutions and making a better link between the EU and US business community (the TTD is mostly addressed to an audience based in the EU). Alternatively, the previously existing Transatlantic Business Dialogue could be revamped or the existing Transatlantic Business Council could be strengthened and institutionalised. Strong business engagement is key to ensure that the business case to maintain deep EU-US economic ties is understood and taken into account by the next administration.
- Build broad US public and political support for a strong transatlantic relationship by raising awareness among US stakeholders outside of Washington, D.C. (including US states and local governments, business groups, and civil society) to highlight the benefits of EU-US relations, while focusing on areas of mutual interest such as economic ties, security, and shared democratic values. In particular, the case for open and strong transatlantic trade relations should be made at all these different levels of the societal and political spectrum, communicating clearly on the benefits that these economic ties bring to the local level.

- Pursue targeted deals with the US in areas of mutual interest such as green technology and digital services, in order to create incremental progress in EU-US trade relations while avoiding the complexity of a full trade agreement.
- Adopt a holistic long-term strategy based on the assumption that the US approach to trade policy may not “return to normal.” A unified front is necessary to counter American unilateralism and coercion. Said strategy should ensure that any approach to transatlantic relations is consistent across all EU institutions and member states, avoid siloed approaches between EU institutions and Member States and between policy areas. The European Commission, European Parliament and European Council should elaborate a EU-US Strategic Outlook, similar to the EU-China one of 2019³⁶, defining the common EU long-term position vis-a-vis the US.
- The signature and ratification of trade agreements should be considered by Member States and the European Parliament in the light of the possible urgent need to reduce over-dependence not only on China but also on the US market in order to diversify trade flows with alternative markets.
- The United States may not return to active engagement in the WTO in the foreseeable future. In order to ensure that adherence to multilateral rules is not perceived in Washington as legalistic conservatism that weakens the EU, the Europeans must come up with innovative proposals to strengthen transatlantic cooperation,³⁷ while redoubling their efforts to build coalitions not only with like-minded countries, but more broadly with emerging economies and the least developed countries: it is they who would suffer most from an erosion of multilateral rules, particularly as regards the use of subsidies. These efforts could start by distinguishing between bad subsidies, which distort competition, and good subsidies, which are necessary for decarbonisation.

³⁶ European Commission. (2019). *Communication from the Commission to the European Parliament, the European Council, and the Council: EU-China – A strategic outlook.*

³⁷ Lassus, R. (2024), *op.cit.*

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