



Analysts weigh trade impact of European travel ban

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President Trump's decision to halt travel from many European countries in response to the coronavirus pandemic will hinder services trade between the two countries, analysts tell *Inside U.S. Trade*.

Trump last week announced that travel from the 26 countries in Europe's Schengen Area, including France, Germany, Italy and Spain, was suspended. He later expanded the ban to include the United Kingdom and Ireland. U.S. citizens and permanent residents are exempt. The European Union, meanwhile, announced on Tuesday it was closing its borders for 30 days.

Analysts say the restrictions on the movement of people with Europe will curtail services trade, particularly in professional and travel services, which are [among the U.S.' top services exports](#) to the bloc, according to the Office of the U.S. Trade Representative. The U.S.' services surplus with the European Union was \$60 billion in 2018, according to USTR.

"The services are certainly affected," said Harry Broadman, partner and managing director at Berkeley Research Group LLC and a former USTR official. "It's particularly pronounced because we are a surplus provider to the EU."

"Travel and professional services are the two largest exports between the U.S. and the EU and the travel includes not just airlines, but tourism in the U.S., which many people don't realize is an export of services. Even though the consumption of the service is in the U.S., it's an export back to the home country," he added in an interview.

Bill Reinsch, the Scholl Chair in international business at the Center for Strategic and International Studies, suggested possible implications for goods trade as well, as passenger airlines also carry cargo.

"If you kill off passenger traffic, you're going to really hurt cargo traffic as well because so much of it goes on passenger planes," he said.

Some services can be provided remotely, Reinsch said, and more could be over the long term, "but in the short run, I think a lot of what goes [on with] Europe depends upon people flying back and forth, personal meetings, and that will be difficult."

Broadman added: "Imagine you're a trade lawyer and if you have clients in the EU," or vice versa, "if there's a ban on travel at least inbound that obviously affects the professional services side."

Reinsch also noted potential complications for U.S. and European companies that have facilities on both sides of the Atlantic.

"If you're a senior manager or you're a CEO of an American company with European facilities you can sort of stay in touch with what's going on there remotely, but there's a lot of transportation that needs to go back and forth particularly in research and development projects," he said.

"You've got basically two group of scientists or engineers working on something one -- in Europe and one here -- periodically they just have to get together to share information, to catch up and do things face-to-face that you can't do remotely," he added.

Investment decisions could be impacted, Reinsch said. "Probably a lot of investment decisions are going to slow down," he said. "If you're going to invest in Ireland, which is a popular place to invest, at some point in the process somebody from here is going to want to go over there and look at what they're investing in."

“You’re not going to make an investment unless you can do a hands-on investigation and so it doesn’t mean it’s not going to happen; it means it’s going to slow down,” he added.

Citing [a recent blog post](#) written by former acting Deputy USTR Wendy Cutler, Reinsch raised the prospect of impacts on ongoing trade talks.

“Travel bans really hurt negotiations,” he said. “You really need the in-person, face-to-face contact in order to close. Negotiators rely on body language and facial expressions -- things that you can only get in person -- in order to get a sense of where the other side is prepared to concede, and which demands are redlines.”

“So it’s going to hurt the EU-U.S. talks, it’s going to hurt the U.S.-UK talks,” he concluded.

On Wednesday, Trump also announced that “non-essential” travel with Canada would be “temporarily” suspended by mutual agreement, though he added on Twitter that “[Trade will not be affected](#).” He told reporters at the White House on Wednesday that the restrictions would likely be in effect for 30 days, though they could be extended.

“It won’t affect trade at all,” he said.

Asked why trade would not aid in the spread of the virus, Trump said, “They’re doing it in a very careful manner. You can only be vigilant and very professional, but it’s not pertaining at this moment to trade.”

Services exports from the U.S. to Canada are a “prominent” issue at all three major border crossings -- Detroit-Windsor, Buffalo-Niagara Falls, and Cascade Gateway -- according to a 2019 “[Border Barometer](#)” report from the Border Policy Research Institute at Western Washington University; the State University of New York at Buffalo; and the CrossBorder Institute, University of Windsor. -- *Anshu Siripurapu* (anshus@iwpnews.com)

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