

Escalation in tariff wars could see Irish consumers going under

Importers are relatively unscathed so far but further US retaliatory action could change all that



Kayaking along the Serpent Lake, at the Gap of Dunloe near Killarney. Adventure sports company Progressive Distribution has had to cancel an order from the US due to tariffs. Photograph :Valerie O'Sullivan/Getty Images

Most Irish consumers will likely have been unmoved by the concerns of US motorcycle maker Harley-Davidson for its European business or the prospects for sales of bourbon, as the man on the street refuses to swallow price increases.

Harley and Jack Daniels parent Brown Forman have been among the most vocal US voices on the impact of retaliatory sanctions by the [European Union](#) against the United States in one of a series of escalating trade disputes triggered by US president [Donald Trump](#). But both are very much niche products in the Irish market.

However, the [tariffs](#) imposed late last week on a wide range of US goods are likely to affect Irish consumers in more ways than they know. In fact, the sanctions are likely to impact Irish consumers and Irish companies far more than the original US tariffs on European goods.

And, it's not just big ticket items – like Harley-Davidson motorbikes – that will cost more unless both sides can find a way to resolve the current impasse. And that's unlikely, as it stands. If anything, an escalation is more probable, with the White House currently reviewing its options. So how has it come to this? And what does it mean on the ground?

It's worth taking a step back to explain the situation. The imposition by the EU of tariffs on goods coming from the US from last Friday is intended simply as a retaliatory measure. It is responding to the US president's decision not to exempt the EU (along with Canada and Mexico) from punitive tariffs on steel (25 per cent) and aluminium (10 per cent) from the start of the month.

The goods that have been subjected to tariffs by the European Commission have been so selected to match the level of European goods that will become more expensive in the US.

Trump heartlands

The US tariffs target \$7.2 billion (€6.2 billion) worth of EU imports and, based on 2016 figures, will yield additional duty of \$1.6 billion (€1.3 billion) for the country.

The EU plans ultimately to levy duties on \$7.1 billion (€6.1 billion) of imports from the US, yielding the same amount. However, it says it is playing strictly by the rules of the [World Trade Organisation](#) (WTO) – which oversees trade relations and disputes. As a result, it has only imposed additional tariffs on \$3.2 billion (€2.7 billion) of imports to date, yielding \$700 million (€604 million).

Europe says the goods it has targeted are not intended to attack Trump heartlands, but rather fairly deal with the situation started by the US president. That's not necessarily how other observers see it. Solid Republican states like [Wisconsin](#) (Harley-Davidson) and [Kentucky](#) (bourbon) – political homes to House speaker [Paul Ryan](#) and Senate majority leader Mitch McConnell respectively – see themselves as carefully selected targets.

And it is worth noting that, at least in Ireland, the original Trump sanctions had little direct impact. With the exception of the [Aughinish Alumina](#) facility in Limerick, we export no steel or aluminium to the US. Trump's action appeared to be an effort to impact German, French, Italian and Spanish aluminium and steel exporters.

But Irish business will feel the bite from Brussels' retaliatory action and consumers will be affected in the medium term. Among them is [Progressive Distribution](#), an adventure sports equipment distributor based in Dublin.

It has had to cancel an order of two containers of canoes and kayaks from the US because the tariffs have "eliminated the commercial viability" of some of the products it imports, according to [Shane Cronin](#), the company's managing director.

"The revenue we would have expected to generate in the short term is gone," he said, noting that both containers would have had a total retail value of about €160,000.

Cronin says his company has effectively lost out as a result of the tariffs because this is peak season for canoe and kayak purchasing. It will take at least a month, he said, to replace the order that has been cancelled, by which time the season will be edging toward its end.

While Cronin's example looks bad, both for business and the exchequer, the amount we import from the US that will be subjected to this first wave of tariffs is still relatively small. The concern is that this is a precursor to more worrying tariffs.

Consumers

Under Trump's initial tariffs, only €15 million worth of Irish goods was affected. The EU's response will see €59 million worth of US imports to Ireland taxed at a higher rate. For Ireland, based on the first round of sanctions, it's clear that consumers, as opposed to exporters, will be the losers.

However, that €59 million figure is only 0.4 per cent of our total imports from the US and €37 million of that is steel that we import. While it's unclear where this steel is going, one source suggests it's being used in the medical technology sector where US companies in Ireland are simply keeping the same supplier relationship as they have in their home market.

More importantly for consumers here is the fact that €13.5 million worth of US imports subjected to the new tariff regime are food products. That includes items like maize, or corn.

So, for example, corn imported from the US for use in the supply chain, like in sandwich making, could result in that good being branded as a premium product. Additionally, popcorn sourced from the US is likely to become more expensive as a result of the imposition of a 25 per cent tariff.



The EU has imposed tariffs on US bourbon whiskey leading to fears of a tit-for-tat that would be a major concern for Ireland. Photographs: Isabel Infantes/EPA

While the tariffs could pose problems in particular sectors, the 0.4 per cent of our total US imports for which they account is below the EU average. Across the wider bloc, the impact is on about 1 per cent of US imports – though Malta is disproportionately affected as 21 per cent of the goods it imports from the US will be subjected to the new tariffs. The Maltese figure is distorted as a result of its tendency to import US, as opposed to European, yachts and boats. These will be subject to a 25 per cent tariff.

Again, that’s an issue that won’t bite particularly hard in the Republic. [Gerry Salmon](#), the managing director of international yacht broker MGM boats, says US sailboats aren’t particular popular here and failed to populate our coastline, even in boom times.

“Probably, for the moment, there are select groups of people that are very badly hit by this but, in the overall scheme of things, we won’t see huge impacts in the wider economy,” said [Alison Wrynn](#), an economist with Ibec.

“Trump, most likely, will retaliate and if it becomes a tit-for-tat trade war, we could see more of our goods subject to tariffs. Any kind of slowdown in global trade will have a big effect on the wider economy.”

While the next moves are unclear, Ms Wrynn said the “evidence is that this is going to escalate and we will be dragged in”. The way in which this could happen is through any retaliatory US tariffs on whiskey imports.

That could have a devastating effect on the Irish industry. In the last 10 years, exports of Irish whiskey have increased 340 per cent, with two-thirds of that growth in the US. As a country, we export €560 million worth of whiskey products to the US.