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POLITICS

Trump Administration Proposes Tariffs Against $2.4 Billion of French Goods

Move is in response to France's digital-services tax

The Office of U.S. Trade Representative Robert Lighthizer has been working on the report for months. PHOTO: ALEX WONG/GETTY IMAGES

By Josh Zumbrun in Washington and Noemie Bisserbe in Paris

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The Trump administration proposed tariffs of up to 100% against $2.4 billion of French imports, saying the nation's new digital-services tax unfairly targets U.S. tech companies such as Apple Inc. and Alphabet Inc.'s Google unit.

The French tax, which was signed into law July 24, applies a 3% tax on revenue that tech companies reap in France from such activities as undertaking targeted advertising or running a digital marketplace.

In an investigation released late Monday, the U.S. Trade Representative's office said the Digital Services Tax, or DST, applies largely to services where U.S. companies are dominant and doesn't tax services where French companies are more successful.

“Statements by French officials responsible for proposing and enacting the French DST show that the law deliberately targets U.S. companies,” the USTR’s office said. It added that French officials “repeatedly referred to the French DST as the ‘GAFA tax,’ which stands for Google, Apple, Facebook and Amazon. ”

In a statement, U.S. Trade Representative Robert Lighthizer said the U.S. action “sends a clear signal that the United States will take action against digital tax regimes that discriminate or otherwise impose undue burdens on U.S. companies.”

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The USTR also threatened that such tariffs could be enacted in the future against Austria, Italy and Turkey, all of which also have digital-services taxes.

The USTR said it would hold public hearings on proposed tariffs Jan. 7 and would accept public comments through at least Jan. 14 before moving forward with the levies. The action came on the same day President Trump said he would raise tariffs on steel and aluminum imports from Brazil and Argentina.

A spokesman for the French finance ministry declined to comment late Monday.

French Finance Minister Bruno Le Maire said Monday, before the USTR report was released, that the U.S. was backtracking from previously announced plans to seek a solution through the Organization for Economic Cooperation and Development, which includes both the U.S. and France.

“They are now telling us that they don’t want this solution and are simply going to impose new sanctions on France,” Mr. Le Maire said on a radio broadcast. “My message is clear: We will never, never, never abandon our will to tax fairly tech giants,” he added.

France’s digital tax measure is the first in a series of proposed national taxes on digital services being debated across Europe. French lawmakers approved the new tax in July, just hours after Mr. Lighthizer said his office would investigate it.

The $2.4 billion in imports threatened with tariffs is slightly less than 5% of the $52 billion worth of goods imported from France in 2018.

Items subject to the tax would include wine, cheese, handbags and porcelain, according to a list of 63 different tariff codes released by the USTR’s office.

Members of the Organization for Economic Cooperation and Development, including most of the world’s high-income nations, have been negotiating a new framework for taxes on digital services. France had pledged to repeal its new tax once an agreement is reached at the OECD, but progress has been slow.

Sens. Chuck Grassley (R., Iowa) and Ron Wyden (D., Ore.), the ranking members on the Finance Committee applauded the move, signaling support from Congress on the action.

"The French digital services tax is unreasonable, protectionist and discriminatory," the senators said, adding that they encourage countries "considering similar actions to work within the OECD framework toward a comprehensive solution."

In addition to tech giants such as Google and Apple, the digital services tax would also hit Groupon Inc., eBay Inc., Match Group Inc. (which operates Tinder) and Expedia Group, according to the USTR's report.

Outside the U.S., companies subject to the tax would include China's Alibaba Group Holding Ltd., Japan's Rakuten Inc. and Randstad Holding NV, the report said.

The tariff action against France uses the same broad law that the U.S. has used to impose tariffs against China.

The French tax is retroactive to the beginning of 2019.

In August, President Emmanuel Macron said U.S. and French officials had agreed on a proposal stipulating that France will reimburse U.S. tech companies if they end up paying more taxes under the French tax than they would under taxation rules that the OECD is currently negotiating.

—Katherine Stech in Washington contributed to this article.

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