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Stop The Steel: Biden Is Replacing Trump's Tariffs With Import Quotas

Biden will allow 3.3 million metric tons of European-made steel to be imported annually without tariffs. After that, Trump's 25 percent tariffs will remain in force.

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The Biden administration has reached a deal with the European Union to withdraw tariffs imposed by President Donald Trump on European-made steel. Unfortunately, the agreement likely won't translate into lower costs for American manufacturers and consumers.

That's because the Biden administration is replacing Trump's tariffs with a new form of protectionism that will continue to artificially inflate the cost of steel imported from Europe. Instead of charging 25 percent tariffs on all steel imports, as Trump did, Biden's deal includes a so-called "tariff-rate quota" that will allow 3.3 million metric tons of steel to be imported annually without tariffs. Once that threshold is met, the 25 percent tariffs will apply to subsequent imports. For reference, the U.S. imported nearly 5 million metric tons of steel from Europe in 2017—the last full year before Trump's tariffs caused imports to fall sharply.

While the lifting of Trump's tariffs is good news for some steel-consuming businesses in the United States that are struggling with high prices and supply shortages, "it is disappointing that the agreement will not completely terminate these unnecessary trade restrictions on our allies," the Coalition of American Metal Manufacturers and Users, an industry group, said in a statement. "The U.S. domestic steel sector does not need protection from competition and the

U.S. should immediately begin negotiations to lift these damaging tariffs on our other close allies and trading partners."

Steel manufacturers, however, voiced their support for the continued protectionism afforded by the Biden administration's new agreement. Kevin Dempsey, president of the American Iron and Steel Institute, which represents steelmakers, hailed the deal's tariff-rate quotas as a "crucial" policy meant to "prevent another steel import surge." Similarly, *The New York Times* reported that "metal unions in the United States praised the deal, which they said would limit European exports to historically low levels."

But, of course, a surge of steel imports is exactly what America could use right now. American manufacturers are paying more than $1,300 more per ton of hot-rolled steel than their competitors in China this month, according to data aggregated by Steel Benchmarker, a trade publication. By limiting the supply of imported steel, the Trump/Biden trade policies have combined to limit supply and drive up prices—a narrow victory for domestic steelmakers and unions lobbying for greater protectionism, but a loss for downstream industries that must buy steel for various purposes.

Meanwhile, the deal with the E.U. does nothing to ease Trump's tariffs on imports from other major American trading partners, including Great Britain, Japan, and South Korea. That means it is unlikely, for now at least, that imports from other sources will help ease the high prices and supply shortages plaguing American manufacturing.

There are other reasons to be wary of Biden's deal with the E.U., which includes some provisions seemingly unrelated to the tariffs Trump initially imposed via Section 232 of the Trade Expansion Act of 1962. Under that vague and powerful law, the president is allowed to unilaterally impose tariffs for "national security" purposes. Biden is invoking the same law to impose his new tariff-rate quotes on steel imported from the E.U., but the agreement suggests that the current administration is looking for novel ways to stretch the already warped definition of "national security" when it comes to trade policy.

For example, the White House is calling the new agreement "the world's first carbon-based" trade deal, an indicator that it sees trade policy as one facet of its overall climate change policy. The Sierra Club, an environmental group that you might not expect to have much to say about steel tariffs, praised the White House for "pursuing a new, climate-focused agreement" on trans-Atlantic trade.

"While addressing the carbon footprint of the steel and aluminum industries may be a legitimate federal government objective, it has *nothing* to do with the rationale laid out for the imposition of *these tariffs,"* write Scott Lincicome and Inu Manak, trade policy experts at the Cato Institute. "These tariffs should not be used as leverage to compel our allies to agree to unrelated U.S.

interests, and trying to shift the Section 232 tariffs' focus from a dubious national security threat to climate change is wholly inconsistent with the statute."

Sen. Pat Toomey (R–Penn.), one of the few members of Congress who tried unsuccessfully to reform Section 232 in light of Trump's abuses of the law, said in a statement that "using Section 232 tariffs as negotiating leverage to enact concessions on climate change is inappropriate."

But since Congress doesn't seem interested in doing much of anything to limit presidential powers under Section 232, what we're left with is a law that allows presidents to impose, revamp, and leverage tariffs as tools of foreign policy. Regardless of whether they use that power in a misguided attempt to punish foreign nations (as Trump did) or in a misguided attempt to leverage international agreements on climate policy (as Biden appears to be doing), it is ultimately American consumers and businesses that pay the price.

The only real winners to emerge in this new agreement are the industries that suffered collateral damage as a result of Trump's trade war with Europe. As part of the new deal, the E.U. will end retaliatory tariffs on American-made items like whiskey and motorcycles.

American whiskey exports to the E.U. had fallen by about 37 percent since the retaliatory tariffs had been imposed, according to the Distilled Spirits Council of the United States (DISCUS). "Cheers to the Biden administration for their dogged determination to reset trade relations with the E.U. and bring a stop to the needless damage being done to U.S. businesses caught up in this trade war," Chris Swonger, CEO of DISCUS, said in a statement. "The end of this long tariff nightmare is in sight for U.S. distillers, who have struggled with the weight of the tariffs and the pandemic."

That relief is surely welcome. But the Biden administration's agreement with the E.U. suggests that the spirit of Trump's steel protectionism is alive and well—and that the power of the American presidency over the free exchange of goods over American borders is only continuing to grow.