



Why the European Union Wants to Tax Levi's Jeans

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In the most basic sense, tariffs are taxes applied to imported goods. But in 2018, the humble tariff has become a political chess piece in a still-unfolding, rapidly escalating international political drama. A “trade war” erupted when Donald Trump announced, then signed, aluminum and steel tariffs into law. The European Union responded by threatening to put tariffs on iconic American products like Harley Davidson motorcycles and Levi’s blue jeans. But jeans aren't among of the U.S.’s top exports—neither are denim or textiles, for that matter. So why would the EU target a company like Levi’s? The EU has to pick companies “that represent things bigger than the value itself,” says Inu Manak, a visiting scholar at the Cato Institute and an expert in global economies and trade. The “bigger thing” these companies represent? Americana itself.

“It's purely political,” says Matt Gold, adjunct professor of Law at Fordham University and a former U.S. trade official under President Barack Obama. “[The EU] know Trump has to play to his constituency and they know the nature of his constituency ,and so they immediately started talking about Harley Davidsons and Levi's and various products that they feel are associated with America and Americana that's at the core of Donald Trump's constituency.”

So while taxing denim and motorcycles might not have the most monetary upside for the EU, it takes a hit at companies near and dear to America’s heart. Motorcycles painted with flames or the jeans worn by enterprising gold rushers are as American as apple pie. And brands like Levi’s seem to be hand-selected specifically for press, too—to create the sort of headlines that would reach, and affect, a Trump constituent. (Levi’s did not respond to a request for comment.)

“They're highly visible and they grab media attention,” says Gold. “Think of the media placements that Trump constituents read that will grab a story involving Harley or Levi’s.” Gold suggests that the choice pushes media exposure beyond the typical outlets that would typically cover tariffs—to places like, say, this very website.

The EU is making a bet that average Americans will care because, as the tariffs inflate the cost of a pair of Levi’s in Europe, fewer people outside the U.S. will buy—thus hurting the brand’s sales. And because of Levi’s stature as a brand synonymous with America, it feels like an attack

on the very items and brands that...make America great. But will these proposed tariffs actually harm crucial American industries? That's almost beside the point. Manak says that while there's no doubt those directly involved in the industry will feel an immediate impact—it just so happens European sales for Levi's rose 20 percent in 2017, according to Bloomberg—an average American might not feel a direct hit.

Additionally, the tariffs act as leverage against leading members of Congress from the states where Levi's and Harley Davidson are headquartered. Harley Davidson is based in Wisconsin and Levi's in California, putting pressure on House Speaker Paul Ryan and Democratic Leader Nancy Pelosi, respectively. Taxing Kentucky bourbon, meanwhile, goes after Senate Majority Leader and Kentucky Senator Mitch McConnell. Even though Trump has signed his tariffs on aluminum and steel, there's a 15-day waiting period before they go into effect. "This is a signal to Pelosi and Mitch McConnell and Paul Ryan to talk to the president and talk to his advisors about the potential impact," says Manak. "They have 15 days to really ramp up efforts to say, 'Maybe you shouldn't do this.'"

Today, economists told Bloomberg that the newly signed Trump tariffs, along with the ones threatened by the EU, could cause a "\$470 billion hit to the global economy." The ripples will be felt dramatically worldwide—and, the EU hopes, resonate deeply in the reddest of red states where brands like Levi's are inextricably linked to "rugged individualist Americans in rural areas, which are in turn associated with Trump's constituents," says Gold. All of which casts into doubt what Trump tweeted when his tariffs were first announced. "Trade wars are good," he wrote, "and easy to win."