



Trump's Trade War With Europe Is Biden's Trade War Now

Eric Boehm

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The European Union will postpone a planned escalation of tariffs targeting American exports. The delay will last at least six months, as officials on both sides of the Atlantic try to negotiate an end to most nonsensical of the lingering Trump trade wars.

In a joint statement issued Monday, U.S. Trade Representative Katherine Tai and European Commission Executive Vice President Valdis Dombrovskis said they were aiming to "find solutions before the end of the year" to address issues relating to the "excess capacity" of global steel. The announcement is vague, but it is still a welcome thaw. It suggests that top trade officials on both sides will at least stop escalating the conflict—even as talk of "preserv[ing] our critical industries" indicates that protectionism itself isn't going away anytime soon.

As part of that overall effort, the European Commission announced that it is forgoing plans to hike tariffs on American whiskey, corn, orange juice, peanut butter, tobacco products, and other exports. Europe had imposed 25 percent tariffs on those items in response to the Trump administration's decision in 2018 to slap 25 percent tariffs on European-made steel, and the E.U. tariffs were set to double to 50 percent in June.

Monday's announcement is not a resolution to the trans-Atlantic trade war, but the delay gives American distillers cause to breathe a sigh of relief. The existing tariffs have already significantly damaged American whiskey exports to European countries—which have fallen by more than 50 percent since the tariffs were imposed, according to trade data tracked by the Distilled Spirits Council of the United States (DISCUS), an industry group.

A 50 percent tariff on American whiskey "would have forced many craft distillers out of the E.U. market" entirely, says DISCUS chief Chris Swonger. "We greatly appreciate the Biden administration's ongoing efforts to resolve these longstanding trade disputes and reduce the economic pain felt by those industries unfairly caught in the middle."

While the E.U. has backed off plans to hike tariffs further, it remains unclear what the U.S. is going to do in response. The Biden administration has not indicated that it will reduce or remove

the steel tariffs. (Those tariffs, by the way, have not achieved their primary policy aim of boosting the American steel industry. Instead, they have mostly caused economic pain for steel-consuming industries, which employ far more American workers.)

It's also worth noting that those steel tariffs were imposed under an utterly false rationale. Former President Donald Trump used powers granted by Section 232 of the Trade Expansion Act of 1962 to impose tariffs on nearly all imported steel, even though the law allows presidents to take such action only for national security purposes. The Trump administration made a half-assed attempt to offer a national security justification, but Trump made it clear on several occasions that he saw the tariffs primarily a way to create leverage for other issues unrelated to national security.

The Biden administration now seems to be doing something similar, says Inu Manak, a trade policy research fellow at the Cato Institute.

"My guess is that the Biden administration is using this as an opportunity to get the Europeans on the same page regarding China," Manak tells *Reason*. Negotiations about "excess capacity" of steel production, for example, would have little meaningful impact on either the U.S. or the E.U. without taking China into account, she notes.

Indeed, Tai and Dombrovskis said in their joint statement that they intend to "promote high standards, address shared concerns, and hold countries like China that support trade-distorting policies to account."

That's all fine and good, but it seems to fall well outside the supposed national security rationale for implementing tariffs against European-made steel in the first place. The Biden administration should lift those tariffs, which never made much political or economic sense.

Biden has inherited a vastly expanded set of presidential trade powers from Trump, and unfortunately he seems happy to use them—and to ignore the restrictions, such as Section 232's national security clause, that are supposed to prevent American presidents from using whole sectors of the economy as sacrificial lambs for foreign policy goals.

In other words, Monday's announcement is a sigh of relief for some American industries caught in the crossfire of the Trump/Biden trade wars. But it also serves as a warning that more industries could be similarly threatened in the future.

"It's a good thing that we've avoided escalation in this trade war," says Manak. "But it's also disconcerting that the Biden administration is not trying to distance themselves from Trump's failed 232 actions."