

EU and US on verge of trade war over Trump duties on steel and aluminium

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News

New tariffs will hurt US as well as EU say policy experts.



EU set to retaliate against the proposed US tariffs | Photo credit: Press Association

The EU and European industry have both condemned US plans for tough tariffs on steel and aluminium imports, saying they jeopardise not only European but American jobs.

Speaking on Friday, EU trade commissioner Cecilia Malmstrom set out plans to retaliate against the proposed US tariffs, including higher import duties on bourbon, peanut butter, cranberries, orange juice, steel and industrial products.

This comes after President Trump outlined plans to impose tariffs of 25 per cent on steel imports and

10 per cent on aluminium, with provisional exceptions for Canada and Mexico. There will, though, be no exemptions for the EU.

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European business had earlier “strongly” warned against creating “far-reaching disruption in world trade” and reaction from the business world to Trump’s move was swift, with Markus Beyrer, director general of BusinessEurope, telling this website the tariffs were “unfortunate” and came despite “strong reasons” against such a move.

With the decision due to enter into force in 15 days, Beyrer added, “Regrettably the EU, a key strategic ally of the US has not been exempted from this decision. The decision will enter into force in 15 days and we should do the utmost during this time to exclude the EU on security grounds”.

“If the EU is not exempted from the measures it will have to react appropriately.

“The EU must have a level-headed response, in line with WTO rules and safeguard the interests of its industry. BusinessEurope considers that the three-step approach, announced by the European Commission combining a lawsuit at the WTO, safeguarding measures to address a surge of imports and retaliation on a selected list of products fulfils these requirements.”

Further reaction came from Eleonora Catella, Business Europe’s senior adviser for international relations who warned that US additional duties on steel and aluminium would “put us on the verge of a trade war.”

“While we share US concerns that some world producers are disregarding repeated calls to address overcapacity and correct market unbalances, we believe unilateral actions will only do more harm than good” Business Europe’s Eleonora Catella

Catella said, “BusinessEurope is extremely concerned that these duties will bring the world on the verge of a trade war, creating a far-reaching disruption in world trade with consequences along the supply chains of many different industrial sectors that depend on these inputs, as well as on consumers.

“The repercussions of the additional duties will be felt by European and US companies alike. They will inevitably trigger countermeasures that risk having a very negative impact on the overall economic growth and the business environment. Announcements of swift and tough reactions by several members of the World Trade Organisation (WTO), including the EU, Japan, and China, have already

followed suit. This will impact negatively the agenda of growth and jobs promotion in the US and Europe.”

She explained that, “The EU and the US have a long-standing and close relationship centred on investment. European companies based in the United States made \$2.4 trillion sales in 2016. The Transatlantic economy represents about 56.1 per cent of the world’s foreign direct investment (FDI) inward stock and 64.3 per cent of the outward stock

“Most of our trade is driven by investments. These figures show the dimension and importance of our relationship and how much companies and economies on both sides of the pond are interlinked. Any disruption will surely have an extremely negative impact that goes well beyond products directly affected, as it is the case with the current proposal to impose additional duties on steel and aluminium.

“While we share US concerns that some world producers are disregarding repeated calls to address overcapacity and correct market unbalances, we believe unilateral actions will only do more harm than good. Initiatives like the measures proposed are not going to resolve the root causes of problems that are equally felt in the EU and the US – be them sectoral overcapacities, or theft of intellectual property and forced technology transfers.”

“Trump’s decision to take unilateral measures to protect one or two domestic industries, comes at a high price for many others. Depending on which retaliatory measures are taken by US trade partners and which industries and products will be targeted, numerous other US industries will be hurt, possibly including major US export products” European Centre for International Political Economy's Hanna Deringer

Catella added, “In particular, we regret that with this announcement President Trump is disregarding the importance of key strategic partners of the US, such as the EU: the announced measures will mainly hit US allies, those that have actively engaged in joint initiatives to fight for level playing field. We sincerely hope this decision will be reconsidered.”

Additional fears were been voiced by Hanna Deringer, of the Brussels-based think tank, the European Centre for International Political Economy, who warned that Trump’s measures will “hurt” American industry as well as in Europe.

Deringer said, “The proposed measures will impact the US economy as they will lead to an increase in product prices, job-losses, and a decrease of industry activity in sectors which depend on steel inputs. The US will also be subject to possible retaliatory measures from its trade partners.”

She Highlighted data that suggested that more Americans lost their jobs as a result of 30 per cent safeguard tariffs on steel imposed by President Bush in 2002, than the total number of people employed within the US steel sector.

“Trump’s decision to take unilateral measures to protect one or two domestic industries, comes at a high price for many others. Depending on which retaliatory measures are taken by US trade partners and which industries and products will be targeted, numerous other US industries will be hurt, possibly including major US export products,” said Deringer.

About the author

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