



PROANALYSIS

WHAT YOU NEED TO KNOW ABOUT

Steel And Aluminum Tariff Talks

BY STEVEN OVERLY AND TAYLOR MILLER THOMAS | 10/06/2021 05:00:54 AM EDT

- **The Biden administration agreed in May to work out a resolution to a Trump-era standoff with the European Union over U.S. tariffs on steel and aluminum imports.**
- **European leaders and American businesses want the tariffs gone, but steel producers and their workers want to keep protections in place.**
- **European leaders are open to replacing the tariffs with alternative measures. That could include an arrangement that involves more closely monitoring EU imports.**
- **The sides have been locked in intensive discussions with the target of reaching a deal by early November. If talks fail, the EU is poised to escalate its retaliatory tariffs against the U.S. in December.**

HOW WE GOT HERE

Former President Donald Trump angered trading partners around the globe in 2018 when he announced plans to impose tariffs on steel and aluminum imports from almost every country. His rationale was especially irksome to many allies: Trump cited Section 232 of the Trade Expansion Act of 1962, a rarely used provision that allows the government to impose trade penalties in the name of protecting national security.

The EU swiftly responded. The 27-nation bloc lodged a complaint with the World Trade Organization arguing the tariffs were in violation of global trade rules. And it implemented measures called safeguards to protect its own steel and aluminum producers from lost business. The EU also hit back with retaliatory tariffs on a catalog of American-made products, from whiskey and orange juice to motorcycles.

Over time, the Trump administration negotiated alternate arrangements with other allies, such as Canada and Mexico. But the tariffs on steel and aluminum from the EU have remained in place, much to the chagrin of metal-producing countries across the Atlantic.

Enter President Joe Biden. He pledged to rebuild relationships with the allies that Trump alienated, and he has made it part of his strategy to settle trade disputes. In May, both sides announced plans to negotiate a

resolution to the tariffs by year's end. As part of that arrangement, the EU said it would postpone plans to double its retaliatory tariffs on U.S. imports for six months.

U.S. steel production rose after tariffs, dropped due to pandemic

Percent of total steel and iron production capacity used each month, Jan. 2017–June 2021



Chart: Steven Overly / POLITICO • Source: Federal Reserve Bank of St. Louis

WHAT'S NEXT

That year-end deadline is fast approaching. The EU duties are scheduled to double on Dec. 1 if negotiators are at an impasse. But steps the EU must follow to stop that from happening will take about a month to implement, meaning the sides must presumably strike a deal at the start of November.

Top U.S. and EU officials gathered in Washington on Sept. 29 for the latest round of in-depth conversations among the most senior negotiators. The EU's trade commissioner, Valdis Dombrovskis, told reporters afterward that "clearly further work is still needed" but there is "a sense of urgency on both sides."

The EU would prefer to simply scrap the tariffs altogether. That would be most beneficial to its own steel and aluminum producers, and leaders there have always rejected the notion that their products pose a threat to U.S. national security.

But Dombrovskis told reporters ahead of the Sept. 29 meeting that he would be open to replacing the tariffs with alternative protections that help the U.S. steel and aluminum industries.

In particular, Dombrovskis pointed to an arrangement the U.S. reached with Canada in 2019 — to monitor its imports and lift tariffs unless imports surge — as a model that could work. He was adamant that any

such agreement must be compatible with WTO rules and determine future EU import levels based on purchases prior to the tariffs.

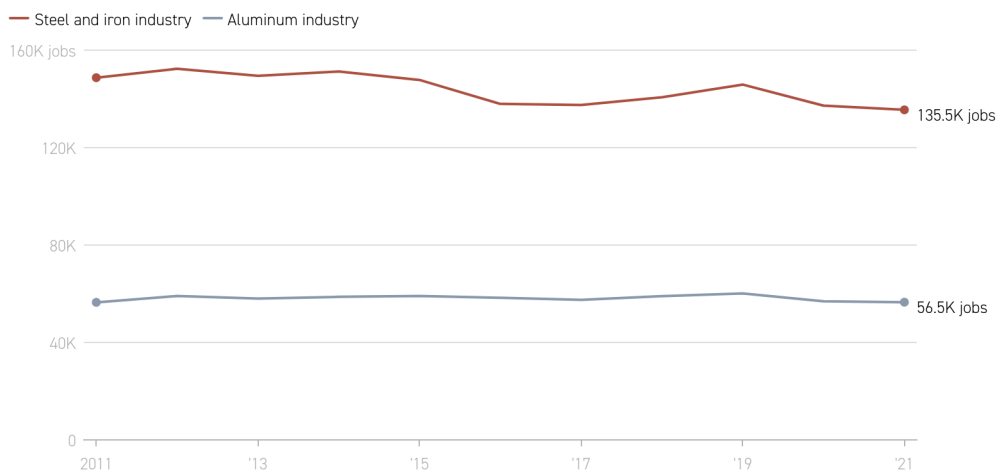
For its part, the Biden administration must grapple with competing priorities as it concludes negotiations. It's eager to smooth over relations with Europe, especially after a recent, unrelated kerfuffle with France over nuclear submarine sales to Australia raised doubts about the trans-Atlantic friendship. There's also a large contingent of U.S. industries that argues that sky-high steel prices and pent-up demand demonstrate that the tariffs are unnecessary to protect American steelmakers.

But the U.S. steel industry and the influential unions that represent its workforce have insisted the tariffs remain in place or be swapped out for equivalent protections. The duties have had a positive impact on demand for American-made steel and led to an increase in domestic production, they argue — a position the Biden administration shares. Commerce Secretary Gina Raimondo has said the tariffs are effective at bolstering U.S. steel and therefore cannot be dropped entirely.

The U.S and EU are also expected to address a common challenge: China's steel production. China now produces more than half of the world's steel, and analysts say it distorts prices by dumping its excess product into the global market for cheap. Past efforts to confront Beijing over steel, from tariffs to global forums, have yet to mitigate the problem.

Steel and aluminum jobs, lifted after tariffs, now trending downward

Yearly average employment in the aluminum and steel/iron manufacturing industries, 2011–2021



NOTE: 2021 figures represent an average of the first six months of employment data.

Chart: Steven Overly / POLITICO • Source: Bureau of Labor Statistics, Current Employment Statistics



POWER PLAYERS

- **Valdis Dombrovskis, executive vice president, European Commission:** He is the EU's point person in the steel and aluminum tariff negotiations. He became the bloc's trade commissioner toward the end of the Trump administration. He previously oversaw financial services and capital markets. He also served as prime minister of Latvia.
- **Gina Raimondo, Commerce secretary:** Raimondo is leading negotiations for the U.S. The former governor of Rhode Island, Raimondo has separately been tasked with selling Biden's infrastructure investment plans and helping to deliver on his campaign promise to revitalize American manufacturing.
- **Katherine Tai, U.S. trade representative:** Tai was also tapped to represent the Biden administration in the talks. A longtime trade negotiator, Tai has a background in confronting Beijing over trade disputes. She has said a deal with the EU must address China's excess capacity.
- **Thomas Conway, international president, United Steelworkers:** Conway has served at the head of the influential labor union since 2019. He has been a staunch advocate for the tariffs and credits them for bringing some stability to the industry. He wants some protections to remain in place.
- **Axel Eggert, director general, Eurofer:** He became the leader of the European Steel Association in 2014 after seven years as its head of public affairs. Eurofer represents 34 European-based steel producers and has pushed for safeguards as retribution for the U.S. tariffs.
- **John Murphy, senior vice president for international policy, U.S. Chamber of Commerce:** Murphy leads advocacy on trade issues for one of the U.S. business community's most powerful lobbying groups. The Chamber opposes the tariffs, arguing they unduly penalize the broad swath of industries that buy steel.