

**Trade disputes**

## EU rejects US offer to end steel tariff dispute

Brussels and Washington need to find solution by October to avert trade war



Under the US proposals, governments would have to commit to not overproduce steel and aluminium and to limit the role of state-owned enterprises © Bloomberg/AFP/Getty Images

**Andy Bounds** in Brussels YESTERDAY

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The EU has rejected a proposed US solution to end tariffs on steel and aluminium, heightening fears of a renewed transatlantic trade dispute.

The two sides [paused a tariff war](#) over measures imposed by then US president Donald Trump in 2021 but must find a binding deal on a new “green steel” club by October.

But the EU believes the US’s proposed solution is likely to breach World Trade Organization rules because it discriminates in favour of domestic producers, according to officials with knowledge of the [situation](#).

Valdis Dombrovskis, the [EU trade](#) chief, is travelling to Washington next week as time runs short to secure a breakthrough

If the two sides cannot reach an agreement, the US tariffs will kick back in automatically in October — and so will EU retaliatory measures. The tariffs are 25 per cent on steel and 10 per cent on aluminium from Europe while EU measures target products such as bourbon whiskey and Harley-Davidson motorcycles.

When they paused the dispute the US and EU agreed to form a sustainable steel club that would prioritise low carbon production — a measure also aimed at lowering both

that would pressure on carbon production — a measure also aimed at reducing steel  
sides' reliance on Chinese imports.

The US proposal would allow club members to set emissions standards, and [levy tariffs](#) on those who do not meet them, according to media reports. To join, governments would also have to commit to not overproduce steel and aluminium and to limit the role of state-owned enterprises.

Brussels instead thinks its new [carbon border adjustment mechanism](#) (CBAM), which will levy tariffs on imports according to their carbon intensity, is the right answer.

It has suggested CBAM combined with traditional trade defence tools — to address overproduction in the sector — as the basis for the so-called Global Arrangement on Sustainable Steel and Aluminium (GSA).

Unlike the EU, the US has no national carbon pricing system and the Biden administration is wary of levying charges on heavy industry in states the president needs to retain in the 2024 election such as Pennsylvania, Michigan and Illinois.

It is also reluctant to drop the tariffs, which Trump imposed on national security grounds, and be accused of risking blue-collar jobs, especially because of cheap Chinese imports.

The EU has an emissions trading system that forces companies to buy permits to pollute, with the price of a tonne of carbon hitting €90 in recent months. Its CBAM would force importers to pay the same price for seven sectors, including steel and aluminium, if the country of origin has a lower, or no, carbon price.

The truce put in place a temporary system of tariff-rate quotas, which allow exports of metals between the EU and the US with lower levies up to a certain volume.

In return, the EU suspended retaliatory tariffs and the two sides agreed to set up the global arrangement by October this year when the deal expires.

The hope is to sign a deal at a possible EU-US summit around that time.

Dombrovskis will also push for better treatment for the EU under the US's support scheme for electric vehicles. Washington's Inflation Reduction Act restricts subsidies to EVs and batteries substantially made in the US, Canada and Mexico.

But it has offered to include EU manufacturers sourcing or processing the five most common minerals for batteries. However, some EU governments are pushing to expand the regime to all 50 metals listed in the IRA. "We don't know how battery

technology will evolve,” said one EU official.

European Commission spokesperson Miriam Garcia Ferrer confirmed Dombrovskis’s travel plans and said contacts with the US were “continuous”.

She said the two sides were “fully committed to achieving an ambitious outcome” for the GSA by October.

The EU wanted a “permanent solution” and “to re-establish normal and undistorted transatlantic trade in the sector”.

“All this would be done in compliance with our international obligations, such as WTO rules, as well as our domestic climate policies,” she added.

The US administration did not immediately respond to a request for comment.

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