

Europe to face first major ‘America First’ trade policy test

European leaders are facing a major test next month regarding how to deal with the renewed 'America First' trade policy. They may be better acquainted with how President Trump does business this time around, but speed and power struggles are just two things to worry about



EC President Ursula von der Leyen, with the Danish, Icelandic and Spanish Prime Ministers in Kyiv

EU faces first major challenge as steel and aluminium tariffs return

12 March marks the first test for the European Union in tackling the renewed US “America First” trade policy. On this date, tariffs of 25% on steel and aluminium will once again come into force, with US President Donald Trump citing a [surge in imports](#) and a decrease in US capacity utilisation as his reasoning. During his first term as president, Trump announced tariffs of 10% on aluminium and 25% on steel imports, effective 23 March 2018, under Section 232, citing national security concerns. Back then, multiple deals eventually ended tariffs for many countries.

While steel and aluminium exports from the EU to the US account for only approximately 1% of total goods exports to the US, the European Commission stated that such measures would not go

unanswered and would be met with “firm and proportionate countermeasures”.

The EU's 2018 response to US section 232 tariffs

Back in 2018, the EU responded to the US Section 232 tariffs on steel and aluminium with immediate retaliatory countermeasures ranging from 10-25% on motorcycles, agricultural products, bourbon, clothes, and steel, among others. Additional countermeasures were to be imposed after three years if no settlement was reached.

On 31 October 2021, the US and the EU announced a multifaceted agreement to address the tariffs imposed during the Trump administration, replacing tariffs with a tariff rate quota (TRQ) system. This system allows a certain volume of EU steel and aluminium to enter the US market duty-free, with any imports above these quotas subject to the original tariffs. The EU also agreed to suspend its retaliatory tariffs on various US exports, including American whiskey and motorcycles, until 31 March 2025, while the US prolonged the TRQs on EU products until 31 December 2025. If the EU is hit by additional tariffs from March, it could simply reinstate its retaliatory tariffs on US exports at the end of March.

Lessons in strengthening EU trade enforcements learned from Trump's first presidency

And answering to US section 232 tariffs is easier today for the EU than it was back then. Learning from the first Trump presidency, the EU has sharpened its Trade Enforcement Regulation, enabling the EU to suspend or withdraw concessions or other obligations under international trade agreements when third countries breach these agreements and affect the EU's commercial interests, allowing the EU to take countermeasures.

The EU Commission also acts on behalf of its members in this case, without requiring a subsidiarity check by national parliaments first. However, the scope of striking back remains narrow, as dispute settlement or resolution mechanisms need to prove ineffective, or trading partners need to be non-cooperative or fail to offer compensation. In turn, only the US safeguards resulted in immediate rebalancing measures under the terms of the Enforcement Regulation, and it remains unclear whether Trump's other tariff threats would provide a legal basis for using this instrument for striking back.

The EU's trade playbook: countermeasures, negotiations, and economic fortification

But given the in-depth reviews of US trade policy, tariffs on steel and aluminium will not mark the end of the tariff saga. They are only the beginning. So, what other options does the EU have at its disposal?

Negotiation strategies

As in 2018, the EU could consider increasing LNG purchases from the US, boosting EU defence spending, and purchasing more US military products. Additionally, it could offer to reduce import tariffs on US automobiles to achieve a level playing field. However, the US is already a key supplier of LNG and military equipment to the EU. It's important to note that while the European Commission holds sole responsibility for trade policy negotiations, it cannot force member states

to purchase goods from specific suppliers, meaning some purchases may still fall through. Moreover, this time around, Trump might not be as easily persuaded into making such a deal.

The trade bazooka: ACI

At the end of 2023, the EU put a trade bazooka in place, the so-called EU Anti-Coercion Instrument (ACI). It could be invoked if Trump attempts to impose duties on a specific member state, provided it gets the green light from a “qualified majority” of 15 out of the 27 member states, representing at least 65% of the bloc’s population. However, any reaction under the ACI would take some eight weeks, and it can't be triggered if Trump’s tariffs are not punitive, or their adoption is made conditional on policy changes performed by the EU and its member states. The EU’s first problem, then, is speed.

Retaliatory measures

Next to retaliatory tariffs on products from US swing states (e.g., soybeans, bourbon), Europe could impose export tariffs on goods that are of [strategic importance](#) to the US, such as chemically and pharmaceutically important goods. But this is not without risk, as the US could answer in a similar way, curbing chemical exports to Europe. The ultimate retaliation would be a digital services tax.

Strengthening the domestic economy

Ultimately, Europe should finally strengthen its domestic economy and should focus on implementing as many proposals from the [Draghi report](#) as possible. Reducing dependency on the US by investing in domestic military industries, deregulating the tech sector, and stepping up significant investments in infrastructure and innovation will enhance the EU's resilience and competitiveness on the global stage – the ultimate retaliation.

Europe is better prepared, but speed and power struggles remain a problem

The EU is better prepared to tackle Trump 2.0, but it still faces a complex challenge in countering potential US tariffs. While the bloc has several options at its disposal – including retaliatory tariffs on key US exports and the implementation of a digital services tax – the effectiveness of these measures will depend on its ability to act swiftly and cohesively, with a reliance on widespread member state support.

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