

TRANSATLANTIC TRADE TENSIONS ON THE RISE

Posted on November 24, 2022



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increased dramatically in the last year, the euro has also lost value against the dollar. The depreciation benefits euro-zone exports to America.

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Europe and the United States are locking horns in a possible new trade war. [According to Politico](#):

If it weren't enough that energy prices look set to remain permanently far higher than those in the U.S. thanks to Russia's war in Ukraine, U.S. President Joe Biden is also currently rolling out a \$369 billion industrial subsidy scheme to support green industries under the Inflation Reduction Act.

This program of corporate welfare may shift business investments from Europe to America, Politico explains:

EU industry chief Thierry Breton is warning that Biden's new subsidy package poses an "existential challenge" to Europe's economy. The European Commission and countries including France and Germany have realized they need to act quickly if they want to prevent the continent from turning into an industrial wasteland.

In response, President of the European Commission Ursula von der Leyen has proposed a "European Sovereignty Fund." [Euractiv reported in September](#) that

not much is known about the fund yet. ... Will it just be a reclassification of a few billion euros in the EU's long-term budget to pool them under this new sovereignty fund?

A key feature of the U.S. Inflation Reduction Act is a program for renewed tax incentives for electric vehicles. This time the goal of the subsidies is to [steer EV buyers toward vehicles built in America](#). Politico [again](#):

Brussels and EU capitals see this as undermining global free trade, and Brussels wants to cut a deal in which its companies can enjoy the same American benefits. With a diplomatic solution seeming unlikely and Brussels wanting to avoid an all-out trade war, a subsidy race now looks increasingly likely as a contentious Plan B.

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