



Donald Trump moves towards imposing tariffs on steel imports

White House launches national security investigation using 1962 law

Shawn Donnan

April 20, 2017

The US has set the stage for a global showdown over steel, launching a national security investigation that could lead to sweeping tariffs on steel imports in what would be the first significant act of economic protectionism by President Donald Trump.

The decision to use a 1962 law allowing the US government to limit imports that threaten its security readiness is intended to deliver on Mr Trump's campaign promises to bolster heavy industry and "put new American steel into the spine of this country", officials said on Thursday.

But it risks setting off trade tensions with China just days after Mr Trump avoided another conflict by backing down on a promise to label Beijing a currency manipulator, citing in part its help in dealing with North Korea. Mr Trump called the move a "historic day for American steel" but insisted it "has nothing to do with China". "This has to do with worldwide, what's happening," he added. "The dumping problem is a worldwide problem."

The new push on steel came as Christine Lagarde, the head of the International Monetary Fund, repeated a warning that protectionism represented a serious threat to global growth. But Ms Lagarde, whose has been locked in a rhetorical battle over protectionism with Mr Trump's commerce secretary, Wilbur Ross, sought to reach out to the White House by acknowledging a need for changes in global trade.

Echoing some of Mr Trump's criticism of the multilateral system, the former French finance minister said there were increasing signs countries were violating global trading rules. Mr Ross said the administration was concerned that rising imports of steel were threatening the US industry and its ability to respond quickly to national security needs. The issue was particularly

relevant now because of Mr Trump's plans to increase spending on defence programmes such as new warships that rely heavily on steel, he added.

The US has in recent years launched 152 steel anti-dumping cases, with another 25 pending, but Mr Ross said the trade dispute system was "porous" because it allowed only narrowly focused complaints against specific countries. "We're groping here to see whether the facts warrant a more comprehensive solution that would deal with a very wide range of steel products from a very wide range of countries," he said. Any such action by the US would be likely to hurt steel producers in Europe and Asia and trigger reprisals.

The US steel industry has blamed Chinese over capacity for driving down global prices and causing it to shut down mills and lay off workers. The US industry is now operating at only 71 per cent of its capacity with imports accounting for more than a quarter of the domestic steel market, Mr Ross said. – While Mr Trump has promised a hardline trade policy since taking office in January, his biggest action to date has been to pull the US out of a vast but never finalised 12-country Pacific trade deal.

Most other moves have been largely rhetorical. Mr Trump launched studies of US trade deficits and Buy American laws, and while he has vowed to renegotiate the North American Free Trade Agreement, thus far discussions with Canada and Mexico have been tentative. In a trip through Asia this week, Mike Pence, he vice-president, warned South Korea that the US wants to renegotiate trade deals that it feels have only added to the US trade deficit, and Mr Trump has held early talks with China over a trade deal.

While those initiatives remain in the pipeline, there have been few of the concrete policies advocated in his campaign that were central to his economic nationalist message and helped him win industrial states such as Ohio and Michigan.

The slow start on trade has come in part because Congress has yet to confirm his pick for US Trade Representative, Robert Lighthizer, which has led to frustration within an administration desperate to notch up accomplishments as the close of its first 100 days nears.

The president was due to sign a memorandum on Thursday ordering the expediting of the steel investigation so that it would be delivered more quickly than the 270 days required by law. "He would like it to be a real priority," Mr Ross said. Mr Ross said he believed the investigation would lead to tariff actions, which would be the first protectionist move taken by Mr Trump's administration.

Any such move could still be months away. "Only the president's actions based on those reports can show us his true colours on trade," said Scott Lincicome, a White & Case trade lawyer also affiliated with the libertarian Cato Institute. Chad Bown, a senior fellow at the Peterson Institute for International Economics and a former economic adviser to Barack Obama as president, said citing "national security" on steel amounted to invoking a "nuclear option" in trade.

"This is one more piece of evidence in the worrisome trend that Trump seems to be turning over every rock and investigating each and every available tool available under US law to stop trade," Mr Bown said.