



Metal tariffs: a nonsensical solution in search of a problem

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August 9, 2018

President Trump's tariffs on imports of steel and aluminum are so ill-conceived that even those meant to benefit from them are crying out for relief. Citing a lack of domestic supply, Alcoa this week requested that the Trump administration grant the company an exemption from tariffs on aluminum imports from Canada.

They're going to have to get in line. The Commerce Department says that it has already received over 20,000 such requests to be excluded from steel and aluminum tariffs.

Alcoa relies on specialization and international supply chains to operate in a cost-effective manner. Aluminum sheet for cans made by a plant in Indiana uses alloys cut into thick slabs in Quebec.

While Alcoa says that it has gone so far as to attempt purchasing such slabs from its competitor, Century Aluminum, the company is not capable of production that meets Alcoa's specifications.

So, instead, it must continue to import from Canada and pay the Trump administration's 10-percent tariff to obtain needed supplies. Costs go up and competitiveness is reduced. And for what?

Despite the increased price of aluminum, prices have not yet risen a sufficient amount for the company to justify restarting some of its idled smelters. The tariffs, therefore, appear to have created the opposite of a happy medium — enough to harm the company's bottom line but apparently insufficient to provide a dramatic kickstart to domestic production.

Furthermore, to the extent U.S. tariffs provide aluminum makers with a competitive edge, it only endures so long as the import tax is left in place.

That a renaissance in U.S. aluminum-making has failed to take hold isn't much of a surprise when one considers some of the industry's fundamental drivers.

The decline in domestic production in large part reflects the simple fact that the metal's creation consumes enormous amounts of electricity — three times more electricity per pound of production than paper and paperboard products, which is the second-most energy-intensive industry.

This hands a large advantage to countries with bountiful supplies of cheap hydroelectric power, such as Canada. It's no coincidence that companies such as Alcoa have chosen to locate several of their smelters there or that Canada is by far the largest U.S. source of imported primary aluminum.

This arrangement has served both countries well. Canada uses its comparative advantage to produce aluminum more cheaply than in the United States, while American firms get access to a key input needed to make products ranging from cars to beer cans.

Everyone wins, or at least they did until President Trump decided to proceed with his misguided tax on foreign metals.

Adding insult to injury is Trump's justification of the tariffs on national security grounds. Canada is arguably the staunchest ally of the United States. Beyond their shared membership in NATO, Canada is considered such a key part of U.S. national security thinking that the country has been designated a part of the U.S. Defense Industrial Base.

In exchange for an exemption to "Buy American" requirements, their companies are legally obligated to supply American military contractors.

Perhaps more importantly, it is far from obvious that the United States is in danger of being dependent on imported aluminum to satisfy its defense needs. As shown by the Trump administration's own report into the impact of aluminum imports the Department of Defense and its contractors use only a "small percentage" of U.S. aluminum production.

While it's true that a number of smelters currently stand idle and that a Kentucky production facility that produces military-grade aluminum is operating well under its peak capability, such spare capacity can serve as a wartime asset by enabling a quick ramp-up in production.

The tariffs on aluminum, like those on steel, are a nonsensical solution in search of a problem. American firms that use aluminum to provide needed goods and services are seeing their competitiveness undermined.

Other businesses must contend with lost sales due to foreign retaliation. Workers face reduced compensation or even layoffs while consumer wallets are being hit with increased costs.

Now, even those supposed to be on the winning side of the ledger, such as Alcoa, are finding themselves in the loser column. All in the name of a national security threat that is entirely fictitious.

This is needless self-impoverishment. It's time for the tariffs to go.

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