



Dow drops 570 points as Trump slaps tariffs on imported steel and aluminum

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President Donald Trump said Thursday that the administration will slap tariffs of 25 percent on imported steel and 10 percent on imported aluminum. The prospect of a trade war spooked markets immediately, with the Dow plunging by almost 600 points in mid-afternoon trading.

Trump, who has made no secret of his desire to implement more protectionist trade policies, tweeted that steel and aluminum manufacturing in the U.S. had been "decimated by decades of unfair trade and bad policy."

"We're going to be instituting tariffs next week," Trump announced at a meeting of business leaders at the White House.

"People have no idea how badly our country has been treated by other countries," the president added, blaming past U.S. negotiators for not having a "clue" about trade.

The announcement came after reports of infighting between free trade and protectionist factions in the White House. Free trade supporters warned that imposing the tariffs could lead to trade wars that would negatively impact American industries ranging from agriculture to technology.

Experts who support free trade agreed.

"It will open a Pandora's box — protecting an industry based on national security concerns is a rarity," said Dan Ikenson, director of the Cato Institute's trade policy studies center.

Robert Scott, senior economist at the left-leaning Economic Policy Institute, said tariffs that failed to distinguish between America's trade allies and countries like China, which the U.S. has accused of illegal trade practices, could make it more difficult resolve trade disputes.

"The best of options is higher tariffs on steel from unfair traders and quotas on everyone else," Scott said. "The advantage to that approach is it would allow us to work with other countries to impose similar tariffs on these unfair traders."

Analysts on both the right and left also warned that the tariffs would have unintended consequences that could hurt the same industries that Trump said during the campaign he would protect.

"Immediately, the steel and aluminum using industries in the United States are going to see their costs of production go up, and they'll also have trouble competing with their foreign competition because foreign manufacturers will be able to charge lower prices," Ikenson said. "This is disconcerting because there's a lot at stake."

Ikenson added that getting an international buy-in would help achieve better global price parity, but laying down a one-size-fits-all tariff would give the U.S.'s closest trading partners, such as Canada and Mexico — two major exporters of steel to the U.S. — little incentive to initiate trade actions at the U.S.'s behest.