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U.S. Faces Billions In Retaliation For Trump's Steel And Aluminium Tariffs Each Year, Says Trade Expert

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Countries facing steep import tariffs proposed by President Donald Trump are likely to sue the U.S. for compensation and impose billions of dollars in retaliatory levies, experts say.

Trump vowed to impose a 25 percent tariff on steel and 10 percent on aluminum imports to the U.S. last Thursday, sending global markets into a dive that saw the selloff of shares in companies producing those commodities.

American allies Canada, the European Union, South Korea, and Mexico would be hardest hit and are poised to retaliate against the U.S. with billions in levies, according to an analysis of the potential fallout by trade expert Chad P. Bown, a Senior Fellow at the Peterson Institute for International Economics—a nonprofit, nonpartisan think tank.

"Trading partners would be permitted to retaliate by a collective amount of $14.2 billion per year," according to Bown, using the Trump administration's own models to calculate the estimate.

The EU is already preparing 25 percent in retaliatory tariffs on $3.5 billion worth of imports from the U.S.

Bown's analysis points out World Trade Organization (WTO) rules "permit a country to retaliate against an action such as the one Trump plans to take if there is a legal finding that the national security rationale is baseless." Trump said the levies are necessary because America's steel and aluminum producers are being squeezed, posing a threat to national security in America's ability to manufacture weapons.

Nations can preempt the lengthy process of suing under the WTO's dispute settlement regime, however, by claiming "they are relying on basic WTO rules to guide their retaliation response," Bown writes.

China, the one country that Trump wanted to target most, he points out, would be one of the least impacted by Trump's levies. It could only retaliate with $689 million in levies on U.S. imports.

“The economics don't make a whole lot of sense, we're going to hurt ourselves,” Daniel Ikenson, head of the libertarian Cato Institute think tank’s trade policy group, told *CNBC* last week. Ikenson pointed out industries that use steel in the U.S. employ more people than companies that produce it.

Jamie Dimon, CEO of the multinational bank JPMorgan Chase, has said Trump’s tariffs will “hurt the U.S. economy and American companies, workers and consumers.” In an opinion piece, conservative economists who have backed and advised Trump called the tariffs a “crisis of logic.”

In an effort to dissuade Trump, his chief economic advisor, Gary Cohn, Director of the National Economic Council, is preparing to bring executives from industries that will be hurt by the tariffs before the president Thursday.

Yet Trump is not likely to be dissuaded and doubled down on his proposal, tying it to ongoing renegotiation of the NAFTA free trade deal with Canada and Mexico—two of America’s largest steel and aluminium traders—in a tweet Monday.

In a call with Canadian Prime Minister Justin Trudeau Tuesday, according to a White House readout, Trump “emphasized his commitment to a NAFTA agreement that was fair to all three countries, noting the current agreement leaves the United States with a trade deficit.”

The president’s White House trade advisor Peter Navarro dismissed the impact of a trade war during an appearance on *Fox and Friends* Monday. “There are virtually no costs here,” Navarro said of the position he has long lobbied the president for.

Yet American confectionery maker Hershey—famous for its aluminium foil-wrapped Kisses—has warned the proposal could have a devastating impact. “We use steel for our U.S. plants and plant expansions and aluminum for our product packaging,” Hershey spokesman Jeff Beckman told *NPR*.

“Such a broad and sweeping order could have a negative impact on the entire U.S. economy,” Beckman said, “potentially costing U.S. jobs and ultimately, hurting American consumers through higher prices for everyday products.”