



Trump Considering Huge Tariff Increase on Steel, Aluminum With Weak 'National Security' Rationale

Eric Boehm

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The Trump administration is trying to sell its plan to slap tariffs on imported steel and aluminum as necessary for national security, but the import taxes are an unnecessary step that will hurt American manufacturers and increase prices on a wide range of products, from cars to beer cans.

Last week, Commerce Secretary Wilbur Ross formally submitted to the White House a proposal for 24 percent tariffs on all steel imports. Alternatively, the plan calls for a 53 percent tariff on steel imported from 12 nations, including China, with import quotas on steel produced in all other countries, capping possible imports from those locations at 2017 levels. The proposal also calls for a tariff of 7.7 percent on aluminum imports from all countries, or a 23.6 percent import on products from five countries (China, Hong Kong, Russia, Venezuela, and Vietnam) with a quota on all imports from other places.

The tariffs are necessary because relying on imported steel and aluminum "threatens to impair the national security," Ross said. The theory is that, because American weapons of war depend on steel and aluminum supplies, domestic producers must be protected from international supplies that could be cut-off in the event of a conflict.

That rationale is "weak," according to a collection of libertarian, conservative, and nonpartisan think tanks—the American Legislative Exchange Council, ALEC Action, the R Street Institute, the Competitive Enterprise Institute, FreedomWorks and the National Taxpayers Union—that wrote an open letter to the White House on Friday opposing the tariffs. In the event of a conflict, the Pentagon has specific deals with American allies to continue supplying steel and aluminum.

"The national security case to restrict steel and aluminum imports is thin and the toll such restrictions would take on the economy is considerable," the groups say. "Steel and aluminum tariffs or other import restrictions would hurt downstream domestic manufacturers."

Despite that, Trump appears to be favoring most severe tariff option—24 percent on all steel imports and 7.7 percent on all aluminum imports—Bloomberg reported Friday, citing unnamed sources in the administration.

According to the Commerce Department's report on the proposed tariffs, a 24 percent tariff on all steel imports would be expected to reduce imports by 37 percent.

Domestic manufacturers are eager for more protectionism from the White House. In February, executives from the largest American steel companies wrote a letter to Trump encouraging "action to stop the relentless inflow of foreign steel."

While those American steel manufacturers would benefit from the tariffs, a far larger slice of the economy would be hurt. According to 2015 Census data, steel mills employ about 140,000 Americans and add about \$36 billion to the economy, but steel-consuming industries employ more than 6.5 million Americans and add \$1 trillion to the economy.

The last time the federal government imposed sweeping steel tariffs—during George W. Bush's tenure in the White House, when tariffs ranging from 8 percent to 30 percent were set—the higher costs for importing steel dealt a \$4 billion hit to the economy and led to 200,000 job losses, the six groups who wrote to the White House argued. Those tariffs were intended to remain in place for three years, but were withdrawn just a year after they were imposed.

According to the U.S. International Trade Commission's Harmonized Tariff Schedule, most steel products are not subject to general tariffs when imported. Most aluminum products have tariffs set between 2 percent and 4 percent currently. However, there are more than 150 already existing antidumping rules and other specific duties that restrict U.S. imports of 18 different kinds of steel from 29 countries at huge costs to downstream industries, according to Daniel Ikenson, director of the Cato Institute's Center for Trade Policy Studies.*

The Trump administration has already slapped tariffs on solar panels (30 percent) and washing machines (ranging from 20 percent to 50 percent) in the name of protecting domestic manufacturers.

Those tariff weren't created in the name of national security. And, when you get right down to it, the proposal for tariffs on steel and aluminum aren't about national security either. It's just protectionism, and it leaves almost everyone worse off.