



Trump's proposed 25 per cent steel tariff could 'decimate' Canada's industry - if it applies

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WASHINGTON—U.S. President Donald Trump says he is about to slap major tariffs on steel and aluminum from other countries, a move that could cause significant harm to Canadian industry, raise prices for U.S. consumers and prompt an economy-damaging round of international retaliation.

The steel tariff will be 25 per cent, the aluminum tariff 10 per cent, Trump announced at the White House on Thursday. He said he will impose the tariffs “next week,” and that they will last “for a long period of time.”

“People have no idea how badly our country has been treated by other countries,” he said.

Because the announcement was made hastily, crucial details remain unclear. Most pressing for Canada: whether Canada will be exempted, as it was from the steel tariff imposed by Republican George W. Bush in 2002.

The announcement is by far the most consequential move Trump has made on trade to date, significantly exceeding even the reopening of the North American Free Trade Agreement.

Trump ignored the pleas of numerous Republican officials and picked the most severe of three options presented to him by Commerce Secretary Wilbur Ross.

Ross, specifically, had formally suggested a steel tariff of 24 per cent. Trump picked 25 per cent, the U.S. news outlet Axios reported, because he thought the rounder number sounded better.

Trump appears to have dismissed the arguments of Defense Secretary James Mattis, who asked Trump to again choose “targeted” sanctions and avoid hurting allies.

Ken Neumann, the director of the Canada's United Steelworkers, said a tariff on Canada could “decimate” the Canadian industry. He noted how deeply Canadian steel imports are entwined in the supply chains for U.S. products.

“I just don't see how you interrupt that long history of integration and think there's not going to be any significant harm,” he said the day before Trump's announcement.

Joseph Galimberti, president of the Canadian Steel Producers Association, said it is “very difficult to predict impacts.” But he said a global tariff would create a significant risk of steel being diverted from the U.S. market to Canada, “volumes of which could indeed have a devastating effect on Canada’s home market.”

Trump, who campaigned on a promise of “America First” protectionism and a tough stance toward China, has argued that he needed to act on steel because of China’s “dumping” of cheap steel into the U.S., which he blamed for what he calls the decimation of the U.S. steel industry.

Critics have noted, though, that China is merely the 11th-largest exporter of steel to the U.S. Canada has long been number one. The next four, according to Trump’s administration, are allies Brazil, South Korea, and Mexico, then Russia.

The exact ramifications of Trump’s move are difficult to forecast, in part because it is not clear how other countries would respond.

It seemed very likely to raise prices on a variety of products purchased by U.S. consumers that use steel and aluminum. It might also damage unrelated industries. China and the European Union are known to be considering retaliatory tariffs on a variety of other U.S. products.

Supporters of the move, though, argued that the move would reinvigorate the U.S. steel industry. The shares of steel companies like U.S. Steel jumped on Thursday morning in advance of the announcement.

“Our steel mills are operating at $\frac{3}{4}$ of their capacity, despite a good market here at home... Tariff relief will help,” Scott Paul, president of the Alliance for American Manufacturing, said on Twitter.

It was not only what Trump is doing that alarms trade supporters but how he is doing it.

Trump is imposing the tariff under a little-used national security provision of a 1962 law called the Trade Expansion Act. That provision, known as “Section 232,” allows him to unilaterally impose trade remedies, such as tariffs and quotas, if the Commerce Department finds that imports “threaten to impair” U.S. national security.

Trade experts worried that Trump’s use of the national security exemption on what they said was dubious grounds would undermine the global trade system, leading to a flurry of tariffs from other countries using similar reasoning. Simon Lester, a trade policy analyst at the libertarian Cato Institute in Washington, said a World Trade Organization panel is likely to “show a lot of deference to the imposing government” when the government cites national security.

“Governments are always looking for excuses for their protectionism. If this broad exception is available, it could lead to a cascade of new protectionist measures,” Lester said.

Galimberti said a tariff would demand a quick and creative response from the Canadian government.

“Given the nature of the 232,” said Galimberti, “it’s a really exceptional circumstance here. I think the government of Canada is going to have to consider policy options ... that it would not traditionally think of in its traditional toolkit.”

Trump’s decision to announce the decision on Thursday came as a surprise even to much of his own administration. The White House event was not on his schedule when it was released on 9 p.m. Wednesday, and senior officials told U.S. news outlets later Wednesday that critical details, like which countries the tariff would hit, had still not been finalized.

Then, Thursday morning, officials said there would be no announcement, merely a “listening session” with Trump and the industry executives. But then Trump made the announcement.

“This is not how good policy is made,” Paul Winfree, Trump’s former deputy director of domestic policy, said on Twitter.