



Stocks fall as Trump announces tariffs on steel, aluminum. Canada and Europe say they'll retaliate

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March 2, 2018

U.S. President Donald Trump said Thursday that he is going to put tariffs on steel and aluminum from every other country, an act that could cause significant harm to Canadian producers, raise prices for U.S. consumers and prompt an escalating round of international retaliation.

The retaliation threats began immediately. Calling the tariffs “absolutely unacceptable,” Foreign Affairs Minister Chrystia Freeland promised “responsive measures” if Canada does not get a last-minute exemption. The European Union said it would propose “countermeasures” this week.

Trump’s move fulfills the protectionist trade rhetoric of his campaign, and it may prove popular in Rust Belt states key to his victory. But it is opposed by most business groups, senior Republican legislators, and many of his own top advisers.

Trump said the steel tariff will be 25 per cent, the aluminum tariff 10 per cent. He said he will impose the tariffs “next week,” that they will last “for a long period of time,” and that they will bring back jobs stolen by countries that have acted unfairly.

“People have no idea how badly our country has been treated by other countries, by people representing us that didn’t have a clue. Or if they did, then they should be ashamed of themselves because they’ve destroyed the steel industry, they’ve destroyed the aluminum industry, and other industries, frankly,” he said at the White House.

Bush ended up lifting those tariffs 16 months ahead of schedule. The U.S. International Trade Commission had found that they had created more costs than gains.

The New York Times reported that Trump told the steel and aluminum executives present that he did not plan to exempt any country. But Bob Bratina, the Liberal MP for Hamilton East-Stoney Creek, said he expected Canadian negotiators would manage to persuade Trump to grant an exemption.

“Is it time to say, ‘Oh my God what’s going to happen in Hamilton and other steelmaking centres in Canada?’ No,” Bratina said.

Bratina said tariffs could have a major impact on his region, where ArcelorMittal Dofasco and Stelco have facilities. In salaries and municipal taxes, he said, “there are hundreds of millions of dollars at stake.”

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 Wednesday.

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 risk of foreign steel being diverted from the U.S. market to Canada, “volumes of which could indeed have a devastating effect on Canada’s home market.”

Smoke is emitted from a factory on Burlington Street near Lake Ontario. Bob Bratina, the Liberal MP for Hamilton East-Stoney Creek, expects said he expected trade negotiators would manage to persuade Trump to grant an exemption for Canadian steelmakers.

The steel industry is concentrated in Ontario, the aluminum industry in Quebec. Jean Simard, president of the Aluminium Association of Canada, said a general tariff “is a real invitation to a significant commercial trade conflict that will serve no one.”

Trump, who campaigned on a tough stance toward China, has argued that he needed to act on steel because of China’s “dumping” of unfairly cheap steel into the U.S. But China is merely the 11th-largest exporter of steel to the U.S. Canada has long been number one; more than 85 per cent of its steel exports, worth about \$6 billion, are to the U.S.

Trump was given three options by his Commerce Department. He appears to have chosen a no-exemptions option rather than one preferred by several of his key economic advisers and many Republican lawmakers, a 53 per cent tariff on a targeted list of countries that includes China.

Stocks fell on the news. The Dow Jones industrial average closed down 420 points, or 1.7 per cent, with manufacturing firms like Boeing and General Motors falling. The shares of U.S. Steel, however, jumped by 6 per cent.

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

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

Freeland said in her statement: “It is entirely inappropriate to view any trade with Canada as a national security threat to the United States.”

Foreign Minister of Canada Chrystia Freeland addresses the media about NAFTA negotiations on February 1, 2018 in Mexico City, Mexico.

Trade experts worried that Trump’s use of the national security exemption on what they too said was dubious grounds would undermine the global trade system, leading to a flurry of tariffs from other countries using similar reasoning.

“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,” said Simon Lester, a trade policy analyst at the libertarian Cato Institute.

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

“Given the nature of the 232,” he said, “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.”

Though Trump claims the U.S. steel industry has been devastated, it has been performing well in the last two years as it has recovered from the recession of the last decade. Nucor, one of the companies represented at Trump’s meeting, earned more than \$1 billion (U.S.) in income last year.

“There’s no obvious crisis in the marketplace,” said Peter Warrian, an expert on the steel industry at the University of Toronto’s Munk School of Global Affairs. “Which makes you a bit curious about why at this time you’d be calling for such a drastic measure.”

Trump’s decision to announce the move on Thursday came as a surprise even to much of his administration. The law gives him until April to pick an option.

The event was not on his schedule when it was released on 9 p.m. Wednesday. Senior officials told reporters Thursday morning that there would be no announcement, merely a “listening session.” 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.

Trade is a rare issue on which Trump is often more closely aligned with Democratic lawmakers than Republican lawmakers. Senate Republicans had urged Trump to be cautious in his actions on steel, and they denounced him on Thursday.

“Let’s be clear: The president is proposing a massive tax increase on American families. Protectionism is weak, not strong. You’d expect a policy this bad from a leftist administration, not a supposedly Republican one,” Nebraska Sen. Ben Sasse said in a statement.