



Trump's steel push hits heavy opposition

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President Trump is considering a crackdown on imported steel that opponents warn would damage the U.S. economy, imperil major policy initiatives and threaten global trading relationships.

Economists, agriculture groups and members of Trump's own administration are urging the president to think twice before slapping tariffs and quotas on countries in the name of national security to protect domestic steel producers.

They say the steel tariffs would lead to a host of problems, including job losses, a fight at the World Trade Organization (WTO) and possible trade wars with U.S. allies.

"Not only would additional steel import restrictions under the guise of a national security imperative be economic self-flagellation, which inspires retaliation from our trade partners against U.S. exporters in other sectors, but it would constitute a major blow to the rules-based trading system," said Dan Ikenson, head of the libertarian Cato Institute.

The Commerce Department is expected to deliver its findings on steel imports to the president as early as this week.

Trump will then have to determine whether to assess penalties under Section 232 of a 1962 trade law that gives the president the power to apply higher tariffs on imported steel for national security reasons.

The report, which was due by the end of June, has been bogged down by infighting in the White House over what to do.

On a flight to Paris last week, Trump told reporters that "steel is a big problem" and that he may use tariffs and quotas to deal with the issue.

Trade experts argue that such a move would be an economic and diplomatic mistake that would bolster the domestic steel industry, but at the expense of the broader economy.

"The economic case is clear that this doesn't make sense," said Chad Bown, a senior fellow at the Peterson Institute for International Economics.

New tariffs might not cause a recession, but another trade barrier could bring already-anemic economic growth to a halt, Bown said.

“My big concern with going down this path, of using this particular law, is it opens up the Pandora’s box,” Bown said.

If the U.S. cites national security to slap tariffs or quotas on steel importers, it will open up the possibility of retaliation from trading partners.

Fifteen former heads of the White House Council of Economic Advisers said in a recent letter that more than 110 countries export steel to the United States, with much of it coming from allies such as Canada, Brazil, South Korea and Mexico.

“The diplomatic costs might be worth it if the tariffs generated economic benefits,” the economists wrote. “But they would not. Additional steel tariffs would actually damage the U.S. economy.”

Officials from the steel-exporting countries have expressed concern that Trump’s new tariffs would disproportionately hit them.

Canadian Prime Minister Justin Trudeau said last week that Trump assured him that Canada wouldn’t be subjected to any new steel tariffs for national security reasons.

Trump has signaled the steel tariffs could be focused on China.

Yet experts note that there are already tight limits — antidumping and countervailing duty measures — on Chinese steel. In fact, the United States already has more than 150 countervailing and antidumping duties on steel imports, some as high as 266 percent.

Tariffs implemented by the Obama administration pushed China out of the top 10 of U.S. steel importers.

Still, China has excess steel capacity right now that is pushing down global prices, something that has become a chief concern of lawmakers from steel-producing states.

Scott Paul, president of the Alliance for American Manufacturing, said the “more likely outcome [of Trump’s push] is a concerted effort to reduce global steel overcapacity.”

A sharp rise in steel prices, which would likely happen if the Trump administration imposed more tariffs, also could complicate one of Trump’s top priorities — a proposed \$1 trillion infrastructure plan.

That’s because a rise in steel prices of 20 percent to 25 percent would make roads and bridges more expensive to build.

“You recognize there is no free lunch with trade barriers and they do end up imposing costs on yourself and have to face retaliatory measures that put costs on you,” Bown said.

“That may give them pause about moving forward,” he said.

Some warn that Trump should tread carefully before invoking national security to restrict imports. That step, experts say, could have unintended consequences for all global trade.

“The unspoken pledge among [WTO] members was that no government would invoke national security to restrict trade unless there was a legitimate national security imperative to do so,” Ikenson said.

“That is clearly not the case today, and Trump’s actions on steel would make a mockery of that pledge, opening the door to systematic abuse, which will imperil the trading system.”

Agriculture groups in a letter to Commerce Secretary Wilbur Ross last week expressed similar concerns about the steel tariffs, saying the “aftermath could be disastrous for the global trading system and for U.S. agriculture in particular.”

“National security arguments are so rarely used because there is practically no way to refute them,” the agriculture groups wrote.

“No country can dictate another’s national security needs, so now every country with a sensitive industry would know that it could follow the example of the United States and find a national security reason to circumvent trade commitments, no matter how flimsy the reason might be,” they wrote.

Still, Ross and Trump have promised “bold action” on steel as the fulfillment of a campaign promise to crack down on overcapacity and help the domestic industry.

“President Trump seems to equate the strength of the economy with the nation’s capacity to produce raw steel,” Ikenson said.

“Steel production, in Trump’s mind, is a measure of national economic virility.”