

Nicklaus: Steel tariffs would hurt more U.S. workers than they help

David Nicklaus

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If President Donald Trump is determined to impose new tariffs on imported steel, he had better brace for a backlash from automakers, farmers and even bourbon distillers.

Trump's commerce secretary, Wilbur Ross, is expected to announce soon whether steel tariffs can be justified on national security grounds. Ross, a former steel mill owner, has been studying the issue for months, and the president reportedly is keen to protect an industry he sees as emblematic of U.S. industrial might.

This idea presents several problems. The first is that the steel industry is already heavily protected. China, the world's largest steel producer, is the target of much of Trump's rhetoric, but antidumping duties and other measures already keep its steel at bay. More than 70 percent of the steel used in the U.S. comes from domestic mills.

The national-security case for tariffs is weak. The military buys just 5 percent of U.S. steel output, and the kinds of steel it needs are available domestically or from close allies.

Automakers, which buy a lot of steel, would be hurt by higher prices. The American Automotive Policy Council predicts that if tariffs are imposed, "sales of domestically built cars and trucks would fall, U.S. auto exports would shrink, and American auto sector jobs would be lost."

Steel users like Caterpillar and Whirlpool also would be hurt. Dan Pearson, a senior fellow at the Cato Institute, estimates that steel-using industries employ 6.5 million Americans, compared with 140,000 at steel mills.

If Trump does invoke a 1962 law to punish foreign steelmakers, other countries could challenge the action through the World Trade Organization. They'd probably win, says Caroline Freund, senior fellow at the Peterson Institute for International Economics.

"We can't say we're in danger of not having steel for our military; I don't think we're anywhere close to that," Freund said. "Given Trump's comments, it sounds much more like he's using this as a way to protect the domestic industry."

Aggrieved nations could retaliate by placing tariffs on high-profile U.S. products like corn or wheat. The steel issue got a lot of discussion at this weekend's Group of 20 summit in Hamburg, where European officials were mentioning bourbon as a possible target for retaliation.

The potential damage from a tit-for-tat trade war far outweighs any benefit to U.S. steelmakers. "Would a little more protection or even a lot more protection make much difference to the U.S. steel industry in terms of increasing its profitability?" Pearson asks. "I don't think so."

Because of the antidumping duties against China, U.S. steel prices already are 40 to 55 percent above the world market. "I can't help but be concerned for all the companies that need steel to make dishwashers and snowplows and tractors," Pearson says. "It's hard to see that this is a good policy for the U.S. long term."

Freund wouldn't mind seeing the Trump administration press for multinational negotiations on steel, but she thinks threatening to impose tariffs will cause China and other nations to dig in their heels. "The way the administration is approaching this does not seem destined to produce a good outcome," she said.

China surely knows it needs to reduce capacity amid a glut of steel, but it doesn't want to be bullied into doing so. Diplomacy is not this president's strong suit, but in this case a policy of threats and intimidation could hurt far more American workers than it helps.