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## Trump Defies Advice to Implement Steel, Aluminum Tariffs

In an action that flies in the face of his own party and caused a top economic advisor to depart, President Trump fulfilled his promise to impose sweeping tariffs on imports of steel and aluminum with the signing of two presidential proclamations March 8. Per the results of Commerce's Section 232 investigations, certain aluminum imports will be hit with a 10% tariff and specific steel imports with a 25% tariff on all countries, except Canada and Mexico, beginning March 23. Chief Economic Advisor Gary Cohn reportedly resigned his position over opposition to the tariffs.

> Other countries with which the U.S. has a security relationship are "welcome to discuss … alternative ways to address the threatened impairment of the national security caused by imports from that country," the proclamations noted. In a tweet March 9, the president hinted that Australia may soon be exempted.

In a joint news conference with Swedish Prime Minister Stefan Löfven March 8, the president amused many with his description of the tariffs. "So not only do we lose on trade, we lose on military, and hence we have these massive deficit numbers in our country. We're going to straighten it out. And we'll do it in a very loving way. It will be a loving, loving way. They'll like us better and they will respect us much more," he said.

While the tariffs are expected to hurt China, it's interesting to note that Chinese steel accounted for only 2.15% of total U.S. steel imports in 2017. Canada is the number-one exporter of steel to the U.S. (16.46%), followed by the European Union (14.55%), Brazil (13.53%), South Korea (9.8%), Mexico (9.15%), Russia (8.32%), Turkey (5.74%), Japan (5.01%) and Taiwan (3.27%).

## U.S. NATO Allies React with Anger, Resolve

U.S. allies, even those exempted from the tariffs, reacted angrily to the announcement and vowed to pursue a legal challenge at the World Trade Organization (WTO). For one, the



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European Union (EU) has "serious doubts" about the national security reasons for the tariffs, EU Trade Commissioner Cecilia Malmstrom said March 7. "We cannot see how the European Union, friends and allies in NATO, can be a threat to national security in the U.S." Malmstrom and USTR Robert Lighthizer, along with their Japanese counterpart, were scheduled to meet March 10 in Brussels to discuss overcapacity and potential exemption from the tariffs.

The EU is prepared to challenge the tariffs at the WTO and take rebalancing actions to safeguard EU members' domestic steel and aluminum industries from an influx of imports diverted from the U.S. It circulated a list of U.S. products that could face potential retaliation, reportedly including Harley-Davidson motorcycles, bourbon and Levi's jeans.

> Canadian Foreign Affairs Minister Chrystia Freeland described the announcement that Canada and Mexico would be exempted, pending NAFTA outcomes, as a "step forward," but her government will remain vigilant. "Make no mistake: we will protect our industry. We will not stand by while Canadians' livelihoods are put at risk. We will strongly defend our workers," Freeland said in a statement.

Wang Hejun, head of China's Ministry of Commerce Trade Remedy and Investigation Bureau, said in a statement: "To restrict the trade of steel and aluminum products with the excuse of national security will severely destroy the multilateral trading system represented by the WTO and is sure to impact on normal international orders. The U.S. measures have been objected by countries and regions like the EU, Canada, Brazil and ROK [South Korea]." Wang added that if the U.S. tariffs impair China's interests, then it will join with other countries to "safeguard it own benefits."

On March 6, Organization for Economic Cooperation and Development (OECD) Secretary-General Angel Gurria called on governments of steel-producing economies to "address the root causes of today's steel crisis through multilateral approaches." An OECD Global Forum on Steel Excess Capacity ministerial meeting is planned for June. Recognizing the urgency of the matter, Gurria called for "swift and tangible" action in 2018.

## Congress Responds to Tariffs Only Way It Can

Lawmakers opposed to the tariffs responded quickly. While there's not much Congress can do to prevent the tariffs from being put into action, that didn't stop all the hand-wringing, letter writing and public interviews in the hopes of changing the president's mind. Getting a veto-proof majority to pass legislation overturning the president's decision would be a tall order.

"These so-called 'flexible tariffs' are a marriage of two lethal poisons to economic growth – protectionism and uncertainty. Trade wars are not won, they are only lost. Congress cannot be complicit as the administration courts economic disaster. I will immediately draft and introduce legislation to nullify these tariffs, and I urge my colleagues to pass it before this exercise in protectionism inflicts any more damage on the economy," Sen. Jeff Flake (R-Ariz.) said in a statement. At press time, no bill had been introduced.

Congress has ceded many of its rights to levy tariffs to the executive branch. Under Section 232 of the Trade Expansion Act of 1962, the president has the right to adjust tariffs as he sees fit. The presidential proclamation also cites Section 604 of the Trade Act of 1974 authorizing the president to "embody in the Harmonized Tariff Schedule of the United States the substance of acts affecting import treatment, and actions thereunder, including the removal, modification, continuance, or imposition of any rate of duty or other import restriction."

Prior to the announcement, Sen. Orrin Hatch (R-Utah) wrote to the president to express his "very deep concerns" about the tariffs. "The tariffs, if implemented, would not be paid by foreign steel and aluminum manufacturers. Instead, they would be paid by American manufacturers and consumers that rely on steel and aluminum," wrote Hatch.

> The New Democrat Coalition called for the House Ways and Means, Armed Services and Foreign Affairs committees to immediately hold hearings on the potential impacts of the steel and aluminum tariffs. "The tariffs President Trump is threatening could damage our economy, lead to net job loss, drive up prices for U.S. manufacturers and consumers, and drive a wedge between the U.S. and key allies, including Canada, South Korea, and the European Union," the coalition wrote in a letter to the committee chairs.

The Democrat assertion of job loss is backed by a policy brief from The Trade Partnership. It found that tariffs would increase iron and steel and non-ferrous metals employment by 33,464, but cost 179,334 jobs throughout the economy, for a net loss of approximately 146,000 jobs, or in other words, five jobs lost for every one created.

In a letter, 107 Republican members of Congress urged the president to impose tariffs in a targeted way to "address specific distortions caused by unfair trade practices in a targeted way while minimizing negative consequences on American businesses and consumers." They asked the president to exclude fairly traded products and those that don't pose a national security threat, announce a "robust" exclusion process, grandfather in existing contracts to purchase aluminum or steel, and review the effects of the remedy on a short-term basis "to determine if a different approach would better serve the interests of our American workers, job creators, and consumers."

In contrast, three senators from Rust Belt states don't think the tariffs go far enough. Sens. Sherrod Brown (D-Ohio), Rob Portman (R-Ohio) and Bob Casey (D-Pa.) urged Trump in a letter March 8 to include electrical steel as part of the tariff remedy. They wrote on behalf of constituent company AK Steel, described by the trio as the last domestic producer of grain-oriented electrical steel (GOES).

"Since the remedy, as currently constructed, does not include electrical cores and core parts, the remedy will not be effective for the domestic electrical steel market. GOES is the type of specialty steel used in the cores of power transformers, which are key components of the country's critical power grid infrastructure," the letter noted.

## Industry Response Falls Along Familiar Lines

Domestic industry response to the president's formal announcement fell along the same lines that were visible throughout the Section 232 investigations (see **WTTL**, Sept. 18, page 5). As if another industry alliance was needed, 35 industry and agriculture groups opposed to the tariffs March 6 formed the Alliance for Competitive Steel and Aluminum Trade (ACSAT).

United Steelworkers (USW), unsurprisingly, supported the announced tariffs. "Today the President took decisive action to ensure that adequate supplies and industrial capacity of aluminum and steel were available to support national security. That decision and the announced action align with what every citizen knows: these products are vital to our national security," USW International President Leo Gerard said in a statement.

But downstream users of steel and aluminum imports have vowed to fight against them. "While we have been pleased with the Trump Administration's enthusiastic support for manufacturing, and are happy that the President did include at least a temporary exemption for supplies from Canada and Mexico, we believe this step to be injurious, rather than helpful, to our efforts to increase American manufacturing and create jobs," said Air-Conditioning, Heating, and Refrigeration Institute President and CEO Stephen Yurek.

"These tariffs will damage downstream U.S. steel and aluminum consuming companies, as the U.S. will become an island of high steel prices that will result in our customers simply sourcing our products from our overseas competitors and importing them into the United States tariff-free. We continue to encourage the President to consider the entire manufacturing sector – both upstream and downstream companies," said Roy Hardy, president of the Precision Metalforming Association, and Dave Tilstone, president of the National Tooling and Machining Association.

Those three organizations are all members of the newly formed Alliance. The new alliance is comprised of downstream users of imported aluminum and steel, as well as manufacturers and farmers who "are among America's most export-dependent sectors." In its launch statement, ACSAT notes that policies "to assist workers impacted by trade and to promote more competitive steel and aluminum production will be far more effective than prolonged import protection."

## Three NAFTA Chapters Closed, More Progress Needed

The seventh round of NAFTA renegotiations concluded March 5 in Mexico with the closing of three chapters and two annexes, but the talks are not moving fast enough, U.S. Trade Representative (USTR) Robert Lighthizer warned during the closing press conference. Negotiators closed the good regulatory practices, publication and administration, and sanitary and phytosanitary chapters and also were able to complete the chemicals and proprietary food formulas annexes. At the same time, "substantial" progress was made on telecommunications and technical barriers to trade, and the partners agreed to include a chapter on energy, Lighthizer noted. At the previous round in Montreal, negotiators closed the anti-corruption chapter (see **WTTL**, Feb. 5, page 4). In total, six of 30 chapters have been completed in seven months, a pace that is too sluggish in Lighthizer's eyes, especially in light of upcoming elections.

> "Now our time is running very short. On July 1, as everyone here knows, Mexico will choose a new president. That campaign as I understand it begins in earnest just next month. But Mexico is not the only NAFTA country in the midst of elections. Both Ontario and Quebec have elections scheduled later this year," he said. The U.S. also has midterm elections in November. "All of this complicates our work. I fear that the longer we proceed, the more political headwinds we will feel," cautioned Lighthizer.

Complicating the negotiations were threats of U.S. tariffs on imports of steel and aluminum. President Trump's announcement later in the week seemed to allay concerns, for now (see related story, page 1). The next round of negotiations has not been formally announced, but is expected to take place in late March-early April.

## Trading Partners Sign Pacific Agreement -- Without U.S.

At the same time the president formally imposed tariffs on steel and aluminum, 11 countries signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), formerly known as TPP, in Chile March 8. President Trump withdrew the U.S. from the agreement early in his presidency, though he has suggested the U.S. would negotiate with CPTPP countries at a later date (see **WTTL**, Feb. 26, page 3).

> The administration is studying how CPTPP "will affect American workers and America's interests in the Indo-Pacific region," Secretary of State Rex Tillerson said in a statement March 9. The U.S. "values its trade relationships with each of the signatories to the CPTPP and looks forward to engaging them on ways to strengthen and expand trade on the basis of fairness and reciprocity," he said.

Political opponents and industry used the signing to urge the administration to reconsider its decision. "With the advancement of this [CPTPP], the economic and geopolitical orientation of the Asia-Pacific region further moves away from the United States. President Trump's 'Go It Alone' strategy, enabled by Congressional Republicans, is weakening America's position abroad and limiting the opportunity for American workers, businesses, and farmers," New Democrat Coalition members Reps. Jim Himes (Conn.), Rick Larsen (Wash.) and Gregory Meeks (N.Y.) said in a statement.

Even before the deal was signed, wheat organizations urged USTR to prioritize rejoining the agreement. "Unfortunately, the agreement among the TPP members will have a devastating impact in rural communities across the wheat belts of the Great Plains and the Northwest, though it will hurt the income of every American farmer growing wheat," 35 national and state groups wrote in a letter March 7.

## * * * Briefs * * *

TRADE FIGURES: Merchandise exports in January jumped 5.3% from year ago to $134.2 billion, Commerce reported March 7. Services exports gained 4.7% to $66.7 billion from January 2017. Goods imports increased 7.2% from January 2017 to record-high $210.7 billion, as services imports gained 7.9% to record-high $46.8 billion.

WELDED PIPE: In 4-0 preliminary vote March 5, ITC found U.S. industry may be injured by allegedly dumped imports of large diameter welded pipe from Canada, China, Greece, India, Korea and Turkey and subsidized imports from China, India, Korea and Turkey.

IRON PIPE: In 4-0 preliminary vote March 9, ITC found U.S. industry may be injured by allegedly dumped and subsidized imports of cast iron soil pipe from China.

WOVEN SACKS: Laminated Woven Sacks Fair Trade Coalition filed countervailing and anti-dumping duty petitions March 7 with ITA and ITC against laminated woven sacks from Vietnam.

USTR: Senate March 5 confirmed Jeffrey Gerrish by voice vote. He will serve as deputy USTR for Asia, Europe, Middle East and industrial competitiveness. Gerrish faced early troubles over accusation of voter fraud; ultimately criminal charges were not pursued (see **WTTL**, Dec. 18, page 6). "Jeff is a seasoned expert whose experience in international trade will be crucial in negotiating fair and reciprocal trade deals that level the playing field and benefit American workers. I look forward to having him join the President's team," USTR Robert Lighthizer said in statement.

EXPORT ENFORCEMENT: Two Pakistani nationals and lawful permanent U.S. residents, Muhammad Ismail and his son Kamran Khan, pleaded guilty March 5 in Bridgeport, Conn. U.S. District Court to money laundering funds they received for unlawful export of goods to Pakistan. Other son Imran Khan pleaded guilty in June 2017 in New Haven federal court to exporting Alpha Duo Spectrometer to Pakistan in 2013 without Commerce license (see **WTTL**, June 5, 2017, page 6). Spectrometer was classified under Export Control Classification Number 3A999 and shipped on behalf of Pakistan Atomic Energy Commission (PAEC), which was listed on BIS Entity List. Sentencing for Imran Khan set for March 14. All three were arrested in December 2016; Khans were released on $100,000 bond, Ismail on $50,000 bond.

NORTH KOREA: In March 5 Federal Register State imposed mostly symbolic sanctions against North Korea for using "lethal chemical weapons against its own nationals." Sanctions include termination of foreign assistance except for urgent humanitarian assistance and food or other agricultural commodities, termination of sales of defense articles or defense services or USML export licenses, termination of all foreign military financing, denial of any U.S. government credit, credit guarantees, or other financial assistance, and prohibition on export of national security-sensitive goods and technology. "These sanctions are in addition to existing U.S. comprehensive sanctions against targeting unlawful North Korean activities," State spokesperson Heather Nauert said in statement March 6.

TOYS: CBP issued withhold release order March 5 against toys produced by Huizhou Mink Industrial Co. Ltd. in China with convict or forced labor. Previous order detained peeled garlic (see **WTTL**, Oct. 3, 2016, page 9).