



President Trump's Tariff Proposal on Steel and Aluminum

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State of Play

President Trump imposed a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports. The President cited trade deficits (with countries who export steel to the U.S.) and support for domestic steel producers as the two reasons behind new tariffs. This decision will have more serious negative economic effects than targeted and temporary tariffs enacted in the past due to its broad and comprehensive nature; however, the President has decided to exempt some of our allies from the new tariffs including Mexico, Canada, and potentially others.

What is a Tariff?

A tariff is a tax on a specific good that is imported into a country. The main purpose of a tariff is to increase the price of a good imported into the country. In Trump's proposal, foreign steel imported into the U.S. gets hit with a 25 percent tax, making it significantly more expensive for businesses and consumers who buy foreign steel. The last time the federal government imposed steel tariffs was in March 2002 under President George W. Bush, a 30 percent steel tariff. It was [removed](#) less than two years later after 200,000 individuals in steel-consuming industries lost their jobs due to the higher steel prices, amounting to about \$4 billion lost wages.

What is a Trade Deficit?

A trade deficit occurs when the value of a country's imports exceeds its exports. Nations that heavily produce goods rely on exports and have trade surpluses. Nations that consume more than they produce typically rely on imports to close that gap and have trade deficits. The amount of trade surplus or deficit is not a good or bad thing, but rather a reflection on the structure of the nation's economy. Voluntary trade is mutually beneficial to both countries, as producing nations get markets for their goods and consuming nations get the products they need.

The Costs of Tariffs

Free trade is mutually beneficial, but this does not mean everyone ends up better off after every trade. Not every deal is a good deal. President Trump correctly recognizes the fact that cheap, imported steel means more competition for domestic steel producers that can lead to

lower wages and lost jobs. Unfortunately, the president's solution fails to solve the problem and instead leads to both higher prices and lost jobs.

1. Tariffs on steel and aluminum lead to *higher prices* for consumers on all finished products that contain steel/aluminum such as cars, air conditioning units, refrigerators, and beer. A tariff amounts to a regressive tax that disproportionately hurts ordinary Americans.
2. Tariffs on steel and aluminum lead to *lost jobs* for American workers within those industries that rely on competitively priced imports. Seventeen million Americans currently hold jobs in such industries which include U.S. manufacturing and construction sectors. According to research conducted by The Trade Partnership, Trump's initial tariff proposal would cause a net loss of nearly [146,000 jobs](#).
3. Tariffs on steel and aluminum could lead to *damaged foreign relations* with many of our allies including South Korea, Japan, and Europe, and could even lead to trade retaliation from trade partners.

Conservative Solutions

There is no "silver bullet" solution that will bring back American jobs and businesses in various manufacturing industries. Raising taxes on imports has failed to solve the problem in the past and is not the answer moving forward. There are, however, a number of conservative solutions to help American companies and their workers compete in a global environment.

1. *Lower Taxes*. Cutting taxes across the board for businesses and individuals will make U.S. companies and workers competitive against foreign competition. The recently passed tax reform package lowered rates and incentivized foreign investment right here in America. We are already beginning to see increased foreign investment, higher wages, and job growth from the [Tax Cuts and Jobs Act](#). If Congress continues to lower and simplify the tax code, businesses from across the globe will come back and make America their permanent home.
2. *Cut Red Tape*. The cost of unnecessary regulation increased by an astonishing [\\$122 billion](#) annually during the Obama years, making the cost of doing business unbearable. The Trump administration has blocked, rescinded, and withdrawn hundreds of Obama era rules, ended the "war on coal", and worked with Congress to overturn fifteen regulatory rules. Congress should [continue](#) to lower the cost of business by making it harder for bureaucrats to enact new rules. Doing so will make it easier for a power plant, a fracking company, or a manufacturing plant to expand their business.
3. *Empower Workers*. In many cases, labor unions have made it impossible for businesses to adapt to a global economy. Interestingly, labor unions [support](#) Trump's announcement to impose new tariffs because it shields them from outside competition. Congress should pass legislation, such as the [Employee Rights Act](#), that frees up businesses to spend less resources on appeasing union bosses and more resources on expanding and hiring new workers.

4. *Close the Skills Gap.* The current higher education system in the U.S. heavily subsidizes four-year liberal arts degrees that do not prepare the next generation of workers with the skills they need to work in manufacturing. In many cases, employers have jobs they want to fill but can't find the applicants with the right skills or a clean background to qualify. Jobs in construction, truck driving, the technician industry, heavy equipment operations, oilfields, and hospitals go unfilled. Congress should pass legislation, such as the [HERO Act](#), that would reform the higher education system to include alternatives to four-year degrees such as apprenticeship and vocational training programs that help prepare the next generation for blue-collar jobs.
5. *Restore the Dignity of Work.* In far too many communities across America, it's easier to live off government welfare and stay at home than it is to go to work in a blue-collar industry. Instead of being temporary, limited, and targeted, government welfare programs continue to expand, sucking whole families into government dependence and eventually generational poverty. Congress should rein in welfare programs and help restore the dignity of work by tying work to welfare benefits. Passing the Supplemental Nutrition Assistance Program Reform Act would be a [good start](#) in getting able-bodied Americans back to work and helping local communities rebuild.

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