

Trump Administration's Tariffs on Imported Steel and Aluminum

Establishes import tariffs on steel and aluminum in order to protect domestic producers.

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WHAT IT DOES

On March 8, 2018, President Trump, in separate proclamations, announced that the United States would impose tariffs on foreign [steel](#) and [aluminum](#). The order will impose [a 25% tariff on foreign steel and a 10% tariff](#) on foreign aluminum. The import tax will affect all countries except Canada and Mexico. This action would restrict foreign steel and aluminum from entering American markets with the stated objective of strengthening the US steel and aluminum industries by limiting foreign competition. The Trump Administration [has expressed concern](#) that the American steel industry is being weakened by foreign competition flooding markets, resulting in the paring down of an industry seen as valuable to American culture and national security. The national security argument is being justified for the importance of steel in many products necessary for calling on the manufacturing of arms. The Trump Administration has a focus on limiting the American need for foreign steel to also maintain certain levels of military independence for national defense.

Since the original proclamation on March 22, 2018, [traditional allies affected by the proclamation](#) were given the opportunity to individually negotiate with the Trump Administration, which could limit the impact of the tariffs on their exporters. These countries include nations in the European Union such as [France](#) as well as other countries like [Argentina, Australia, Brazil, and South Korea](#). Canada and Mexico, which were originally temporarily excluded from the tariffs, [lost their exempt status](#) in a presidential announcement on May 31, 2018 along with the European Union. Countries that are currently exempt from the tariffs, but may have reduced quotas, include [Argentina, Australia](#), and [South Korea](#). Brazil's status is [unclear](#).

BACKGROUND

On January 11, 2018, Secretary of Commerce Wilbur Ross sent notice to President Donald Trump that the amount of steel being imported into the United States is negatively affecting the United States economy. [Secretary Ross asserted](#) that the import of steel weakened the ability of the American economy to produce steel in a national emergency, which could jeopardize national defense. The Secretary has [previously gone on the record](#) claiming that national security was a guiding reason to protect domestic steel production. His [underlying rationale](#) was that foreign steel could compromise the American steel industry by flooding the market with cheaper product. The Secretary cited his claims on national security under [Section 232 of the Trade Expansion Act of 1962](#), which authorizes the Secretary of Commerce to investigate and review the effects of any import on national security.

The same judgment was placed on aluminum imports given that aluminum is also seen as [vital](#) to national defense in the eyes of the Secretary. The Trump Administration [went on to concur](#) with the Secretary's logic, supporting the imposition of tariffs on foreign aluminum and steel for economic protections as well as for national defense. The President then decided to evoke [Section 232 of the Trade Expansion Act of 1962 and Section 604 of the Trade Act of 1974](#). These powers allow the President "to adjust the imports on articles and its derivatives that are imported into the United States that impair national security." [President Trump sees this import tax](#) as an opportunity to revive the American steel and aluminum industries against foreign competitors.

These tariffs have the potential to severely impact the energy industry given that steel and aluminum are key in energy construction

and infrastructure. For example, aluminum is heavily used in the construction of [wind and solar energy](#) projects. Outside of renewables, steel is the primary material in [building pipelines](#).

There is a [process for settling](#) disputes between member countries of the World Trade Organization (WTO), a global organization whose purpose is to regulate international trade. However, President Trump has chosen not to use this path, leading other nations such as [Mexico](#) and [India](#) to initiate disputes with the WTO over the US's actions.

RELEVANT SCIENCE

Steel

As a material, steel is an [integral and ubiquitous](#) component of many pieces of energy infrastructure. For instance, steel has traditionally been the primary component of [oil and gas pipelines](#), which transport these fuels from their sites of extraction to refineries to end users. Steel is used to construct a variety of structures throughout the energy industry, such as offshore oil platforms, fuel storage tanks, and power plants themselves. Steel is also a key material for the renewable energy industry, necessary for reinforcing concrete dams in hydroelectric plants and constructing [wind turbines](#), among many other uses.

Aluminum

Aluminum is valuable to the energy industry due to its [use as a material](#) in wind turbines, [solar panel frames](#), and efficiency programs that substitute aluminum for heavier metals to save on weight, among many other uses.

Tariffs

A [tariff](#) is a tax or duty imposed by a nation on goods and services in foreign trade. The purpose of a tariff is to increase the price of a good or service in order to support domestic economic goals. Most commonly, tariffs are applied to imports of a good or service, which may have the effect of raising revenue from imports or increasing the competitiveness of domestic version of that good or service. In rarer cases, tariffs may be set on exports in order to ensure domestic supply of some good or service by keeping it within a nation's borders. The use of tariffs goes against the general idea of [free trade](#) and may indicate [protectionist](#) tendencies on the part of a nation's government.

CONTROVERSIES & IMPLICATIONS

The primary sources of uncertainty surrounding this decision is whether the steel and aluminum industries need to be protected, why the Trump administration will not use the WTO process, and how much damage may be done to domestic industries dependent on the materials as well as to existing trading relationships internationally. Trump's actions were prompted by the Secretary of Commerce raising concerns about damage to US steel and aluminum manufacturers, though some analysts have pointed to the tariffs' [potential negative effects](#) on other American industries.

[Energy-sector industries](#), including pipeline manufacturers and the oil and gas industries, are concerned about the cost of raw steel and aluminum. Additionally, there is a concern that the cost of [unique items](#) not manufactured in the US will be higher due to the tariff with no domestic items as an alternative. This would create unfair advantages between industries dependent on unique products versus simply raw materials. The unfair advantage would be created due to the steel and aluminum being imported are not always raw materials, which is what this tariff is focusing on. Producers in finished product industries in the US would be disadvantaged at producing these finished products with the unique items being placed at a higher price. Their competition would be obtaining these unique items without the extra cost of a domestic tariff and introduce their product into US markets with a lower cost of production.

Additionally, there are some concerns from [experts](#) that the protection of the American steel industry would not save domestic

producers, but simply delay them from being naturally outcompeted by foreign firms. This is because technology could be a likely culprit in the slowdown of the American steel industry, not globalization. Rather than foreign competitors squeezing American manufacturers, as the Trump administration has alleged, the story may be that technology is advancing at such a pace that it is replacing the number of individuals needed to produce steel and aluminum in domestic factories.

ENDORSEMENTS & OPPOSITION

Endorsements:

United Steelworkers, an industrial labor union, in a [press release](#): “President Trump initiated action to investigate the impact of aluminum and steel imports on our national security. We applauded his action then and appreciate the attention that this issue has received in recent months. Comprehensive reports were sent to the White House and released to the public. They validated what we already knew: these sectors are critical to our nation.”

Senator Sherrod Brown (D-OH), in an [op-ed](#): “The tariffs the president announced finally send a clear message to our trading partners that we will not allow them to cheat Americans out of their jobs.”

Opposition:

Senator Bob Corker (R-TN), in a [statement to the press](#): “Imposing steel and aluminum tariffs on our most important trading partners is the wrong approach and represents an abuse of authority intended only for national security purposes.”

Jack Gerard, president and CEO of the American Petroleum Institute (API), a fossil fuel trade association, in a [statement to the press](#): “Increased prices in specialty steel could threaten the continued domestic production of oil and natural gas and natural gas liquids – which are at their highest levels of production since 1949 – and could raise energy costs for U.S. businesses and consumers, while threatening the nation’s ability to achieve President Trump’s goal of energy dominance.”

RELATED POLICIES

[Trump Administration's Tariffs on Imported Solar Cells and Modules](#)

POLICY HISTORY

- January 11, 2018: Secretary of Commerce finishes investigative report and sends the same report to the President.
- January-March 2018: The President received and resolved to create import tariffs on steel and aluminum.
- March 22, 2018: President releases the extension on the executive order until June 1ST for trading partners.
- March 26, 2018: South Korea exempted from tariffs.
- May 31, 2018: Argentina and Australia exempted from tariffs. Tariffs imposed on Canada, the European Union, and Mexico.
- June 1, 2018: Tariffs went into effect.

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ENERGY SUBCATEGORY

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