



STEEL TARIFFS SPARK INTERNATIONAL TRADE BATTLE

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A dispute between the United States and Europe, Japan and several other countries could result in a trade war over steel, oranges and clothing that would force President Bush to make tough political choices going into the 2004 election.

Last week, the World Trade Organization (WTO), an international governing body that works towards promoting free and fair trading practices between countries, ruled that U.S. **tariffs** on steel imports were illegal under global trade laws.

European Union officials warned that if the United States didn't lift the controversial taxes on steel purchased from abroad, they would start imposing up to \$2.2 billion worth of **countertariffs** on U.S. imports. Several other countries, including big trade partners like China and Japan, made similar threats.

"Should the U.S. make no improvement, we will simply take the necessary steps," Japanese trade official Seiji Murata said at a news conference.

The trade dispute forces President Bush to decide whether to continue protecting America's steel industry and risk alienating other industries that will be affected by the countertariffs, or change course and face backlash from the powerful steel companies.

The Case

The U.S. steel industry has been struggling since the early 1990s: 41 U.S. steel companies have declared bankruptcy since 1997. Officials blamed their troubles on competition with cheap imported steel.

In March of 2002, President Bush agreed to place steel tariffs, from 8 percent to 30 percent, on imported steel for the next three years and let U.S. steel catch up with the foreign competition. The tariffs forced importers to raise the price of their steel and encouraged industries to purchase the now cheaper U.S. steel.

In response, the 15-member **European Union** and seven other nations complained to the WTO. The WTO ruled against the U.S. in July of 2003 and the U.S. appealed. Last week, the WTO upheld its decision.

"The **appellate** body recommends ... the United States to bring its safeguard measures ... into conformity with its obligations under WTO rules," the 186-page ruling said.

The WTO ruled that the United States had not sufficiently proven that cheap imports from overseas were the reason for the U.S. steel companies' problems. It also said it was illegal that countries that had a free trade agreement with the United States – Canada, Mexico, Israel and Jordan – didn't have to pay the tariffs.

Political Consequences

The tariffs protected steel production in states that could be vital in the 2004 presidential election: Pennsylvania, Ohio and West Virginia. To punish President Bush, Europe says it will put taxes on goods from states that are

equally important to his reelection bid – like oranges from Florida, textiles from North and South Carolina, and apples from Washington State.

“It was very clear,” explained Neil King, a reporter for the Wall Street Journal. “If you do this for political reasons, you’re going to regret it for political reasons.”

Between Steel and a Hard Place

The EU and other countries that complained to the WTO aren’t the only ones bitter about the steel tariffs. Many U.S. manufacturing industries need steel to make their products, and they say the raised prices have hurt them.

A study by the **U.S. International Trade Commission** found that these industries paid \$680 million more for steel during the first year of tariffs. Some industry officials even claim that the number of jobs lost from factories that use steel, because of the higher prices, is greater than the number of jobs that have been saved in steel production. These industries – groups like the automobile industry and appliance industry – have a lot of political power in states such as Michigan, Minnesota and Wisconsin and could hurt the president’s chances of reelection come November.

“For the sake of the U.S. manufacturing sector, it’s time to end the tariffs now,” William Gaskin, a manufacturing industry representative, told the Associated Press. “A quick end to the steel tariffs will help send a message that the president supports American manufacturers.”

Meanwhile, steel industry officials continue to pressure Bush to keep the tariffs in place for the remaining year and a half of the three years he promised.

“The decision undoubtedly confronts Mr. Bush with a test of wills,” Leo Gerard, president of the United Steelworkers of America, told the Associated Press.

“Will he exercise his sovereign right as president to protect the jobs and survival of the entire American steel industry, or will he knuckle under the threat of economic blackmail being leveled by the European Union?”

The countertariffs could be put in place as soon as December if the president chooses to ignore the WTO and keep the tariffs in place.

By Chris Nammour, Online NewsHour

Vocabulary (from <http://www.merriamwebster.com/home.htm>)

tariffs - a schedule of duties or taxes imposed by a government on imported or in some countries exported goods

European Union - economic, scientific, and political organization consisting of Belgium, France, Italy, Luxembourg, Netherlands, Germany, Denmark, Greece, Ireland, United Kingdom, Spain, Portugal, Austria, Finland, & Sweden

appellate - of, relating to, or recognizing appeals; *specifically*: having the power to review the judgment of another tribunal <an *appellate* court>

U.S. International Trade Commission - an independent, nonpartisan, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement. (from <http://www.usitc.gov/>)