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**President Trump’s 2018 Tariffs on Steel**

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In the aftermath of the Great Recession, much of the United States working and middle class found themselves struggling. The factory, manufacturing, and metal-working jobs they had been doing for decades continued to move overseas, where others could do it cheaper and faster. The US steel industry, in particular, had been contracting steadily since the 1990s with no signs of stopping, despite several previous government revitalization efforts, such as Bush’s steel tariffs in 2002 (York 2018). As the 2016 election approached, America’s middle and working classes were looking for someone who would bring their jobs back.

President Donald Trump’s election in 2016 signaled a resurgence of right-wing populism. Still, in contrast to many of his Republican predecessors, President Trump’s foreign policy was staunchly protectionist and anti-free trade. Throughout his entire campaign, he proudly proclaimed his intentions to “use every lawful presidential power to remedy trade disputes, including the application of tariffs” (Trump 2018), especially when protecting the American manufacturing sector and its steel.

Only three short months after Trump’s inauguration, the Department of Commerce under Secretary Ross began their investigation to ascertain foreign steel’s threat to national security (Lawder 2017) under Section 232 of the Trade Expansion Act of 1962. Section 232 allows the Department of Commerce to investigate how imports of particular products affect national security and recommend counteractions to the president if they deem a product vital to national security (Bureau of Industry and Security 2020). Under this section, the president can take actions he usually would not have the authority to impose tariffs or restrict imports (Bureau of Industry and Security 2020). This power has been primarily used to investigate materials like uranium and crude oil in the past. Both materials play a significant role in the US’s military power and could cause problems if they were to fall into the wrong hands.
(Bureau of Industry and Security 2020). Under the Bush administration in 2001, the most recent investigations also investigated the effects of imported semi-finished steel on national security, much like the investigation under Trump. The Bush Department of Commerce’s found that imported steel posed no threat to US national security and recommended no action to President Bush (US Dept of Commerce 2001).

On the other hand, Trump’s Department of Commerce came to a different conclusion. According to their investigation, if the US were ever in dire need of steel, international suppliers could withhold it, crippling the US’s defense and manufacturing capabilities. They presented these findings to President Trump, who took decisive action (Kim 2020). Making good on his campaign promise, President Trump signed an executive order to enforce a flat 25% tariff on imported steel on March 8, 2018. Usually, Congress has the authority to levy taxes and impose duties, but in this case, as is increasingly becoming the norm, the president acted independently of Congress. Citing Section 232, Trump imposed these tariffs through the Department of Commerce based on a national security emergency (Executive Order 2018). No President has ever invoked this section to institute a tariff, let alone a tariff on something as vital to the American consumer industry as steel (Kim 2020). Opponents saw this legal justification as an underhanded loophole that Trump used to circumvent Congressional opposition, both Republican and Democrat.

This initial executive order featured temporary exclusions for key trade allies Mexico, Canada, the EU, Brazil, South Korea, Argentina, and Australia. However, only a few short months after this first executive order, President Trump signed a secondary order that removed this exemption for Canada, Mexico, and the EU. It took until May 2019 for Canada and Mexico to renegotiate their exclusions. In December 2019, President Trump accused Brazil and Argentina of purposely devaluing their currencies to cheapen their exports and pursued punitive measures against them, rescinding their exclusions from the tariff. He later regranted Brazil’s exclusion (Griswold 2019). Trump’s administration also granted exceptions to hundreds of companies on a case-by-case basis (Lardner and Fenn 2019).

Within a year of this tariff, steel prices shot up 38% domestically (Amiti 2019). Abroad, Trump’s steel tariff inspired retaliatory tariffs from nearly every major power affected, including China, the EU, India, Mexico, and Canada (Griswold 2019). China filed an official complaint with the WTO in 2018, citing Trump’s steel tariff alongside others as violations of the GATT’s rules against discriminatory tariffs (World Trade Organization 2018a). The European Union and Canada filed similar claims later that year (World Trade Organization 2018b). The steel tariff also devastated the manufacturing industry and most other industries that use steel as an input, such as the construction industry and even the agricultural industry (Polansek 2018).

Overall, Trump’s steel tariff contributed to a deterioration of economic relations with some of our most significant allies. Although the steel industry reaped marginal benefits, prices for manufactured goods within the US soared, pushing jobs in those industries out of the country (Heather 2018; Amiti 2019). I believe these tariffs were passed primarily due to the president’s willingness to exploit his legal powers,
coupled with lobbying from particular steel and labor groups. State structures hindered Congress’s ability to take any action against these tariffs and concentrated decision-making power in a president who was heavily susceptible to the steel industry’s lobbying.

**Why Free Trade?**

Before delving deeper into President Trump, his tariffs, and other influencing factors, it is important to dispel some myths about tariffs and free trade. On the surface, tariffs may seem like an attractive option to bolster the US’s economy. By discouraging the influx of foreign products, one might assume that more people would purchase US-made products instead. Many see the money spent on imports as wasted money that the US should spend on bolstering domestic industry instead of paid out to foreign firms and governments. And while tariffs can be used to “help” domestic firms by blocking foreign competition, they always produce an inefficient outcome (Boudreaux and Ghei 2018). Tariffs may be suitable for the domestic firms they are protecting, but for consumers, tariffs almost always mean a higher price for goods. If a protected good (i.e., steel) is used as an input in other goods, the price-raising effect of a tariff can spread to other industries and products.

Furthermore, tariffs prevent a country from producing the thing they are best at (or least bad at). In classical economics, this idea is known as comparative advantage. If countries specialize in the goods they are most efficient at producing, and trade for the goods they are not, they can operate at a much higher efficiency than if they tried to produce everything themselves. So even by buying goods from a small country with a small economy, the US still benefits because it frees up its economy to focus on the things it does best.

Free trade can also promote domestic growth while keeping economies efficient. For example, over half of US imports are NOT finished consumer goods but inputs for other goods (Boudreaux and Ghei 2018). By buying these inputs at a lower price from other countries, domestic firms enjoy lower input costs and can operate at higher levels. Why, then, are some modern politicians drawn so strongly towards tariffs? Firstly, tariffs have very strong short-term effects, while the benefits of free trade are more spread out and harder to identify. Tariffs are also easy to implement: a definite tax on an import is easier than reforming or expanding America’s international trade policies. Politicians are also responsible to their constituents, which may skew towards workers in comparatively inefficient domestic industries depending on geographic area. While this explains why many surrounding politicians and actors supported Trump’s tariffs, Trump himself had more personal motives in pushing for these tariffs.
President Trump, homo Protectus

Donald Trump, in his heart of hearts, is a businessman. Much of his view on trade can be explained by his background in the vicious world of New York real estate. Smith and Ricardo are nowhere to be found in his world, and all deals produce a winner and a loser. “Mutually beneficial trade” simply is not in Trump’s lexicon, and for him, making a bad deal or getting cheated is the “ultimate failure” (Schleisinger 2018). I believe this philosophy is also a primary reason that Trump has been consistently protectionist since as far back as the 1980s. Trump’s statements back then read almost exactly like his campaign slogans today; “A lot of people are tired of watching other countries ripping off the United States,” he said in 1987. “They laugh at us behind our backs. They laugh at us because of our own stupidity.” (Fisher 2018). Many see Trump’s protectionism as China-oriented and that our allies just ended up caught in the crossfire. Still, Trump has clarified that he sees any particularly powerful country as a threat to the US, calling Japan “interchangeable with China, interchangeable with other countries. But it’s all the same thing” (Trump 2018). When Japan held a majority stake in the US deficit, he wanted to tax Japanese imports heavily, and now that China holds that stake, his sights have shifted to them (Schleisinger 2018).

The fact that his steel tariffs hit our allies aligns with his protectionist agenda as well. Trump sees EVERY country as a trade threat, not just the more traditionally adversarial ones like China. In attacking NAFTA, a trade deal that linked the US, Mexico, and Canada, he called it “the worst trade deal maybe ever signed anywhere, but certainly ever signed in this country” (Trump 2016). So in trade, Trump has always seen the US as “the company” and every other country as a competitor instead of a partner.

Trump is, and always has been, a protectionist because he sees trade as a fundamentally zero-sum game, where if you are not winning, you are losing. In the world of international trade, he has always viewed tariffs as the cure-all for trade imbalances and “bad deals” and advocated for harsh tariffs for nearly his entire public lifetime (Schlesinger 2018). When Trump finally had his hands on the controls as president, he did exactly what he said he would do decades prior, instituting tariffs like this steel one.

Congress

These controversial tariffs divided Congress, but not on party lines as one might expect. Instead, Congress split on regional lines, with Democrats and Republicans from states with strong steel industries supporting the tariffs (The Associated Press 2018). Most notably, both Nancy Pelosi (Democratic House Minority Leader) and Paul Ryan (Republican Speaker of the House) released public statements publicly denouncing the tariffs (Breuninger 2018; Pelosi 2018). Some Democratic senators like Bob Casey (D-PA), who had called for President Trump’s resignation, applauded the tariffs. Many Republicans, on the other hand, believing in free trade and open
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markets, vehemently opposed the tariffs. Prior to Trump’s first executive order enacting the tariffs, 107 Republican members of Congress (nearly half of the party’s representation) wrote a letter to Trump, strongly urging him to reconsider (Breuninger 2018).

With Congress so divided, it seemed like Trump’s steel tariffs would not survive, yet Trump was able to get his steel tariffs and more. How could Trump circumvent Congress so easily? The answer lies in the state structure of the executive branch and the office of the president. Trump was able to make shrewd use of an old rule that had not been invoked since the organizing of the WTO in 1990, Section 232 of the Trade Expansion Act of 1962 (Executive Order 2018). Even in the 26 times it had been invoked earlier, only two of those instances resulted in legal presidential action (Kim 2020). Where other politicians might have shied away from using such legal loopholes, Trump immediately took advantage of the situation and declared a national emergency over the US’s steel imports (Kim 2020). In short, Congress underestimated how far Trump was willing to push the political envelope for these tariffs and found themselves unable to disarm the president when he used this obscure rule against them.

So why was Congress unable to fight back effectively? They certainly tried to, attempting many strategies to remove the president’s authority under Section 232 in the first few months after the tariff’s enactment. Republicans especially, including senators like Orrin Hatch (R-UT), Jeff Flake (R-AZ), and Bob Corker (R-TN), touted the idea of introducing legislation to limit and amend section 232 (Breuninger 2018). One such bill is the Bicameral Congressional Trade Authority Act of 2019, introduced by Senator Pat Toomy (R-PA), which would limit the president’s power under Sec. 232 (US Congress 2019). After its introduction in January of 2019, the bill was sent to committee, where it has not been heard from in more than two years (US Congress 2019). Similar bills have suffered the same fate, such as the Trade Security Act of 2019, the Reclaiming Congressional Trade Authority Act 2019, and the Trade Certainty Act of 2019 (Sandler 2021). All these bills were introduced to curtail the president’s authority under Sec 232, and all have stagnated in committee for years since their inception (US Congress 2019; Sandler 2021).

These bills’ failures illustrate the prominent weakness that prevented Congress from taking effective action against the president: its inability to mobilize and mobilize quickly. Firstly, the partisan nature of Congress makes it difficult to get enough votes for bills to even get off the ground in the first place. In this case, Republicans who opposed Trump’s steel tariff struggled to get any support from Democrats, who did not care much for free trade in the first place (Schor 2018). The Republican Party also was not united in its opposition to the president’s protectionism. Certain Republicans, especially those from states specializing in steel, had no qualms with Trump’s policy (Schor 2018). Congress itself also suffers from collective action problems when compared to the president. It is much easier and quicker for the president to sign an executive order or institute a new foreign policy than it is for Congress to write a bill, send it to the committee, vote again, ad nauseam. This mobilization problem
ultimately prevented Congress from taking any meaningful counteraction against President Trump’s steel tariff. One could strongly argue that this is a feature of Congress and not a bug, but when Congress was caught by surprise with Trump’s steel tariff, their slow speed and bureaucratic nature stopped them dead in their tracks.

Legal Challenges

Several third-party groups also challenged section 232 as a legal basis, most prominently the American Institute for International Steel (AIIS), a coalition of manufacturers reliant on imported steel (Palmer 2020). This legal battle concluded only recently in June 2020, more than two years after the tariffs’ original enactment. The Supreme Court refused to hear the AIIS’s case after several other federal courts found Trump’s steel tariff legal (Palmer 2020). So, according to the Supreme Court, the legal justification for Trump’s steel tariff is perfectly valid. Underhanded and unorthodox? Probably. But not technically illegal.

Within the Trump Administration

Although legal challenges against Trump’s emergency declaration failed, the economic validity of Trump’s actions was challenged by many, including some of Trump’s economic advisors and cabinet members (Kim 2020). This criticism, especially since it came straight from the Department of Defense, illustrates how illegitimate Trump’s “national security emergency” truly was related to steel. The Department of Defense even released a statement saying that their steel needs would not be threatened by any international withholding of steel (Kim 2020). According to their report, the Department of Defense only needs about 325,000 tons of steel and steel products a year, which comes out to a whopping .3% of the US’s DOMESTIC steel output (Packard 2018).

Opposition was strong even within Trump’s cabinet and administration. Gary Cohn, the chief White House economic advisor at the time, had organized meetings with industry leaders that relied heavily on steel to dissuade Trump from enacting his tariff. Still, Trump refused to show up, canceling the meetings outright (Mangan and Pramuk 2018). After Trump officially enacted the steel tariff, Cohn resigned from his position. Cohn was a free-trade advocate and successful executive at Goldman Sachs, and his departure cast a grim shadow over Trump’s impending protectionist policy (Mangan and Pramuk 2018). Secretary of Defense James Mattis also opposed the tariffs, arguing that the “use of unfair trade practices to intentionally erode our innovation and manufacturing” (Mattis 2017) is a greater threat to our national security than foreign steel. Mattis would eventually resign from his position later in 2018 over President Trump’s military policy in Syria (Goldberg 2020).

Most of the remaining secretaries shared similar sentiments. One unnamed official reported the divide as 22 against the tariff versus 3 for, “but since one of the three is named Donald Trump, it was case closed” (Allen and Swan 2017). Commerce
Secretary Ross, National Trade Council Director Peter Navarro, and Chief White House Strategist Stephen Bannon were some of the few people other than the president in favor of the tariffs (Allen and Swan 2017).

As illustrated in this segment, opposition towards Trump’s steel tariff within the government was strong and bipartisan before and after the tariff’s enactment. Yet, Trump leveraged his presidential power in unconventional/unpopular ways to get what he wanted, members of Congress and cabinet members be damned. President Trump was the singular core political actor that drove this decision. The power that his use of Section 232 granted him allowed him to act independently of anyone who disagreed with him.

Interest Groups

While Trump’s motives in pushing his steel tariff might have been more ideological than directly related to the steel industry, the interest groups and other third parties that worked tirelessly to sway him had only their economic interests at heart. First and foremost in these tariff-supporting groups are numerous domestic steel companies and groups, such as the American Institute for Iron and Steel, and Nucor Corporation. These groups invested heavily in lobbying as soon as Trump became president, increasing their spending from 8.25 million dollars in 2016 to 12.18 million in late 2017 (Mauldin 2019). The Nucor Corporation, the largest domestic producer of steel in the US, contributed 2.7 million to that lobbying total and have gone on public record directly lobbying for the nomination of Commerce Undersecretary Gilbert Kaplan and Jeffrey Gerrish (Nucor 2018). Also, Nucor contributed to President Trump’s 2016 campaign (Mauldin 2019). The steel industry’s interests in protective tariffs originate from the increasing competitiveness of foreign steel firms in the last 20 years. America’s top steel producer, Nucor, is now number 14 on the list of the world’s top steel producers (World Steel Association 2019). Other countries produce more steel and sell it at lower prices thanks to their lower wages (World Steel Association 2019). By gaining protection, domestic steel companies would be able to reclaim sections of the US steel market lost to foreign steel firms.

The steel industry’s lobbying efforts were largely successful because they directly accessed President Trump from within his administration. Key members of Trump’s cabinet and advisors, such as Secretary Ross, Representative Navarro, and other close associates, had deep ties to the American steel industry (Timiraos and Ballhaus 2018). Secretary Ross, who initiated the Department of Commerce’s investigation, served as co-founder and CEO of the International Steel Group and served on the board of ArcelorMittal (the largest supplier of steel worldwide) directly before becoming Secretary of Commerce (Timiraos and Ballhaus 2018). Peter Navarro had tight connections to the steel industry, working closely with the Nucor Corporation to produce a pro-American steel documentary, “Death By China” (Timiraos and Ballhaus 2018). Pro-US steel pressure combined with Trump’s pre-existing fixation on
China made it easy for his advisors to convince the President that China’s burgeoning steel industry was a threat to US interests.

The steel industry’s influence in this steel tariff is also evident in the amount of power domestic steel companies held in deciding which companies were granted exemptions. Individual companies could apply for exemptions from the tariff on a case-by-case basis, and they had to be approved by the Department of Commerce (Lardner and Fenn 2019). However, the Commerce Department makes these requests public and allows any third party (often domestic steel companies) to make objections to any request (Lardner and Fenn 2019). The Commerce Department found itself unprepared for the huge volume of requests they would receive and struggled to give each one sufficient time. Bernd Janzen, a partner in Akin Gump Strauss Hauer & Feld LLP, a group that worked closely with both the Department of Commerce and companies seeking exemptions, described the Department of Commerce as “hard-pressed to spend more than a few minutes reviewing each application” (Janzen 2018). The Department of Commerce would often deny companies’ exemption if there were any objections without investigating it fully (Hampton 2018). By taking advantage of this chaos, domestic steel companies often got their competitors’ exemption requests denied, crippling their competition. In contrast, domestic companies and their friends enjoyed duty-free imports (Hampton 2018).

Additionally, labor unions like the AFL-CIO voiced their support for this steel tariff, with the AFL’s president Trumka calling the tariff “critical to leveling the playing field” (Trumka 2018). However, the AFL qualified their support, clarifying that while they approved of punitive measures against China and other countries who had “broken the rules” (Trumka 2018), they did not approve of Trump’s tariffs against our allies like Canada and the EU. “I don’t think that Canada has violated the rules,” said AFL president Trumka (Trumka 2018).

On the other hand, nearly every industry that involves steel as an input strongly opposed this tariff: Light and heavy manufacturing, automakers, defense contractors, construction companies, you name it (American Retailer’s Association 2019). Even farming groups got involved. Steel is an important component in most modern farming equipment, and as such, Trump’s tariff hit farmers (Polansek 2018). Both grain and meat farmers were negatively hit, and their respective associations voiced their displeasure. Groups like the National Association of Egg Farmers, the US Apple Association, and the National Renderer’s Association all lobbied Congress members from areas where farming was prominent to try and alleviate soaring steel prices (Polansek 2018). Farming groups were also concerned about the possibility of retaliatory tariffs targeting agriculture (Polansek 2018). Three of the countries targeted by the steel tariff, Canada, Mexico, and the EU, were vital markets for US grain and agriculture, and by attacking them with tariffs, Trump invited them to retaliate against US agriculture, which they did (Polansek 2018). US Grain Council President Tom Sleight lamented this situation, “These countries are among our closest neighbors and friends. We have spent years building markets in these countries based on a mutual belief that increasing trade benefits all parties” (Sleight 2018). With this tariff,
Sleight and others saw years of international cooperation undone before their eyes and felt powerless as their efforts to sway Trump were largely fruitless (Polansek 2018). These farming and manufacturing groups primarily influenced members of Congress, such as the Senate Agriculture Chairman, Pat Roberts (R-KS) (Schor 2018).

Another prominent US manufacturing sector, the auto industry, was strongly affected by steel tariffs. Steel and other metals are vital components in nearly every aspect of automobiles, and US automakers suddenly found their inputs shooting up in price. These automakers faced a choice: raise their prices to compensate for the tariffs or eat the increased costs themselves. In many cases, smaller automakers that couldn’t effectively absorb price increases had to shut down entirely (Carey 2019). By enacting tariffs to support one struggling US industry (steel), Trump harmed many other already struggling industries like the auto industry, pushing many firms to either move offshore or close entirely (Carey 2019).

A year after the tariff’s initial passage, 49 industry groups wrote Secretary of Commerce Ross and Trade Representative Lighthizer begging them to do what they could to get the tariff lifted. Some of these groups included the Agricultural Retailers Association, the North America Meat Institute, the National Tooling and Machining Association, and many other groups adversely affected by steel’s increase in price due to the tariff (American Retailer’s Association 2019). Although this letter was written after the tariff’s initial passage, we can infer these groups also opposed the tariff before its implementation.

These oppositional efforts were largely ineffective because they lacked the same direct connection to the president that steel groups could achieve. Instead of convincing Trump, the main political actor who mattered in the decision, these oppositional groups instead lobbied their congressmen and congresswomen. While that has certainly been effective in the past, Congress’s collective action problems and bureaucratic red tape rendered any lobbying within Congress to be mostly impotent. The letter previously mentioned was written directly to Secretary of Commerce Ross and Trade Representative Lighthizer, two of the tariffs’ biggest proponents (American Retailer’s Association 2019). Considering these two men’s position on the tariff, it is no wonder that these grievances fell on deaf ears.

In summary, the climate surrounding societal groups was much like that in the government, with only the parties that would directly benefit from steel tariffs being for Trump’s tariff, while every industry reliant on steel (most of manufacturing, machinery, automaking, etc.) coming out strongly against them. So why was the steel industry’s lobbying so effective, as opposed to other industries’ efforts? This can be explained by, again, President Trump and his protectionist proclivities. Back in the days of the Smoot-Hawley tariff, industries would have to band together to secure votes in Congress, forming unlikely coalitions such as northern agriculture and light manufacturing (Eichengreen 1989). In the 2018 scenario, however, the only person that needed convincing was Donald Trump. This concentration of power explains how the steel industry’s pointed lobbying was so successful, while the agriculture and manufacturing sectors’ broad and Congress-oriented lobbying was not.
Conclusion

As I have argued throughout this paper, Trump was the primary causal and ideological actor in the establishment and execution of the 2018 steel tariffs. Having been a protectionist for nearly his entire life, he had no qualms taxing steel imports, even if there would be negative consequences both domestically and internationally (Schleisinger 2018). However, his tariff would not have been possible without state structures allowing the president to take executive action without Congressional approval under Section 232. State structures also kept other branches of government like Congress from effectively mobilizing against what they saw as a vast overreach of power, as Congress struggled and failed to overcome its own contentious and inefficient nature. Lobbying and other societal groups in favor of steel tariffs effectively persuaded the president by taking advantage of close personal ties with many of Trump’s aides and advisors, encouraging Trump’s protectionist philosophies. Other societal groups that were negatively affected by the tariff, like manufacturing and agriculture, struggled to effectively impact the president as their Congress-based influence was rendered impotent by bureaucracy. Overall, while President Trump was the ideological driving force and political actor behind this tariff, state structures played a key role by providing him both the means to implement his tariff and by bogging down Congressional opposition in committee meetings and other inefficient ways of effecting change.

So what should the lesson be from this whole debacle? First and foremost, this should reaffirm what every classical economist already knows: tariffs are inherently inefficient, and by enacting them, we accept lower efficiency and general welfare as a consequence. These tariffs also serve as an indictment of the recent neo-isolationist movements gaining popularity in the US. Trading with other countries doesn’t mean we are not “putting the US first”: in fact, trading with other countries puts us closer to that goal than using tariffs does. By openly trading with other countries, the US ensures the lowest prices and the greatest benefits for its citizens. What better way is there to “Make America Great Again” than to lower consumer prices, increase GDP through cheaper input costs, and bolster our relationships with allies? By re-learning the benefits of free trade, modern Republicans on Trump’s side of trade issues could overcome the short-term allure of tariffs and move towards free-trade policies that used to be one of the Republican party’s defining ideological tenets.
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