

America's allies will bear the brunt of Trump's trade protectionism

Written by Remy Davison, Jean Monnet Chair in Politics and Economics, Monash University

US President Donald Trump's [decision](#) to levy import tariffs on steel and aluminium typifies the administration's scattergun approach to trade policy: many victims, a lot of friendly fire and hitting all the wrong targets.

It is unclear whether the new tariffs will affect Australian steel imports. Australia exports relatively small volumes of steel and aluminium ([worth about A\\$450 million](#) a year) to the US, but firms such as Bluescope and steelworkers in Port Kembla rely heavily upon access to the American market.

China supplies [just 2%](#) of the US steel market and will scarcely notice the tariffs. Canada is the [biggest supplier](#) of both steel and aluminium and will bear the brunt of Washington's new protectionist measures.

Other key US allies, including Germany, Brazil and Mexico, will also suffer from the tariffs on [their steel exports](#).

The US Commerce Department is [arguing](#) that cheap steel and aluminium imports constitute a threat to US national security. The department [recommended](#) the US introduce tariffs of 10% on aluminium and 25% on steel.

However, Trump's actions now jeopardise steel supplies, or at least could lead to increased costs, for the US defence sector.

As one trade expert has [noted](#) , Canada is defined under American law as part of the US military-industrial complex for national security purposes. Canada supplies vast amounts of [aircraft-grade aluminium](#) to the US aero sector.

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Under the 2004 [Australia-US Free Trade Agreement's public procurement agreement](#) , there is an exception allowing the US Department of Defence to purchase metals from US smelters.

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Trump announced the increased tariffs after [consulting](#) with US steel and aluminium producers. However, US auto manufacturers – such as General Motors, Ford and FiatChrysler – have substantial factories in Canada.

The US-Canada-Mexico supply chain is so closely integrated that semi-finished parts and products [can cross borders several times](#) prior to installation.

Aggressive unilateralism

In 2002, George W. Bush [introduced steel tariffs](#) , but [backed down](#) in the face of considerable opposition.

US trade partners had filed suit with the World Trade Organisation's [Dispute Settlement Body](#) . It [ruled against Washington](#) and permitted affected countries to implement US\$2 billion of tariffs against the US.

It was also quickly apparent to the George W. Bush administration that the tariff measures were not assisting American steel producers or importers, and so it [withdrew the tariffs two years ahead of schedule](#) .

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In the 1990s, Bill Clinton used the harsh prescriptions available in [legislation from 1988](#) that allowed him to issue punitive tariffs against “unfair” trade practices.

Australia suffered collateral damage from this action, with Melbourne’s [Howe Leather indicted in the WTO](#) for receiving prohibited industrial subsidies.

But Japan was Clinton’s principal target. Washington imposed [100% tariffs on its automotive exports](#) [referring](#). Tokyo responded by [referring](#) the measures to the WTO. Privately, Clinton took the unprecedented step of threatening to withdraw some US forces from the Japanese base at Okinawa.

Clinton was prepared to employ these unorthodox means to force Japan and South Korea to open their steel markets in order to meet their World Trade Organisation commitments.

In contrast, Trump’s objectives are protectionist.

Fortress America?

The differences between Presidents Clinton, Bush and Trump are stark. The two former presidents sought to consolidate and extend the World Trade Organisation-led system of multilateral trade. Trump has no investment or interest in preserving the multilateral system.

Instead, Trump is playing to his constituency of steel towns in the same way he panders to anti-immigration voters. He is acting as if an economy, wages or living standards can be cryogenically preserved.

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Typically, Trump has taken a swing and a miss. He may not ignite a trade war on this occasion, but US protectionism will only hinder, not help, US consumers. It will cost jobs and it will not, ultimately, save uncompetitive US steel firms.

China has emerged with [50% of the world's steel market](#), dwarfing competitors, as it has done in many other industry sectors. But it is not dependent upon the US steel market. Trump is making Washington's allies pay the costs of uncompetitiveness, rather than America's rivals.

Remy Davison's Chair has been funded by the EU Commission.

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