

POLITICS

Trump Authorizes Tariffs, Defying Allies at Home and Abroad

By PETER BAKER and ANA SWANSON MARCH 8, 2018

WASHINGTON — President Trump defied opposition from his own party and protests from overseas as he signed orders on Thursday imposing stiff and sweeping new tariffs on imported steel and aluminum. But he sought to soften the impact on the United States' closest allies with a more flexible plan than originally envisioned.

After a week of furious lobbying and a burst of last-minute internal debates and confusion, Mr. Trump agreed to exempt, for now, Canada and Mexico, and held out the possibility of later excluding allies like Australia. But foreign leaders warned of a trade war that could escalate to other industries and take aim at American goods.

“The actions we are taking today are not a matter of choice; they are a matter of necessity for our security,” Mr. Trump said in a ceremony at the White House where he officially authorized the tariffs, which will go into effect in 15 days.

Flanked by a handful of steel and aluminum workers, some wearing coveralls and holding hard hats, Mr. Trump presented the move as a way to rebuild vital industries decimated by foreign competition. “Our factories were left to rot and to rust all over the place; thriving communities turned into ghost towns,” he said. “That betrayal is now over.”

The orders were Mr. Trump's most expansive use of federal power to rewrite the rules of global trade since he took office and upended the prevailing consensus on free markets that has largely governed Washington under administrations of both

parties for decades. A longtime critic of globalization, Mr. Trump argued that the United States had been ravaged by unfair trading partners.

As a result of Mr. Trump's action, levies on imports of steel will rise by 25 percent and aluminum by 10 percent. Business groups have warned that the effect could be felt across the global supply network as consumers face higher prices for automobiles, appliances and other goods. But Mr. Trump's aides dismissed such predictions as "fake news" and said most Americans would hardly notice any impact.

The United States issued the tariffs under a little-used provision of trade law, which allows the president to take broad action to defend American national security. The Commerce Department previously determined that imports of metals posed a threat to national security.

The United States is the largest steel importer in the world and the order could hit South Korea, China, Japan, Germany, Turkey and Brazil the hardest. Mr. Trump said his tariff orders were tailored to give him the authority to raise or lower levies on a country-by-country basis and add or take countries off the list as he deemed appropriate.

"This has certainly put the fear of God in America's trading partners," said Eswar Prasad, a professor of international trade at Cornell University. The tariffs disprove the notion that Congress and broader business interests would prevent the Trump administration from turning its saber-rattling into real sanctions, Mr. Prasad said. "The day has actually come when real trade sanctions are on the board."

The White House sought to soften the blow by temporarily exempting two key trading partners, Canada and Mexico, and opening the door to carve-outs for other countries. Mr. Trump said the order would temporarily exempt Canada and Mexico, pending discussions with both about the terms of trade, including already tense talks over the North American Free Trade Agreement.

Officials from Canada and Mexico have said they will not be bullied into accepting a Nafta deal that could disadvantage their countries.

Chrystia Freeland, Canada's foreign minister, called the initial exemption a "step forward" but said it would not change Canada's negotiating approach to Nafta. In a statement, Mexico said those talks would not be subject to conditions outside the negotiating process.

In language authorizing the tariffs, the White House said any nation with a security relationship with the United States was welcome to discuss "alternative ways to address the threatened impairment of the national security caused by imports from that country." Those talks could result in the tariff being lifted, the order said.

Mr. Trump said that Robert Lighthizer, the top United States trade negotiator, would be in charge of negotiating with countries asking for exemptions in the next 15 days.

The potential for exemptions is likely to incite a tsunami of lobbying and cajoling as foreign governments pressure the White House for a carve-out that could save them from steep tariffs.

"We look forward to educating the Trump administration on the vital role the Japanese steel industry plays in the American marketplace," said Tadaaki Yamaguchi, a steel executive and the chairman of the Japan Steel Information Center. "The Japanese industry is not part of the import problem but a solution."

Wilbur Ross, the commerce secretary, will lead a parallel process that could result in the exemption of certain products made of steel and aluminum that American companies need, but that are not manufactured domestically. Products as varied as construction cranes and railroad ties are made with specialized steel that is not available widely, if at all, from United States manufacturers.

During a cabinet meeting earlier in the day, Mr. Trump singled out Australia as an example of another country that could be excluded, citing the trade surplus that the United States maintains with Australia, which imports more from America than it exports to the country.

The announced trade barriers came just hours after a group of countries signed the Trans-Pacific Partnership, a sweeping trade deal that no longer includes the United States. Mr. Trump, a fervent opponent of the deal, officially withdrew the United States from it on his fourth day in office.

The juxtaposition further highlighted the protectionist approach to trade policy that Mr. Trump has embraced, bucking years of America's embrace of free and open trade. Trade experts said the approach would ultimately compromise the United States' ability to temper China's unfair trading practices.

"The tariff action coupled with the mishandled renegotiations of existing trade deals have alienated the very countries we need as allies to help confront the challenges posed by China," said Daniel M. Price, a former Bush White House adviser.

The tariff announcement was poised to set off a wave of retaliation and suits against the United States at the World Trade Organization, as countries argue that they posed no security threat to the United States.

Trade lawyers said that, by exempting Canada and Mexico from the process for reasons related to Nafta, the United States might undermine its legal argument for national security and open itself up to further challenges.

They also worried about the ultimate consequences of those trade cases for an international trading system that the United States has worked to construct since the World War II.

If the World Trade Organization rules against the United States, the Trump administration will have to decide whether to reverse its decision or go up against the organization. If the United States ignores or withdraws from the group, it could precipitate a breakdown in global trading rules and a new era of global protectionism.

"It opens up this horrible Pandora's box, and we don't know where that leaves other countries or where that leaves the W.T.O.," said Monica de Bolle, a senior fellow at the Peterson Institute for International Economics.

Mario Draghi, the president of the European Central Bank, said on Thursday that a plan to impose broad tariffs that hit allies was “dangerous” and could undermine national security.

“If you put tariffs against your allies,” Mr. Draghi said at a news conference in Frankfurt, “one wonders who the enemies are.”

More than 100 Republican lawmakers sent a letter to Mr. Trump on Wednesday imploring him to drop plans for sweeping tariffs. A day earlier, Mr. Trump’s chief economic adviser, Gary D. Cohn, announced his resignation after his failure to forestall the president from pursuing tariffs.

While many economists have said it is natural for a high-technology, highly developed economy like the United States to evolve away from raw industries, Mr. Trump presented the steel and aluminum sectors in romantic terms, signs of a muscular superpower that had been allowed to atrophy under his predecessors.

“Steel is steel,” he said. “You don’t have steel, you don’t have a country.”

He invited a few of the steelworkers to make comments and they told stories of plants that have cut back or idled altogether. “These tariffs going into place, this gives us the ability to come back to 100 percent capacity,” said Dustin Stevens, a worker at Century Aluminum’s plant in Hawesville, Ky.

Century Aluminum has said that it will restart shuttered capacity at its Hawesville plant, adding nearly 300 workers this year. And on Wednesday, United States Steel said it would restart a blast furnace in Granite City, Ill., bringing back 500 workers to help meet additional orders that it expected as a result of the tariffs.

But economists warned of potential job losses from price increases, and other industries that send their products abroad denounced the risk of retaliation.

John Heisdorffer, the president of the American Soybean Association, called the tariffs “a disastrous course of action from the White House” that could put farmers at risk at a time when the agriculture industry is already struggling. “We have heard directly from the Chinese that U.S. soybeans are prime targets for retaliation,” he said. Soybeans are the United States’ biggest agricultural export.

Senator Ben Sasse, Republican of Nebraska, said the United States was “on the verge of a painful and stupid trade war.”

“This isn’t just bad for farmers and ranchers in Nebraska who need to buy a new tractor, it’s also bad for the moms and dads who will lose their manufacturing jobs because fewer people can buy a more expensive product,” he said.

Senator Mitch McConnell of Kentucky, the majority leader, said he and his colleagues “are concerned about the scope of the proposed tariffs on steel and aluminum and their impact on American citizens and businesses, including many I represent in Kentucky.”

In 2002, President George W. Bush imposed steel tariffs of up to 30 percent. But facing an adverse ruling by the World Trade Organization and retaliation by trading partners, he lifted them 15 months before the end of the planned three-year duration. Studies found that more jobs were lost than saved and Republican leaders vowed not to repeat the experiment.

The Trade Partnership, a research firm cited by pro-trade advocates, has concluded the same would happen with Mr. Trump’s tariffs. It estimated that the tariffs would create 33,464 jobs in the metals sectors but cost 179,334 jobs in other sectors for a net loss of nearly 146,000.

The issue has divided Mr. Trump’s own team. Mr. Ross, Mr. Lighthizer and Peter Navarro, the president’s trade and manufacturing adviser, overcame objections from Mr. Cohn and national security officials like Jim Mattis, the defense secretary, who cautioned Mr. Trump that the plan would roil relations with important security allies.

The consequences of the split were on display at the cabinet meeting earlier in the day when Mr. Trump thanked Mr. Cohn for his service, but needled him about his decision to leave. “He may be a globalist, but I still like him,” the president said as Mr. Cohn sat in a chair along the wall and smiled. “He’s seriously a globalist. There’s no question. You know what? In his own way he’s a nationalist, because he loves his country.”

Mr. Trump then suggested that Mr. Cohn might eventually return to the administration. “I have a feeling you’ll be back,” the president said. In a teasing voice, he added: “I don’t know if I can put him in the same position though. He’s not quite as strong on those tariffs as we want.”

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