

U.S. Steel Tariffs are illegal, said the WTO

Will the U.S. lift steel tariffs or will it risk triggering a trade war?

[Fadhel Kaboub](#) Nov . 17 . 2003

The Appellate Body of the World Trade Organization (WTO) issued a report on Nov. 10 concluding that the U.S. is in violation of the WTO's rules when it imposed tariffs on imports of certain steel products in March 2002.

The complaint against the U.S. was brought to the WTO by Brazil, China, the European Union, Japan, South Korea, New Zealand, Norway and Switzerland.

"The WTO's decision should hardly come as any surprise, given the Bush administration's apparent disregard of its treaty commitments on trade," said John W. Head, Professor of International Law at the University of Kansas School of Law.

"I can only hope that the Bush Administration will not add to its bad behavior by starting or threatening a trade war over the issue."

"The U.S. government has both (i) reneged on its treaty obligations by raising steel tariffs against the rules that the U.S. itself proposed, and (ii) failed to provide the more appropriate type of financial support that will benefit both consumers at large and the steel-industry workers," explained Professor Head.

The WTO's decision raised serious concerns for the U.S. steel producers and steel workers.

"The United Steel Workers of America (USWA) has lost over 50,000 jobs in the steel industry since 1998." said Emil Ramirez, Staff Representative in the USWA office in Kansas City. "This is just another WTO ruling that overrides our trade laws, and hurts the American economy and the American people."

"This WTO ruling brings home what many unions and critics of so-called free trade agreements have said for a long time," said Judy Ancel, Director of the Institute for Labor Studies at UMKC, "that free trade agreements like the WTO make it impossible for any nation to have an industrial policy or even to enforce its own laws against dumping and other unfair trade practices."

"Even though in this case the beneficiaries will be less developed countries like Brazil and China, in the long run, they and even less industrialized countries will pay more dearly because the WTO robs them of the tools to foster their own development."

Many steel producing countries are already threatening to impose billions of dollars in trade sanctions on American exports if the U.S. does not comply with the WTO ruling.

"President Bush is faced with whether he stands by his decision to combat unfair trade by enforcing America's trade laws or not," said Mr. Ramirez.

"If Bush lifts the tariffs, which I expect he will do," said Judy Ancel, "we will lose additional thousands of manufacturing jobs without ever having had the political debate on whether or not this country needs a steel industry."

Complying with the WTO's ruling raises the question of the tremendous power that international

organizations have in the global economy today, by undermining the traditional power of sovereign countries.

"The decision undoubtedly confronts Mr. Bush with a test of wills. 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 to the threat of economic blackmail being leveled by the European Union?" said Leo W. Gerard, International President of USWA.

"I consider it rather silly to think of this (or any other) WTO dispute-settlement decision as 'undermining sovereignty' of the United States," said Dr. Head. "The U.S. has exercised (not undermined) its sovereignty by signing on to (and indeed being a principal proponent of) the set of trade-enhancement treaties that came out of the Uruguay Round of negotiations that concluded in 1993."

According to John Head, some trade-enhancement treaties restrict the ability of any WTO member country to impose tariffs willy-nilly because doing so can seriously hurt consumers (by raising prices for everyone) far more than such tariffs help a few other workers (by protecting their jobs).

"It is for this reason that we have had for many years a program called 'Trade Adjustment Assistance' which provides general financial support that helps workers and industries adjust to changes in trade flows," continued Professor Head. "But the U.S. government has never provided adequate funding for this program."

Steel consumers in the U.S. have welcomed the WTO's decision and are urging the Bush Administration to terminate the steel tariffs immediately in order to avoid triggering a destructive trade war that would not benefit anyone.

"We opposed the steel tariffs knowing that 30 years of trade protection for the domestic steel industry has failed to make the industry globally competitive," said David Phelps, President of the American Institute for International Steel (AIIS). "Instead of continued protection, we urge the administration to put the focus on the other elements of the Bush Administration's International Steel Initiative, negotiating an end to subsidies and closing inefficient steelmaking capacity."

The U.S. government will have to make a decision soon. Then it will have to face the consequences of keeping the tariffs and starting a trade war, or lifting the tariffs and figuring out an alternative policy to protect steel workers and the steel industry as a whole.

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