Mounting international opposition to US steel tariffs

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The European Union (EU) is considering imposing trade sanctions on a list of US exports worth $2 billion, retaliating against tariffs imposed by the US government on steel imports in early March.

Many of the goods on the list would appear to be unrelated to a steel trade dispute: paper, citrus fruits and furniture may be targeted, in addition to steel, guns, motorcycles and watches. In fact, the EU is tailoring the sanctions to target what it considers to be one of the Bush administration's political weaknesses: the growing anger and frustration of American workers over job cuts and corporate downsizing.

The Bush administration publicly proclaimed that the tariffs would save the US steel industry from drowning in cheap imports and give it time to restructure—almost all of its major competitors are larger and more cost-effective. However, the European press has publicized the fact that the tariffs were a gesture to win political support from steelworkers' unions in West Virginia and other steelmaking regions.

The EU's proposed sanctions target regions that the Bush administration views as crucial to a reelection campaign in 2004. European officials have openly stated that they targeted citrus fruits due to the importance of citrus growing in Florida, the state whose vote the Republican Party had to hijack in order to win the 2000 election. Targeting Wisconsin-based Harley-Davidson motorcycles, according to EU plans, will frustrate the Bush administration's drive to drum up voter support in Wisconsin.

The EU is considering this policy because of the failure of EU-US talks in Geneva, at which the EU demanded compensation for damages to its economy caused by the US tariffs. EU diplomats complained that US negotiators were only interested in delaying EU retaliatory measures.

While the official timeline for WTO approval only allows for the EU's proposed sanctions to take effect in May 2003, European officials are considering the possibility of imposing the measures as early as June 18 of this year.

Talks between the US and South Korean governments in Washington DC have also broken down, amidst claims by the South Korean government that the US showed no interest in any form of compromise. The South Korean Ministry of Foreign Affairs and Trade has since decided to challenge the US tariffs at the WTO, announcing its intention to coordinate its challenge with other major steel producers, such as Japan and the EU.

The EU and Korea are joining Japan, China, Switzerland, Brazil, Australia and New Zealand in considering WTO action against the US. The EU is also considering the possibility of obtaining support from Norway, India and in Eastern Europe. US trade relations with Russia, already tense due to a Russian ban on US poultry, have further deteriorated.

As in many other manufacturing industries, the steel industry worldwide faces massive overcapacity, and the US and the EU are the only two major export markets for steel producers. The EU, fearing the effects of a glut of cheap steel imports that can no longer find their way onto the US market, has announced it will monitor the volume of its steel imports. It is also considering imposing its own tariffs of between 15 and 26 percent if imports of certain steel goods exceed specific quotas. Brazil is also considering imposing protective tariffs on steel.

Both the EU and US corporate and financial elites realize the risk posed by such tactics. Ultimately, global steel trade could grind to a halt under a restrictive system of tariffs and quotas, with disastrous results for the steel industry, steel-using manufacturers, consumers and the global economy as a whole.

EU and US trade negotiators have recently been at pains to reassure other countries that EU quotas and US tariffs will not affect them overly harshly. However, even these “reassurances” have an ominous logic. The EU and US are primarily exempting countries that fall in their geopolitical orbit: countries of the former Warsaw Pact and Turkey in the case of the EU; and Canada, Mexico and Israel for the US. The seeds of the division of the world into 1930s-style trading blocs are being sown, even as EU officials and the US government claim they are trying to protect free trade and global economic growth.

Such an outcome will only further erode popular support for the Bush administration at home. The White House has repeatedly stated it has no intention of assuming financial responsibility for pensions or health benefits of retired and laid-off steelworkers. It firmly supports restructuring, i.e., mergers, plant closings and mass layoffs, as the means for making US steelmakers more globally competitive.

The United Steelworkers of America (USWA) has again exposed the political bankruptcy of the established labor movement, shamelessly praising every protectionist move of the Bush administration. The union’s press releases ignore the fate the Bush administration intends for American steelworkers—the restructuring of the EU steel industry in the early 1990s cost more than half of EU steelworkers their jobs. The union officials are oblivious to the decimation of steel workers’ jobs around the world due to US tariffs, as well as to the impact of rising domestic steel prices on the jobs of US workers in steel-consuming industries. Their nationalistic perspective throws them into the arms of one of the most openly anti-worker administrations in US history.