

Looking Back at the Section 201

2002/2003 Steel Tariffs Had No Discernible Economy-Wide Impact

Critics of the current Section 232 action on imported steel and aluminum argue that costs will increase dramatically for end-users. However, past trade enforcement offers no clear evidence of that being the case. Perhaps the best example is the Section 201 steel tariffs approved by President George W. Bush in 2002-2003. Opponents made the same argument that costs would skyrocket – but, [nothing of the sort happened](#). And, any consumer costs were massively outweighed by a necessary recovery in the steel industry. Below are some of the key takeaways from a [September 2003 International Trade Commission \(ITC\) report](#) examining the Section 201 remedy:

1. The International Trade Commission (ITC) found that the Section 201 action had no discernible economy-wide effects (ranging from a welfare gain of 0.0006 percent of GDP to a welfare loss of 0.0011 percent of GDP).

“The economy-wide analysis...estimated that the effect of the safeguard measures on the U.S. welfare ranged from a welfare gain of \$65.6 million to a welfare loss of \$110.0 million, with a central estimate of a welfare loss of \$41.6 million...The offsetting impact results in an estimated annual GDP loss of \$30.4 million.”

2. Prices for some steel products actually declined after an initial increase. And, a majority (71%) reported no changes in their existing steel supply contracts.

“Publicly available data and hearing testimony indicate that, for most products subject to the safeguards, prices paid by steel-consuming industries initially increased after the safeguards were implemented. However, prices for some of these products then declined after the initial increase.”

“...Most steel-consuming firms (332 of 456 or 71 percent) reported that steel suppliers had not modified or abrogated any contracts with their firms since the implementation of the safeguard measures.”

3. Steel-consuming industries reported an increase in overall sales and profits the year following the imposition of the safeguard measures compared with the prior year.

“Overall sales and profits increased...for most steel-consuming industries in 2002/03 (the year following the imposition of the safeguard measures) compared with 2001/02 (the year preceding the safeguard measures).”

4. Productivity and wages in steel-consuming industries increased over the three-year period. And, the employment situation improved relative to year before the remedy was implemented.

“...Productivity and wages increased over the three-year period. In many cases, employment fell by a greater amount (and percentage) in the year before the safeguard measures were implemented than in the first year after they were implemented.

5. Prices for steel in the U.S. market fell relative to prices in foreign markets.

“Public data indicate that prices for steel in the U.S. market fell relative to prices in foreign markets since the imposition of the safeguard measures.”

6. There were a range of factors beyond the Section 201 remedy that effected business conditions and pricing.

“Many responding firms had difficulty distinguishing between the effects of the safeguard measures and other changes in market conditions... Industries such as distributors or steel product producers generally reported that they expected no change or positive results from continuation of the safeguards and no change or negative results from termination of the safeguard measures.”

7. The Section 201 trade action – while only in place for a limited time –gave the domestic steel industry room to stabilize, restructure, and consolidate – reducing production costs and increasing productivity without negatively affecting the economy at large.

“Overall, direct purchases of steel products from domestic producers increased from 65 percent to 73 percent of all purchases, while direct purchases from importers fell from 32 to 23 percent of all purchases.”

“Overall, imports of all steel products, declined almost 7 percent in the year after the safeguards.”