Steel Import Restrictions Harm U.S. National Security

Comments of

Daniel R. Pearson
Senior Fellow
Herbert A. Stiefel Center for Trade Policy Studies
Cato Institute

To the

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It is universally agreed that much equipment used by the U.S. military requires steel. The key question is how best to obtain the specific types of steel needed for various national-security applications.

Most steel used in military applications comes from domestic suppliers, or from countries with which the United States has amicable relations. Little or no essential steel comes from countries that would be considered adversaries. Keeping the U.S. market open to steel imports will assure that the military will have access to foreign as well as domestic steel products needed to maintain national security.

If some specific qualities of steel are deemed not to be freely available from the global market, the U.S. military could ensure that U.S. producers remain in business by establishing long-term contracts with them.

Three points are particularly important:

First, the 232 investigation must be understood in the context of the existing U.S. steel marketplace. Roughly 200 antidumping or countervailing duty measures already are in place on steel products from a variety of countries. Steel currently is one of the most protected sectors in the U.S. economy.

Second, a country that imposes import restrictions always reduces its own economic welfare. Economists have understood since the work of David Ricardo that it is unwise to try to be self-sufficient when others are able to provide products at lower costs. Import restrictions intended to increase national self-sufficiency will cause resources to be used inefficiently, thus lowering national economic welfare. In other words, consumers are hurt more than protected industries are helped. With the 232 process, the administration may hope to inflict pain on other countries by restricting imports into the United States. We can't be sure whether/how much U.S. import restrictions will hurt other countries, but we can be sure the restrictions will hurt America.

Third, any further import restrictions would do far more harm to steel-using manufacturers than any benefit that could be provided to steel mills. That is simply due to the raw numbers. Steel mills employ just 140,000 workers. Downstream manufacturers that use steel as an input employ 6.5 million, 46 times more. Steel mills account for a fairly small slice of the overall U.S. economy. The $36 billion in economic value added by steel mills in 2015 equals only 0.2 percent of U.S. Gross Domestic Product (GDP). By contrast, the economic value added by firms that use steel as an input was $1.04 trillion – 29 times more – or 5.8 percent of GDP.

Any government action to drive up steel prices by restricting imports will hurt steel-consuming manufacturers by artificially increasing their steel costs and reducing their competitiveness relative to companies overseas. It's clear that the broad public interest would be harmed by additional steel import restrictions. A decline in U.S. economic welfare is not something the administration ought to pursue. It's very difficult to have a stronger national defense when the economy is getting weaker.

Maintaining a vibrant and growing economy is essential to U.S. national security. That is why restricting steel imports creates a genuine threat to economic growth and prosperity.

The DOC should recommend removal of all U.S. import restrictions on steel. In order to help the domestic steel industry adjust to an open market, consideration should be given to providing economic adjustment assistance to steel companies and their workers.