USA’s Protectionist Move on Imported Metals

Why in news?

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US administration is about to impose a hefty tariffs on imported steel.

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What is the plan on tariffs?

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- USA plans to impose hefty tariffs on imported steel and aluminium to protect US producers.
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- According to the plans duties of 25 per cent on steel imports and 10 per cent on aluminium, would be formally announced.
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- US administration believes that these tariffs will safeguard American jobs.
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- The administration also cited national security interests for its action, saying the United States needs domestic supply for its tanks and warships
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What are the expected consequences of this move?

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- In USA steel and aluminium imports accounts for just 2 per cent of the overall total.
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- It is estimated that the tariffs would add 0.1 percentage point to core inflation over a period of time and cut economic growth by 0.1-0.2 percentage point.
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- Tariffs on aluminium imports, might increase the number of domestic jobs in that sector by 1,000, and raise output.
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- But the consequent higher price of aluminium would ripple through the supply chain and cause employment in other industries to decline by 22,600 jobs.
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- It will lead to obvious economic losses that would dwarf the increase in real output in the metal refining sector.
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- These tariffs likely to hurt US allies and partners, and also have deleterious effects on the US economy.
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What is the reaction of USA on this move?

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- Many US economists believe that the impact of price increases for users of steel and aluminium, such as the auto and oil industries, will destroy more jobs than curbs on imports create.
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- Shares of US domestic companies ranging from auto makers to airplane makers fell on the potential impact of the higher costs they will have to pay for the metals.
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- The tariffs were sharply criticised by lawmakers as well as industries ranging from autos to oil to construction equipment.
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- The Department of Defence had also recommended targeted steel tariffs and a delay in aluminium duties.
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What are the reactions of USA's Trade partners?

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- **China -** The nation contributes only 2% of USA's Steel needs, and it is believed that the tariffs will not hit China.
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- China has already threatened to curb imports of US soybeans, and the European Union has said it will consider action as well.
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- **Canada -**Canada supplies 16 per cent of US demand for steel versus and is

by far the largest steel exporter, followed by Brazil and South Korea.
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- In this regard Canada announced that responsive measures to defend its trade interests and workers will be taken.
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- **Brazil -**Brazil's industry is considering taking action on its own over the tariffs or in concert with other countries.
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- **Other countries -** The US' allies like Japan, South Korea and the European Union that stand to lose the most from the move.
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- These countries are yet to take corrective action in this regard.
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What are the implications for India?

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- India is unlikely to concern about US's move to slap tariffs on steel since India already has anti-dumping duties on steel from six countries including China, Japan and South Korea for nearly two years.
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- But the concern for India is USA's rage on global trade trend, since USA's concern with global trade is not the volume of trade per se, it is China.
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- By firing the first deluge in a trade war with countries like Japan, South Korea, Germany and India is the last frequent target of USA.
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- As an act of fuelling this contention recently India has increased the tariffs on motorcycles imported from USA.
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- Thus for the Indian government, this is a reminder that protectionism is rarely a useful policy tool.
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Source: Business Line, Business Standard

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