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# A misguided approach

Donald Trump says he wants to protect the US steel industry. But will his tariffs on steel and aluminium imports really bring back jobs?

*Read Arne Schildberg's article "Stupid is as stupid does" which argues that instead of condemning Donald Trump's protectionism, progressive forces should be supporting protected trade.*

Trump's recent decision to impose tariffs on steel and aluminium imports suggests that the US is finally taking a long and hard look at the economic liberalisation it has pushed on other countries for decades.

At a surface glance, the 25 per cent tariff on steel goods and the 10 percent tariff on aluminium products imported into the US, which went into force on Friday, could have a positive outcome.

The US has long preached economic liberalisation, deregulation and the removal of tariffs as a cure-all medicine around the world. Whole generations of economists have been trained on the tenets of the Chicago school of economics – little government intervention, a free market and as few barriers to trade as possible or, better yet, none at all.

For decades, critics of this school of thought were pushed to the side. More left-wing theories like Keynesianism, which holds that government intervention can have a positive, stabilising effect on economies, failed to muster appeal.

Many developing countries, dependent as they are on international finance, have had no choice but to swallow this neoliberal pill. They were forced to remove tariffs even when their own economic advisers rightly warned them against doing so.

## Tapping domestic strengths

So shouldn't we welcome Trump's move to reintroduce tariffs in crucial sectors of the economy? Shouldn't we celebrate that a world power that

has preached neoliberalism to the point of absurdity seems to have come to its senses?

If only it were that simple. And to accuse the European left of reacting harshly to Trump's new trade policy plainly because it's Trump, is absolutely false. The problem with Trump's clumsy protectionism is that it is founded on inaccurate premises and that it fails to offer a realistic alternative to the ideological neoliberalism it has preached for decades.

Trump's tariffs won't bring back overseas steel production – or jobs. The president's tariffs will not lead to a renaissance in US steel production; instead, they are endangering what jobs remain in the local factories that process imported steel.

A highly-developed economy like the US should move away from the capital-intensive production of raw materials and focus on the processing of raw materials and high-tech manufacturing. What Trump fails to recognise is that the country's strengths lie in machine-building, energy technology, and research and development.

Trump has also said that he aims to protect US workers with the tariffs. But these claims stand in stark contrast with the labour market and social security policies he has enacted in his first year as president.

Though his pick failed to garner enough support from Republican lawmakers, Trump's initial nomination of Andrew F. Puzder – a fast-food executive – for the job of labor secretary was a first red flag.

## A disappointing president

The US Department of Labor has since had to swallow a swingeing 20 per cent budget cut and already paltry social security benefits have been scaled back further. The rich, meanwhile, have benefited from massive tax cuts.

Planned rises to overtime pay have been cancelled, and administration officials have proposed a regulation that would allow restaurant owners and managers to collect the tips of their workers. Guarantees covering unpaid wages in a range of industries have unceremonially been disposed of, and collective bargaining agreements blocked.

Richard Trumka, president of the AFL-CIO, the country's largest labour federation, has described Trump as a "disappointment" and he left his manufacturing council in protest at the president's tepid response to the

deadly violence during a white supremacist rally in Charlottesville, Virginia last year.

Steel imports make up around 2 per cent of all goods imported into the US. The idea that Trump wants to help America finally get its own back on China and the EU due to their export surpluses vis-à-vis the USA is thus misplaced.

Most steel is imported into the US from Mexico, Canada and Brazil – three countries that were granted temporary exemptions from the tariffs last week.

## The wrong kind of tariff

It makes sense for a developing and emerging economy to introduce tariffs on steel and aluminium imports. The production of raw materials is usually the strong suit of such vulnerable economies, and they tend to have few other products to offer, apart from textiles.

Such countries really do need to protect themselves from cheap Chinese steel. It's why economists like Joseph Stiglitz and Dani Rodrik have long recommended that developing countries adopt such tariffs.

But a developed economy like the US needs to bring its strong suits into play – and the country's strengths do not lie in low wages and the availability of natural resources. With these tariffs, the US is setting its own industrial strategy not just one, but two steps back.

Its assets are highly qualified workers, technology, and research and development. It's why countries like South Korea, Hong Kong and Singapore started heavily investing in these areas a few decades ago. If the current administration is serious about reindustrialisation, it should start applying import tariffs to the phones and other electronic devices made by companies like Huawei and Samsung.

Although this option is being discussed by White House officials, there are several obstacles. Domestic electronics manufacturers are already struggling to compete with their overseas counterparts, and the electronics sector is one of the primary drivers of the US trade deficit.

Applying tariffs would achieve little more than strengthening the dollar, which would make home-grown goods less attractive and damage those

export sectors that currently are competitive.

## The long reach of US tech companies

It's been suggested that left-wing European politicians simply slap their own tariffs on US products in response to Trump's actions. But being against neo-liberalism doesn't mean you're for protectionism.

Some lawmakers on the European left have instead started reflecting on the true meaning of fair trade. It's been suggested that politicians for instance require that agreements the EU makes with other blocs include very high employment protection levels and environmental standards. Bernd Lange, chair of the European Parliament's trade committee, has called for trading partners who do not respect basic employee rights or uphold minimum wages to be given sanctions.

This type of approach to trade policy would strengthen environmental and climate agreements, and would give workers legal recourse against both the EU and its partner countries when their rights are not upheld.

Compared to Trump's discourse and actions, lawmakers on the left have taken nuanced, considered positions on a complicated international trade situation, and none of those demonstrating against the Transatlantic Trade and Investment Partnership would demand punitive tariffs on steel instead.

Given that current US policy is no means consistent, it's important not to lose sight of the overall international trade context and the industry in which the US is an unquestionable world leader. Because when it comes tech companies, Washington is pursuing an aggressive deregulation agenda.

Companies like Amazon, Google and Facebook are amassing the resources to become the leaders of the coming Big Data economy, and US lawmakers are doing everything they can to clear obstacles out of their way. Combating the seemingly unstoppable rise of US tech companies and the pressure they are applying on the EU to relax regulations, more so than tariffs on US products, is where European lawmakers on the left ultimately see the greatest need for action.

*Read this article in German.*



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