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## **President Trump's destructive path on steel**

### **The White House should back down from protectionist threats**

[Editorial]

Since taking office, President Donald Trump has been **growling loudly about taking on trade miscreants** whose companies' exports cheat their way into the US market. Soon, he will have to decide how hard to bite.

Mr Trump's administration has been threatening for some time to invoke a **US law to protect national security to block imports of steel**, saying that dependence on imported raw materials threatens US stability. Few doubt that China, his administration's trade bugbear, is the main target. The decision has been delayed: unprecedented warnings from fellow Nato members that such restrictions would threaten their own security perhaps have given the White House some pause.

**If the administration cares about preserving open trade and good relations with its allies, it should abandon its plans altogether.** Wholesale **restrictions on imports of raw materials with a spurious national security justification are economically nonsensical** and politically ruinous. Standard trade defence instruments like antidumping and countervailing duties, employed against imports deemed unfairly priced or state-subsidised, rarely do more than slow the pace of decline for affected industries. They also **create distortions elsewhere**, especially for domestic companies that use imported inputs. But they are a settled and legitimate part of the global trading system, their overuse to some extent curtailed by the rules of the World Trade Organization.

**What Mr Trump is contemplating is much more alarming. Although a national security carve-out was written into the WTO's founding treaty in 1947, it has very rarely been used.** There is a good reason for that. Governments have generally recognised that invoking

**national security to justify trade restrictions is something of a nuclear option. Because the definition is so vague, and because it is politically explosive to accuse another country of scaremongering about its own safety, such a move is more likely to lead to retaliation than conciliation.**

**In reality it is absurd for the US to claim that its defence or infrastructural capabilities are threatened by cheap Chinese steel. There is no global shortage of the commodities, and if the US government needs to secure supply of specialist materials, it can already use its public procurement rules to favour domestic companies. In any case, US antidumping measures imposed in recent years on grounds of unfair competition have already slowed the flow of Chinese steel into the US. The main victims of greater restrictions are likely to be European and Japanese companies.**

**The move also threatens to harm the whole trading system. The task of judging the claim about national security may well fall to the WTO, assuming another country takes the US to the organisation's dispute settlement body. This would give the institution an extraordinary dilemma.**

**Either a WTO judicial panel rules that the exemption does not contravene its rules, which will open the floodgates to tit-for-tat measures, or it can judge the measures illegal and risk a major rupture with Washington. Mr Trump's administration is already staffed with sceptics of the WTO. This would give them the opportunity to declare the organisation illegitimate and simply ignore its laws. With one action, Mr Trump threatens to harm the US economy, start an international trade war, alienate America's allies and undermine the rules-based system that has governed global trade for 70 years. Even by his standards, this would be a mindlessly destructive act. The administration should reverse course forthwith.**