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Trump’s 2018 steel tariffs brought higher prices, did little to boost jobs

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Laborers fill orders of machine grade steel to be shipped out at the Pacific Machinery & Tool Steel Company in Portland, Ore., on March 6, 2018.Natalie Behring/Getty Images

As U.S. President Donald Trump aggressively erects walls around the American economy in a bid to bring manufacturing jobs back to his country, there’s little evidence from his 2018 tariff campaign against foreign steel and aluminum to suggest that will happen.

Instead, the latest tariff blockade on those products threatens a repeat of what happened last time: higher prices for consumers and pain for American manufacturers.

On Monday, Mr. Trump announced steep tariffs of 25 per cent on imported steel and aluminum starting March 12. They echo his 2018 duties of 25 per cent on steel and 10 per cent on aluminum imposed on Canada and Mexico for roughly one year.

While Mr. Trump has cast the tariffs in terms of an effort to bring manufacturing jobs back to the United States, that is not what happened seven years ago.

A 2024 paper by David Autor, Anne Beck, David Dorn and Gordon H. Hanson found that few jobs were created in the protected sectors. “Import tariffs on Chinese and other foreign goods had neither a sizable nor significant effect on US employment in regions with newly protected sectors. Foreign retaliatory tariffs by contrast had clear negative employment impacts particularly in agriculture, and these harms were only partly mitigated by compensatory subsidies,” the economists wrote.

While the 2018 tariffs didn’t do much to significantly boost jobs, they did boost prices.

A recent study by the United States International Trade Commission assessed the impact of the 2018 steel and aluminum tariffs on production, prices and downstream industries – isolating the impact of tariffs from other things happening in the domestic and global economy.

It estimated that the tariffs, applied under Section 232 of the Trade Expansion Act of 1962, increased the average price of steel and aluminum in the United States by 2.4 per cent and 1.6 per cent, respectively.

U.S. steel and aluminum producers did ramp up production after the tariffs, producing an estimated $1.5-billion more steel and $1.3-billion more aluminum than would have been the case without protection. However, the tariffs had a significant negative impact on downstream industries, the report found.

“The average annual decrease in production values for these industries was $3.4 billion during 2018–21,” the trade commission noted. Industrial machinery, cutlery and auto parts and manufacturers were all hit hard.

“U.S. production quantities in these industries decreased by up to nearly 3 percent and U.S. production values in some industries decreased by up to $469 million in 2021.”

For customers that rely heavily on steel, such as Massachusetts-based wire mesh manufacturer Riverdale Mills, the resurgence of steel tariffs is a troubling reminder of the fallout from 2018, which “limited our ability to reinvest in our business and work force for long-term growth” and “put us at a disadvantage against our foreign competitors,” said CEO James Knott.

The company’s wire mesh products are used in everything from lobster traps to airport security, and it buys thousands of tons of steel each year, 80 per cent of which comes from Canada.

While Riverdale had already purchased much of the steel it needs for the first quarter, its Canadian and domestic suppliers raised prices by roughly 25 per cent in recent weeks in anticipation of tariffs.

“Trade restrictions hurt nations, benefiting only concentrated producer groups while harming consumers,” Mr. Knott said.

Indeed, the biggest beneficiaries of the tariffs in 2018 were American steel producers, whose profits surged. On Monday, stock prices for U.S. steel producers soared in anticipation of the earnings windfall they stand to receive from higher prices.

At the same time shares in auto makers such as Ford Motor Company and General Motors Corp. initially fell. After the steel and aluminum tariffs were imposed in 2018, both companies revealed they had absorbed roughly US$1 billion apiece in increased costs.

“That would pale in comparison to what could happen in 2025 if we have a 25-per-cent tariff on all steel and aluminum imports on top of all other goods coming from Canada and Mexico,” said Patrick Anderson, CEO of Anderson Economic Group in Michigan. In January his firm calculated that just the 25-per-cent tariffs on Canada and Mexico would add between US$4,000 and US$10,000 to the production cost of many North American-assembled vehicles.

“It’s not the case that tariffs have no positive impact, but it is the case that a blunt tariff can have negative impacts that far outweigh the positive ones,” he said.

While the steel and aluminum tariffs will be disruptive for manufacturers across North America, they may have a relatively limited impact on the overall Canadian economy, according to a report by Nathan Janzen, assistant chief economist at Royal Bank of Canada.

“As in 2018/19, the measures will be challenging for steel and aluminum producers and will increase costs across the industries that buy those products, particularly in the North American manufacturing sector,” Mr. Janzen wrote. “But, if the experience of the 2018/19 tariff hikes is any guide, much of the cost will be paid by U.S. purchasers of tariffed products, limiting the negative impact on U.S. trade partners, including Canada.”

The steel and aluminum industries account for around 0.5 per cent of Canadian gross domestic product and jobs, and about 3 per cent of Canadian exports, he noted. Quebec and Ontario are most exposed, with the industries representing 1 per cent and 0.6 per cent of GDP, respectively.

If Canada retaliates in a similar way as in 2018, that would mean putting tariffs on around $24-billion worth of goods, Mr. Janzen estimated.

“Prices would rise, particularly for intermediate products in industrial chains, but likely not enough to have a significantly destabilizing effect on the economy,” he said.