Any potential negative ramifications of this tariff would impact a wide range of US and Canadian industries.

Canada is both the United States’ largest supplier and buyer of steel.

Last week, President Donald Trump announced that his administration will impose a tariff on all steel and aluminum made outside the United States. The move, which echoes one of the president’s campaign promises, seeks to boost US-made steel and aluminum by increasing the relative costs of foreign products. The Trump Administration argues that this tariff will make US-produced steel and aluminum more price-competitive, which will increase demand for these US goods and contribute to increased steel manufacturing employment. While the intended effects on the Iron and Steel Manufacturing and Aluminum Manufacturing industries are unproven, the reaction to Trump’s announcement on Wall Street was negative. The Dow Jones Industrial Average fell 1% on Monday, March 6, the first full trading day after President Trump’s initial announcement.

International trade for Iron and Steel Manufacturing in the US

<table>
<thead>
<tr>
<th>Exports To...</th>
<th>Total $12.8bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.2% Canada</td>
<td>32.7% Mexico</td>
</tr>
<tr>
<td>20.2% Other</td>
<td>1.4% South Korea</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Imports From...</th>
<th>Total $27.4bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>59.6% Other</td>
<td>16.5% Canada</td>
</tr>
<tr>
<td>8.6% Brazil</td>
<td>7.8% Mexico</td>
</tr>
<tr>
<td>7.5% South Korea</td>
<td>1.4% South Korea</td>
</tr>
</tbody>
</table>


*LATEST DATA AVAILABLE
SIZE OF CHARTS DOES NOT REPRESENT ACTUAL DATA
Effects of the Trump steel tariff

are clear, the tariff’s impact will reach beyond these core industries.

Throughout his campaign, then-candidate Trump pressed for an “America first” trade policy, routinely calling out China for unfair practices. However, while the United States is operating at a major trade deficit with China, which exported $462.2 billion of goods to the United States in 2016, this new tariff will actually have a larger, more immediate effect on everyday Americans and their Canadian neighbors to the north.

Consumers

When demand rises, US manufacturers raise their selling prices. As a result, key buying industries across the board, from automotive and airplane manufacturing to candy production and home construction, are expected to experience increased input costs. These costs will likely be carried downstream, where consumers and businesses alike will encounter higher prices for everyday goods and services.

The construction sector is most at-risk of higher input costs associated with this tariff. In 2017, the construction sector was the largest buyer of steel, accounting for an estimated 36.0% of all sales of US-produced steel. The tariff on steel is expected to increase the construction cost for nonresidential buildings, as the metal is widely used in the construction of high-rise office buildings, apartment buildings and industrial factories. Higher steel prices stemming from the tariff will raise input costs across the commercial construction industry, which, coupled with rising interest rates, may contribute to lower profit margins, higher rents or even lower construction activity altogether.

The construction sector is not expected to suffer alone. This tariff is expected to impact the wallets of

![International trade for Iron and Steel Manufacturing in Canada](chart)

**Exports To...**

- **83.5%** United States
- **9.3%** Mexico
- **1.2%** Netherlands
- **1.6%** China
- **4.4%** Other

**Imports From...**

- **4.9%** China
- **2.5%** Japan
- **2.9%** Taiwan
- **66.8%** United States
- **22.9%** Other

**Year: 2017**

**Total $5.9bn**

**Total $10.2bn**

*Latest data available

Size of charts does not represent actual data

Source: USITC
average Americans, as cars, airplane tickets and even beer are set to become more expensive because of higher input prices. For example, since steel and aluminum are key components of cars, General Motors (GM) recently announced that it purchases more than 90.0% of its steel from US suppliers. If the price of steel rises, GM may be forced to either raise selling prices and dampen sales or limit price increases and risk depressing profit.

**US-Canadian steel trade relations**
The ramifications of this tariff will not be limited to the US economy. Canada, as both the United States’ largest foreign steel supplier and buyer, is also expected to experience ripple effects from this tariff. In 2017, it is estimated that 43.2% of US steel exports were sent north, making Canada the largest foreign buyer of US steel. The equation is even murkier from Canada’s point of view, as 66.8% of all imports come from the United States. The dependence on US-made steels makes Canadian industries extremely sensitive to price changes in the US market, where prices are expected to rise with increased demand. This is expected to contribute to higher input costs across Canadian industries, which, just as in the United States, will directly affect Canadian consumers’ wallets.

As a result, a US tariff on foreign-made steel will have a profound, negative effect on the Iron and Steel Manufacturing industry in Canada. US buyers account for 83.5% of all Canadian exports, while Canada represents only 16.5% of US imports, indicating that Canada relies on US buyers far more than the United States relies on Canada. The entire purpose of this tariff is to entice domestic buyers to buy US-made goods over foreign-made products by artificially raising the prices of these goods. As a result, Canadian producers may need to severely cut prices or hope for government action in order to attract US buyers and remain competitive.

**Conclusion**
By implementing this tariff, Trump intends to keep manufacturing jobs within the United States. The policy also reflects one of the key promises of the Trump campaign: prioritizing US jobs and businesses. Despite the intent, however, the tariff may end up backfiring, raising input costs for industries across the economy, which in turn may tighten Americans’ wallets and decrease demand for certain goods. This policy may also draw retaliatory tariffs from other large economies, including Canada, China and the European Union, which would have a direct and negative effect on the US economy. In addition to this potential trade war, any negative ramifications of this policy would impact a wide range of US industries, as well as all US consumers, while any benefits would be concentrated among a few limited industries.

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