



Are U.S. Tariffs on Steel as Big a Deal as the Mainstream Media Is Making it Seem?

Description

Much has been made of the escalating trade war between the United States and Canada, but how much of an impact will the latest tariffs really have on Canadians?

Last week, the U.S. announced that it was slapping [sizable tariffs on Canadian exports of steel and aluminum](#) in an effort to defend a U.S. steel industry that has come under tremendous pressure in recent years. The U.S. announced that it would charge an additional 25% tax on Canadian steel imports and an additional 10% charge on aluminum imports.

But the reality is that it hasn't been the Canadian steel industry that has been responsible for threatening the health of many U.S. steel manufacturers.

It's actually been the Chinese market, which has been, for the most part, displacing U.S. steel producers, with the country now singlehandedly responsible for producing half of the world's steel, at a level that is twice the total amount of steel produced globally back in 2000.

Cheaper Chinese steel has done a lot to reduce the U.S. global market share of steel from 12% back in 2000 to just 5% today.

Yet despite that, the problems that U.S. steel producers face today are far from being Canada's fault, but Canada is an easy target for the Trump administration. The U.S. is Canada's single largest export market for steel, accounting for about 45% of all steel produced within the country's borders.

That — along with the relative size of Canada's domestic economy, with gross domestic product (GDP) about one-tenth the size of that of the United States — puts Canada in a pretty vulnerable position, at least with respect to its bargaining power against the U.S.

Understanding the impact

The most clear takeaway from the Trump tariffs will almost unquestionably be the pain felt by Canadian steelworkers. That could include those working at companies like **Russel Metals Inc.** ([TSX:RUS](#)) and **Stelco Holdings Inc.**

([TSX:STLC](#)).

The steel industry employs about 22,000 Canadians, mainly in Ontario, with the largest concentration being in Hamilton, Ontario, which about 10,000 steelworkers call home.

Keanin Loomis, CEO of the Hamilton Chamber of Commerce, has suggested that up to 30,000 local jobs could be affected by the latest tariffs, but more broadly speaking, at least as the national economy is concerned, the impact may not be quite as severe.

A report by Washington, D.C.-based Peterson Institute for International Economics has said that Canada's steel and aluminum industries could lose up to US\$3.2 billion annually, in lost exports to the U.S. That would be nearly five times more than the pain expected to be enacted on Chinese imports, which, in light of the circumstances, is perhaps a bit ironic.

But while US\$3.2 billion sounds like a big number — and it is — economic analyses suggests that the steel tariffs may result in a more minor reduction in Canada's GDP of closer to 0.2% to 0.3% — meaning that, at least so far, there may not be a reason for trade negotiators to [up the ante](#) just yet.

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Date

2025/09/13

Date Created

2018/06/30

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