



# NEWS

## AMERICANS FOR TAX REFORM

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## U.S. Steel Industry Can Compete Without Tariffs

*Lenders and financial analysts confident steel industry is strong enough for tariffs to be scrapped*

WASHINGTON – As the Bush administration considers ending steel tariffs aimed at bolstering the steel sector, bank lenders and financial analysts say the steel industry is strong enough to attract investment on its own. President Bush will decide within weeks the fate of his steel tariffs in the upcoming 18-month review.

In early 2002, President Bush imposed steel tariffs, with levies as high as 30% on many types of imported steel. While the European Union has promised to retaliate with severe economic sanctions of its own, steel manufacturers claim the tariffs are still needed to complete industry consolidation.

**“One of the chief arguments against tariffs is that they discourage the industry in question from modernizing or becoming more efficient,”** said taxpayer advocate Grover Norquist, President of ATR in Washington D.C. **“Why would they go to all that trouble when they are shielded from major, international competition? What’s more, the steel tariffs have led to higher domestic steel prices that have had wide-reaching ramifications, from pricier silverware to more expensive cars.”**

Outside sources of capital, including loans and stock and bond sales, largely disappeared in 2000 and 2001 when 30 steel manufacturers filed for bankruptcy-court protection from creditors. But now, lenders say the industry has improved, as weaker producers dropped out of the industry and the remaining firms cut costs and increased productivity, raising credit ratings and stock prices. In New York Stock Exchange trading last week, shares of U.S. Steel and Nucor were trading close to 52-week highs.

Industry experts also say that the weakened dollar, which has raised the cost of imports, has done as much or more than the tariffs to improve the domestic competitiveness of U.S.-made steel.

**“If President Bush would go out and explain the current status of the steel industry and the ultimate effects of tariffs, he would find a large base of support,”** continued Norquist. **“Yes, he would have to acknowledge poor judgment in imposing the tariffs if he explains the situation this way, but acknowledging a poor decision and taking steps to correct it is the mark of a statesman and may well enhance his overall credibility.”**

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact Jonathan Collegio at (202) 785-0266 or at [jcollegio@atr.org](mailto:jcollegio@atr.org).