

Bush's Action on Steel Tariffs Means The Real Economy Is Back on the Agenda

by Anita Gallagher

Economic reality is finally impacting national politics in the United States, as the near-collapse of the U.S. steel industry forced President George Bush to shift from a “free trade” to “fair trade” position to save the U.S. steel sector on March 5.

U.S. Democratic Presidential pre-candidate Lyndon LaRouche called Bush's announcement of protective tariffs for the steel industry “a major development,” which will have highly significant consequences, both internationally and inside the United States. Bush's decision is, in fact, a repudiation of free trade, in favor of fair trade. The two policies are absolutely different, LaRouche stressed.

Internationally, after decades of the United States hammering away at the rest of the world, demanding obedience to the gods of free trade, now the United States itself is adopting a “fair trade” policy. Soon other nations will re-orient to economic reality.

Bush's decision has far-reaching implications inside the United States. When the disastrous 1996 agriculture bill (the so-called “freedom to farm” act) expires in September, it is very likely that agricultural policy will be fought out along the same lines: the paradox between “free trade” and “fair trade.” Other sectors of the U.S. economy that have been devastated by globalization and free trade policies of the past three decades will also demand “fair trade.”

LaRouche warned that the mergers and consolidation of bankrupt steel producers in the U.S. steel industry must be watched closely, so that no “Herman Goering” approach results, where the pension and health benefits of the 600,000 union retirees and their dependents are stolen, and more layoffs inflicted on the current workforce. Goering is identified with the Nazi policy of starving and “using up” concentration camp laborers, then letting them die. The pension and health benefits of retirees—which Bush did not address—remain a major issue dividing the unions, the steel producers, and the Bush Administration, which will be fought out before the November 2000 Congressional elections, he said.

The United Steel Workers of America (USWA) pointed to this coming battle, noting on March 5 that “President Bush's decision . . . sets the stage for legislation necessary to protect the health-care benefits of 600,000 steelworker retirees whose benefits are at risk,” and presents a “crucial challenge” to Congress. In November, the entire 435-member House of Representatives and one-third of the Senate face election. The Democrats control the Senate by one seat, and the Republi-

cans control the House by a mere six. Key steel-producing states—such as West Virginia, Pennsylvania, Ohio, and Michigan—are the political “swing” states that could determine which party controls Congress. USWA spokesmen at “Stand Up for Steel” rallies have repeatedly stated that political calculus, as their “leverage” on President Bush.

Sen. Jay Rockefeller, a Democrat from West Virginia, will introduce legislation to deal with retiree health costs (“legacy costs”) by mid-March, according to the USWA—West Virginia being perhaps the foremost of these “swing” states. Rockefeller's response to Bush's partial, versus full, tariff imposition was “the steel industry is still at risk,” and the President “must now address the tough issues of legacy costs” and the labor issues involved in consolidation.

The United States and the whole world are in a financial collapse of hundreds of trillions of dollars, which can only be solved by the the kind of bankruptcy reorganization measures undertaken by Franklin Roosevelt, using national credit to rebuild the United States, and exporting high-technology products to developing nations. But the “free trade” versus “fair trade” debate is useful, and will become a determining factor in world politics.

Real Politics at Last

The USWA demanded 40% tariffs over four years—the high end of the package of recommendations made by the U.S. International Trade Commission, which had issued a finding that rising foreign imports had harmed American steel companies. On March 3, both the Democratic and Republican U.S. Senate leaders, Tom Daschle of South Dakota and Trent Lott of Mississippi, endorsed 40% tariffs. Reportedly, Bush's political aides, like Karl Rove, won out over economic aides, like Larry Lindsey, in Bush's decision to impose partial tariffs.

President Bush's protective tariffs take effect on March 20, and range from 8 to 30% on ten steel products. While a 30% tariff covers hot-rolled bar steel, cold-finished bar steel, tin mill steel, and flat steel products, it drops to 24% and then 18% on tin and flat steel in the second and third years. Flat steel represents about 60% of American steel production, and is used in autos and appliances; e.g., flat steel was produced in now-bankrupt LTV's Cleveland mill. “Our view is that by focussing relief on the flat product, we picked up areas of most concern to steelworkers,” said Grant Aldonas, Commerce Department Undersecretary for International Trade.

Stainless steel bar and rod, certain tubular steel, and rebar will be subjected to 15% quotas. Stainless steel wire will have an 8% tariff; carbon and alloy fittings, 13%. Steel slabs—flat steel that has to be processed further—will be tariff-free up to 5.4 million short tons of imports (the 2000 level), and only after that, subject to a 30% tariff.

Catalyze International Revolt

Most directly affected by the tariffs will be China, Japan, South Korea, Russia, and Ukraine. European Union Trade Commissioner Pascal Lamy claimed the EU was the “foremost victim” of the U.S. measures, since its 15 members account for 25% of steel imports. But what the Europeans fear much more is that the European market will be flooded with Japanese and South Korean exports, now diverted from the United States. Canada and Mexico are exempted from the tariffs, under the North American Free Trade Agreement, along with developing nations such as Argentina, Turkey, and Thailand.

On March 6, the British Broadcasting Corporation screamed, “Trade War Looms Over Steel Dispute.” European Commissioner Lamy said the move by the Bush Administration flouted international trade rules, and a complaint has been filed with the World Trade Organization. British Prime Minister Tony Blair, that great ally of the United States, announced retaliatory action to reverse U.S. steel tariffs “as soon as possible.”

LaRouche noted that in fact, the contrary will happen: the U.S. action will lead to further efforts to reestablish protective tariffs worldwide. This is likely to result in the WTO going into a real crisis, and it could even kill the Euro/Maastricht common currency agreement, which “can’t function, and won’t work.”

Legacy Costs and 2002 Elections

According to the USWA, 32 steel companies in the United States have filed bankruptcy since 1997—including integrated steel giants Bethlehem Steel and LTV—and 17 of these have been liquidated. Some 46,700 jobs have been lost nationally since January 1998, and steel prices are the lowest in 20 years. USWA Local #2609 President John Cirri told a steel rally in Baltimore on Feb. 20, that 100,000 of the 600,000 steel retirees have already lost their health benefits. By March 31, the health benefits of 85,000 retirees of bankrupt LTV, and their dependents, will cease. The USWA says most retirees have already been paying from 25 to 40% of the cost of their modest health coverage, despite limited pensions in many cases. The majority of surviving spouses receive less than \$100 a month in pensions. This is far less than health insurance would cost them if the company their husbands worked for shuts down.

A portion of the pensions of retirees whose companies have declared bankruptcy, will be paid by the Pension Benefit Guaranty Corporation. But the health benefits of retirees, and their surviving spouses, are not assumed even if the liquidated

company is purchased. As the CEO of Bethlehem Steel characterized Bethlehem’s situation, “We are like a \$100,000 house with a \$200,000 mortgage.” Without Federal aid to cover retiree legacy costs, U.S. Steel’s offer to buy Bethlehem Steel and National Steel will be withdrawn. Bethlehem has announced that on March 13, its Board will meet and plan how to offer individual plants for sale as joint ventures, or offer cannibalistic “item” choices for “the market,” from among its integrated furnace, forge, and milling operations. Bethlehem is one of only two U.S. companies that still make rails, desperately needed for rebuilding the infrastructure of the United States.

The tariffs enacted by President Bush will clearly not, in themselves, solve these problems, because they do not affect the huge underconsumption of steel in the world’s broken-down physical economies. But they do put the issue of those economies’ condition back on the political agenda, where it has been ignored during the years of the “New Economy” fraud.

The Tariff Itself Is Not Europe’s Problem

by Lyndon H. LaRouche, Jr.

March 7, 2002

Clearly, the ongoing shift in U.S. tariff policy, is a direct threat to the WTO and, implicitly, to the continuing Maastricht agreements. However, it would be a potentially fatal delusion, to believe that this change in tariff policy, with its now obvious short-term effects, was not more or less inevitable at about this time. On balance, this portends what will probably become, rather suddenly, the most portentous, systemic shift in worldwide economic policy in thirty years.

Since I am an institutional figure within the U.S.A., and the most vindicated of the publicly known long-range economic forecasters of the past several decades, it is my duty to intervene at this moment, to speak frankly to both relevant circles in my own country, and also relevant, thinking circles in Europe and elsewhere abroad. I pose the following question to you: What is the actual, systemic significance of the recent U.S. Presidential decision which, implicitly, signals an abrupt dumping of more than three decades of “free trade” policy, toward what has been accurately identified by U.S. Senate leader Daschle as a “fair trade” action?

As was made clear by the broadcast colloquy among CNN’s interviewer and Senators Daschle and Lott, the action being taken now on steel, portends changes of a similar character in many categories of trade and related matters. You, around the world, as in the United States itself, must recognize the fact, that either the United States continues to make