Trump Doubles Steel Tariffs to 50% – Implications for Global Trade and India’s Exports

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Shift Towards Trade Protectionism Latest News

- US President Donald Trump announced a sharp hike in steel import tariffs from **25% to 50%** to further secure and rejuvenate the US steel and aluminium industries. The new tariff is to be enforced from June 4th.
- This move was termed “**unfortunate**” by India’s exporters, who said this will make trade talks “much more difficult and complicated”.
- This fresh tariff hike follows a similar increase earlier this year, when Trump raised tariffs on aluminium and steel to 25%.

Key Highlights of the Announcement

- **Legal basis:**
  - **The US Trade Expansion Act, 1962**, allows the President to impose tariffs if imports threaten national security.

- Trump previously invoked this in **2018**, imposing: 25% tariffs on steel and 10% on aluminium

- **Purpose:** Announced at a steel plant rally (West Mifflin, Pennsylvania), Trump justified the move to "**Make America Great Again**", boosting domestic industries.

Reactions from Indian Exporters

- **Engineering Export Promotion Council (EEPC):**
  - The earlier increases already **impacted around $5 billion worth of exports** to the US in the iron and steel segment.
  - Fears that it will complicate **Bilateral Trade Agreement (BTA)** negotiations.
  - Requested tariff rate quota (TRQ) **exemptions**, like those granted to the UK.
- **Federation of Indian Exporters' Organisation (FIEO):**
  - Highlighted negative **impact on semi-finished and finished products**.
  - Risk to India's growing engineering exports, especially: stainless steel pipes, structural steel components, automotive steel parts.

Economic Impact Analysis

- **Global price ripple effect:**
  - The economic impact of these higher tariffs will be significant.
  - **US steel prices are already high**, at around $984 per metric tonne — far above European prices at $690 and Chinese prices at $392.
  - **Projected rise:** To $1,180/tonne due to the tariff hike, potentially burdening domestic sectors like: automobile, construction, manufacturing.
- **Indian export vulnerability:** India's exports to the US (FY 2025) amounts to total **$4.56 billion** worth of iron, steel, and aluminium products to the US, including –
  - **Iron and steel:** $587.5 million
  - **Articles of iron/steel:** $3.1 billion
  - **Aluminium and related products:** $860 million

Strategic and Diplomatic Implications

- **India** filed a formal notice at the World Trade Organization (**WTO**).
- Signals intention to **retaliate** with tariffs on US goods.
- Response may include **increased tariffs on select US exports** within a month.

Iron and Steel Industry in India

- With the industry accounting for about **2% of the nation's GDP**, India ranks as the world's **second-largest producer** of steel, with an output of 125.32 MT of crude steel and finished steel production of 121.29 MT in FY23.
- India is **poised to overtake China as the world's second-largest consumer** of steel. The per capita consumption of steel has increased from 57.6 kgs to 74.1 kgs during the last five years.
- The steel industry has emerged as a major focus area given the **dependence of a diverse range of sectors** on its output as India works to become a manufacturing powerhouse through policy initiatives like Make in India.
- **The National Steel Policy2017** envisages 300 million tonnes of production capacity by 2030-31.
- **Huge scope for growth** is offered by –
  - India's comparatively low per capita steel consumption and
  - The expected rise in consumption due to **increased infrastructure construction** and the thriving automobile and railways sectors.

Conclusion

- Trump's decision to double tariffs on steel imports marks **a significant shift towards trade protectionism**, with far-reaching consequences for global trade dynamics and India's export strategy.
- As negotiations on trade agreements continue, **India must navigate the dual challenge** of protecting its exporters while preserving its strategic bilateral ties with the United States.

Shift Towards Trade Protectionism FAQs

Q1. Under which legal provision did the United States impose tariffs on steel and aluminium citing national security concerns?

Ans. The tariffs were imposed under Section 232 of the US Trade Expansion Act, 1962.

Q2. How does the recent US steel tariff hike affect India-US trade relations?

Ans. The unilateral tariff hike complicates ongoing bilateral trade negotiations and threatens India's export competitiveness in the US market.

Q3. What could be the economic impact of the US steel tariff hike on Indian exporters?

Ans. It may reduce the price competitiveness of Indian steel and aluminium products, adversely affecting exports worth over $4.5 billion.

Q4. How has India responded to the US's unilateral steel tariffs at the international level?

Ans. India has issued a formal notice at the World Trade Organization (WTO) signaling the possibility of retaliatory tariffs on US goods.

Q5. Which sectors in India are likely to be most affected by the US tariff hike on steel?

Ans. Sectors such as engineering goods, automotive components, and structural steel products are expected to be most impacted.

Source: TH | IE
