

## **Purdue economist: Steel tariff likely to hit some industries, allies hard**

WEST LAFAYETTE, Ind. – A Purdue University agricultural economist says a proposed U.S. tariff on steel and aluminum imports is likely to hit the machinery, automotive and construction industries hard and negatively impact some of the nation's closest trade partners.

Thomas W. Hertel, who also is founder of the Global Trade Analysis Project (GTAP) and executive director of the Center for Global Trade Analysis, said the recent U.S. Department of Commerce review of the proposed tariff had one targeted application: to determine how much the tariff on steel would need to be raised to restore the nation's steel production to 80 percent capacity.

"The resulting 25 percent tariff proposed by President Trump was based on that analysis," Hertel said. "However, the report says nothing about the overall production and employment impacts in downstream industries or the consequences for some of our closest trading partners, all of which we found to be adverse. You can't truly evaluate the efficacy of this tariff without looking far beyond the steel industry."

Hertel's team used the GTAP model – which is the same tool used by the U.S. Department of Commerce – to run an independent analysis. The GTAP database and its suite of models, developed and maintained at Purdue University, are used by thousands of individuals and institutions worldwide to analyze the economic impacts of trade and environmental policies.

"What we found were combined output reductions of nearly \$20 billion annually for U.S. manufacturers of machinery and equipment, automobiles and parts, and the construction sector," Hertel said. "And Canada, our closest regional ally and trading partner, was found to be the most severely impacted by this policy, with an annual loss of roughly \$2 billion due to depressed export prices."

Global Trade Analysis Project website:

<https://www.gtap.agecon.purdue.edu/about/center.asp>