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

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The USWA and AFL-CIO unions mobilized an estimated 25,000 steel workers, from the Midwest steel belt and the East Coast, for the Feb. 28 "Countdown to Justice" rally at the Ellipse in Washington (above). This followed nationwide "Stand Up for Steel" feeder rallies. An estimated 280,000 unionists from 700 locals sent personal letters to the President urging protective tariffs.

changes in that same direction implied by Daschle's characterization of the new turn in the Bush Administration's economic policy; or, the U.S. economy will continue the preceding, post-1965 drift into general disintegration. You, in the United States and outside, must view this turning-point in decision-making, in light of the actual implications of the inevitable collapse of the Enron-centered financial-derivatives bubble.

The U.S.A. could not long survive with a continuation of the recently accelerating trends, toward continued loss of its vital strategic sectors of industry and agriculture to the combined effects of rampant globalization and the ruinous reign of John Law-style financial super-bubbles. The issue of steel was only the beginning. No one, in the U.S.A. or Europe, could put this issue "back in the bottle" of recent pro-globalization trends.

The following are among the leading considerations which must be taken into account, on this issue, of a shift back toward protectionist "fair trade" policies, by all responsible leading circles within and outside the U.S.A.

Europe's Steel Industry

To bring some of the diversionary issues into proper focus, consider the assumed threat the new Bush policy represents for Europe's steel industry. Does the increased tariff on steel imports mean a collapse of Europe's exports to the U.S.A.? In and of itself, the answer is: "It does not constitute such a threat." Think realistically; what are the facts?

Will the United States consume less steel as a result of that tariff? Not because of the tariff itself! The United States must import steel from places where it is available, relying chiefly on currently traditional lines of supply. In and of itself, that change would mean simply, that the American consumer pays a higher average price for steel products. That higher price for domestic consumption of steel and related products will mean an increase in the concentration of purchasing power in the physical-goods producing sector, to the relative disadvantage of the economy's "funny money" sector. This will also mean, a tendency toward a higher rate of capital accumulation in Europe's hard commodity production-sector, as well.

The threat does not come from this, nor from the high probability of additional tariffs, as well. The threat comes from the fact that the world is gripped by the ongoing general collapse of the present global monetary-financial system. The real economy, where physical goods are produced and consumed, is being looted to the bone by the costs of maintaining an inherently, systemically bankrupt, post-1971 "floating exchange-rate" monetary system.

Just as the discussion among Daschle, Lott, and the interviewer emphasized: the issue is not the tariff as such. The issue is the shocking, but unavoidable shift, away from a "free trade" form of globalist monetary policy, back to the kind of "fair trade" policies which typified the 1945-1964 period of post-war economic reconstruction in the Americas, western Europe, and Japan. The world has travelled for more than three decades, down the utopian "free trade" road. It has reached the utopian bridge across the chasm, to discover that that bridge never existed. It has the choice, therefore, of attempting to cross that bridge, or turning back to the real world.

For the typical, mass-media-conscious political figure, such as Senator Daschle, the issue is clear. Think of the proverbial "horns of a dilemma;" Daschle is still defending "free trade" with his political mouth, but his hands are moving toward a return to "fair trade" policies of practice. The U.S. political figures involved, did not change their philosophy; reality is changing it for them. Enron was not the cause of this change; it has been, as things turned out, more or less the proverbial "last straw."

The problem posed by the new U.S. tariff policy should not be assessed as a conflict of interests between the U.S.A. and Europe. It should be recognized as signalling the immediate inevitability of a necessary, global change from the follies of a "consumer society," back to that of a "producer society." Rather than fighting over the dwindling remains of global economic "road kill," the U.S.A., Europe, and others, must consider the quickest and best way to return to the kinds of policies which President Charles de Gaulle represented for France and Europe generally, during the period of his close collaboration with Chancellor Adenauer, and the collaboration of both with President John Kennedy.

In the meantime, this shift within U.S. policy should have surprised no one who was alert to the economic realities building up during the past decade. The reality of the U.S. and world economy has intervened into all other areas of national and international policy-shaping issues. Economics has announced, "Move over; we are taking charge!"