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Editorial: “Object lesson in protectionism”

President Bush now has two big problems with protectionism, both stemming from the tariffs of up to 30 percent he imposed on foreign steelmakers in March.

First is the protectionism itself. His efforts to protect Big Steel from foreign competitors have led to price hikes and spot shortages across the country. That hurts American companies that use steel--and the overall economy.

Second is the politics of protectionism. President Bush has been forced by economic realities to backpedal on those tariffs to such a degree that he now has infuriated not only virtually all our trading partners and steel consumers, but also Big Steel, its union and political allies, the very constituency he sought to help.

Just last Friday, the Bush administration excluded an additional 178 steel products from the tariffs, bringing the total to 727, a quarter of all product categories.

Let this be a lesson to him. Even a little bit of protectionism can come back to bite you.

This president came into office preaching the value and virtues of free trade and open markets as the route to prosperity for the U.S. and its trading partners. He should have listened to himself rather than those who insisted a little protectionism would pay big dividends later.

He now has placed himself in a steel trap of his own construction, proving he's an unreliable ally to those who support free trade for steel and those who oppose it.

The argument last spring was that aiding Big Steel would help build political support in key states like West Virginia and Pennsylvania for the president's broader trade agenda; primarily trade promotion authority, which was approved by Congress this summer.

The president said these three-year tariffs would give the steel industry "breathing space" so it could restructure. In recent years, some 30 steelmakers have filed for bankruptcy, but the argument that foreign steel is the main culprit for that always has rung false. The big integrated steelmakers continue to face as much competition from more efficient domestic mini-mills as they do from foreign producers.

That was true before the tariffs were imposed and it will be true long after theses tariffs are gone. Three decades of government-sponsored "breathing space" for Big Steel via various combinations of quotas, duties and tariffs on foreign producers have failed to change that fact. Even without Bush's shameful encouragement, Big Steel continues to fight for even more protection. The industry is seeking additional duties of up to 153 percent against 20 countries in Europe, Asia, Africa and Latin America it accuses of dumping cold-rolled steel into the U.S. market.

This despite the fact that cold-rolled steel prices now average $525 a ton in the U.S. compared with $280 in Japan and $304 in Germany, according to the Consuming Industries Trade Action

Coalition. The U.S. International Trade Commission is due to rule on this case Tuesday. It dismissed a similar case two years ago and should dump this one too.

And President Bush should make it clear that he's learned his lesson on protectionism.