

# Chicago Tribune

## Tariffs causing some unintended consequences here

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**BY [DAVID ROEDER](#) Business Reporter**

Lester Trilla's customers are growing and going global, and ordinarily that would be good for his company on Chicago's Southwest Side that manufactures 55-gallon steel drums.

Instead, Trilla figures he's lost 20 percent of his business in the last few years as his customers have relocated overseas and found cheaper sources for the drums they need.

His biggest concern is companies that have gone to China.

"They can pay \$9 for a steel drum in Singapore, versus the \$25 I have to charge," he said.

Unlike the manufacturer in Singapore, Trilla can't buy cheap raw materials. President Bush's tariffs on imported steel, enacted to stop a tide of layoffs and bankruptcies among the big producers in the United States, have seen to that.

So Trilla Steel Drum Corp., like many other Chicago area companies welded to the metals business, suffers from a schizophrenic attitude toward the Middle Kingdom: China's low costs are drawing away customers, while its low-priced steel is beyond reach thanks to U.S. tariffs.

The double-barreled situation has contributed to substantial job losses in U.S. manufacturing, an issue that has gained urgency in the White House.

The National Association of Manufacturers, with support from companies in Illinois, plans to file a trade complaint with the Bush administration over Chinese trade practices. It will allege that China has deliberately held down the value of its currency, the yuan, to gain price advantages for its products shipped to the United States.

The complaint is the start of a formal process that could lead to a hearing before the World Trade Organization.

That's the same WTO that ruled in July that Bush's steel tariffs were illegal, a decision that's being appealed. The administration is considering whether to renew, eliminate or curtail the tariffs even as the manufacturers are pressuring it to get tough on China's currency practices.

The controversy is a sign of the hard times that have again hit American factories. The manufacturing base in the United States has contracted by about 10 percent, or more than 2 million jobs, in the last two years, federal statistics show, with Illinois' loss about 77,000 jobs.

Domestic manufacturing jobs have been a long-term decline since the 1960s, often because the rapid advance of technology has resulted in fewer workers needed to produce the same amount of manufactured goods.

Those productivity gains continue to be a factor in the more recent bleeding of jobs, but companies say they're increasingly doing battle with nations that are subsidizing their export industries. China has been cited as the biggest culprit, and even Mexico, known for taking jobs from the United States, has accused it of unfair competition.

The Bush administration has ordered its Commerce Department to form a unit to investigate other countries' trade practices.

Laura Spingola, president of the Chicago-based consulting firm Trade Resources Ltd., said she's glad the issue is getting attention. But Spingola, who works with a variety of manufacturers, said the Bush administration "is late to the ballgame."

She said many Americans still don't understand that when the nation loses the capacity to produce its own goods, its economic security is jeopardized.

"We are pleased the administration is hearing the clamoring that is going on," said Greg Baise, president of the Illinois Manufacturers' Association, which will support the national lobbying group's trade complaint about Beijing's unfair manipulation of the yuan.

Baise said his membership is in dire need of relief, with companies involved in the metals business generally in the worst shape. About 23 percent of the state's manufacturers are connected to the metals industry, he said. But that touches on the steel tariffs, an issue on which the general manufacturing associations have no position because it divides steel consumers such as those in appliances and autos, who oppose tariffs, and steel producers, who favor protection of domestic markets.

In the metal drum business, the tariffs mean Trilla is locked into the prices set by American producers. And he said that's making Big Steel behave like a cartel.

"The quality of steel we've gotten is absolutely terrible," Trilla charged. "I had a guy in here from one of the big steel companies, and I complained, but he said that's what I'm going to get because they're the only game in town. This is killing us in manufacturing expense."

While taking no position on the tariffs, Baise acknowledged that they've cost jobs in Illinois: "There have been some unintended consequences. The tariffs have put a point of stress on the end user of steel."