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Government Regulations

Tariffs on steel and aluminum spark worries about cost, lead times

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The imposition of tariffs on metals purchased from Canada, Mexico and the European Union is going to make David Smith's job much more difficult.

The materials manager at Rigidized Metals Corp. in Buffalo was already having trouble finding enough aluminum to complete certain embossing projects. The newly enacted tariffs – 25 percent on aluminum and 10 percent on steel – are only going to make the process harder.

"In real simple terms, the lead times are going to get pushed out and prices are going to go up," Smith said. "We do a lot of business with Canada, so we're going to have to start prepping for this."

Companies have been bracing for this since March when the Trump administration imposed tariffs on certain countries, but exempted others including Canada, Mexico and the European Union. Citing national security concerns, the administration on May 31 said it would start imposing tariffs on steel and aluminum coming from all three countries.

The tariffs went into effect June 1.

The decision drew strong reactions from some of the country's longtime trading partners. Canadian Prime Minister Justin Trudeau said the tariffs would "harm industry and workers on both sides of the Canada-U.S. border" and disrupt North American supply chains.

Among those affected: automobile manufacturers in Western New York that regularly ship components back and forth between Buffalo and Canada.

Buffalo attorney Christine Bonaguide is a partner at Hodgson Russ LLP who represents Canadian businesses that want to expand into the United States. She cited auto-makers as an example of an industry that relies on steel and aluminum and likely faces higher costs, whether buying domestically or internationally.

"Those manufacturers will have to make a decision," Bonaguide said. "Do they pass that (increase) down to their customers? Is the price of a car going to jump accordingly? So consumers may wind up seeing costs



JIM COURTNEY

Rigidized Metals Corp. in Buffalo was already having trouble finding enough aluminum to complete certain embossing projects. (file photo)

increase as well.”

Some wonder if the tariffs are meant to be a negotiating point in ongoing discussions over the North American Free Trade Agreement. Terms of the trilateral trade pact between the U.S., Canada and Mexico have been under review since last fall when the countries began renegotiations as part of the administration’s plan to get a “better deal” for the U.S.

Countries are planning retaliatory measures. The Canadian Department of Finance last week said it would levy surtaxes on \$16.6 billion worth of U.S. imports into Canada.

The list of possible items includes steel, pizza, toilet paper and beer kegs. The surtaxes will range from 10 percent to 25 percent and go into effect July 1.

In the meantime, Smith at Rigidized Metals is calling on suppliers that he hasn’t done business with in years, in hopes of securing the materials he needs.

“A year ago there was oversupply and I wasn’t worried about it,” Smith said. “Suddenly I’m dusting off the Rolodex and calling people, saying, ‘Hey, it’s me from Rigidized Metals and you’ve come in here before and maybe we’ve talked and it didn’t work out, but now I’m your friend.’ It’s a seller’s market right now if you can find it.”

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