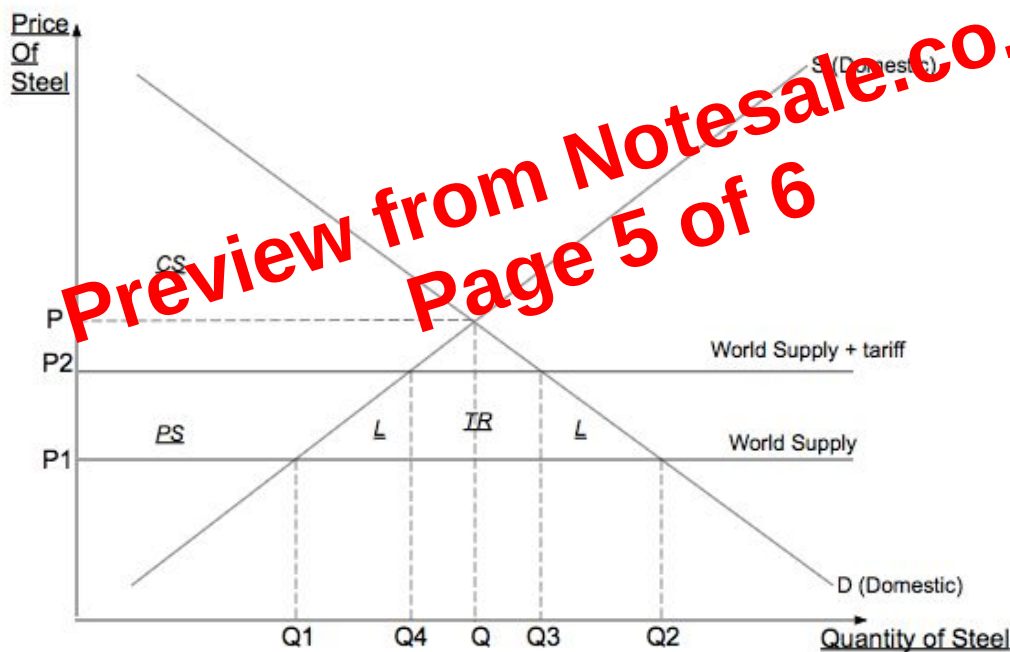


Commentary

This article is about how the US plans to impose new protectionist restrictions on steel imports from China as well as aluminium and Chinese cell imports. Protectionist restrictions refer to a set of policies implemented by the government in order to restrict the flow of goods and services into the country. These restrictions have been directed towards the significant increase of cheap Chinese steel exports because of their negative effect on US steel producers which has triggered the closure of US steel mills and industries. Tariffs which essentially represent a tax on imported goods. This has been one of the most significant protectionist actions taken by the US government because it has significantly increased the percentage of US imports covered by special tariffs. The total percentage of US imports covered by such tariffs has increased from 3.8 to 7.4 percent, and the percentage of Chinese steel exports covered by these tariffs has also increased significantly, from 9.2 to 10.9 percent. Protectionist restrictions usually have both a negative and positive consequences, what will be the impact of these new protectionist tariffs on the different stakeholders?

Diagram 1: Tariff on Chinese steel imports



According to this diagram, the US government has placed a tariff on imported Chinese steel and the world price has increased from P_1 to P_2 . This tariff was placed in order to protect domestic industries as well as national security. This tariff not only benefits domestic US steel producers but it affects different stakeholders such as consumers, government, and Chinese steel producers.

Producers of steel in the US will be benefited the most because they will generally be able to produce and supply more. Prior to the tariff, domestic producers were only supplying at the quantity of Q_1 multiplied by the price world which is P_1 . When the tariff is placed, the price for imported Chinese steel