

U.S. Weighs Tariffs, Quotas on Metals Imports

Trump administration is considering options to protect U.S. steel and aluminum industries, playing down warnings from economists and allies about the risks of higher prices and trade wars

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WASHINGTON—The Trump administration said it is considering sweeping new limits on imports of steel and aluminum as the next phase of its “America First” economic policies, playing down warnings from economists and allies about the risks of higher prices and trade wars.

“Imports threaten to impair our national security,” Commerce Secretary Wilbur Ross told reporters Friday as he released reports detailing options that he has presented to President Donald Trump to shield U.S. industries from foreign competition.

The options would hit trading partners differently, with varying combinations of quotas and tariffs—some higher than 50%. But all had the same broad goal of cutting imports significantly from current levels in the hopes of boosting domestic production in the two hard-hit sectors.

The reports are just recommendations to Mr. Trump, who has until April to decide which options, if any, to choose, or whether to reject greater protection. Mr. Trump ordered the studies in April and has a year by law to act.

Some kind of action seems likely, as Mr. Trump made stricter limits on metals imports limits a centerpiece of his 2016 presidential campaign and, as president, has repeatedly vowed to fulfill that pledge.

The two industries are “being decimated [by] dumping from many countries...and we can’t let that happen,” the president told lawmakers in a White House meeting earlier this week to discuss the prospect of new import limits.

The release of the recommendations had a swift market impact Friday. Stocks of steel and aluminum makers, including Nucor Corp. , US Steel Corp. and AK Steel Holding Corp. , soared. Aluminum prices rose 2% in London trading. Stocks of manufacturers that use the metals, such as Caterpillar Inc. and Harley-Davidson Inc., fell. The Dow Jones Industrial Average rose modestly.

In exploring the new tariffs and quotas, Mr. Trump is dusting off a little-used law that gives presidents broad discretion to block imports he deems undermining American security, section 232 of the 1962 trade act, which has been used only twice, most recently in 1981.

It is one of the many ways that Mr. Trump, in pursuit of more aggressive trade enforcement, is turning to long-dormant powers that his recent predecessors have been hesitant to use, especially since the 1995 founding of the World Trade Organization discouraged such broad, unilateral trade actions.

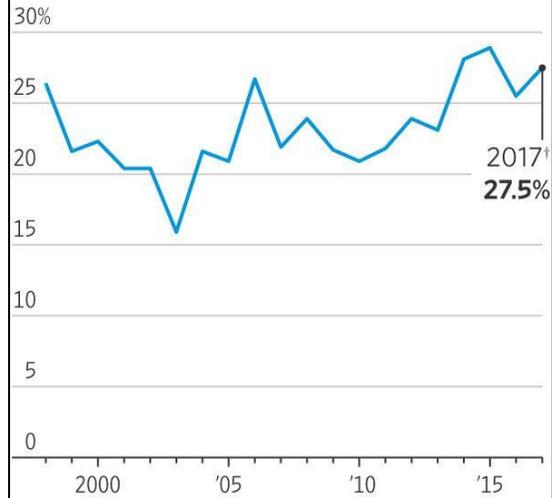
In January, Mr. Trump imposed limits on imports of solar panels and washing machines under another rarely invoked law—last used in 2002—allowing for broad protection of domestic industries claiming injury from a surge in imports. Those measures have already drawn complaints from trading partners at the WTO.

And Trump aides are also probing whether to use a 1974 trade law to impose broad trade and investment penalties on China over widespread allegations that Beijing forces U.S. companies to turn over valuable intellectual property as the price of market access.

Knotty Ties

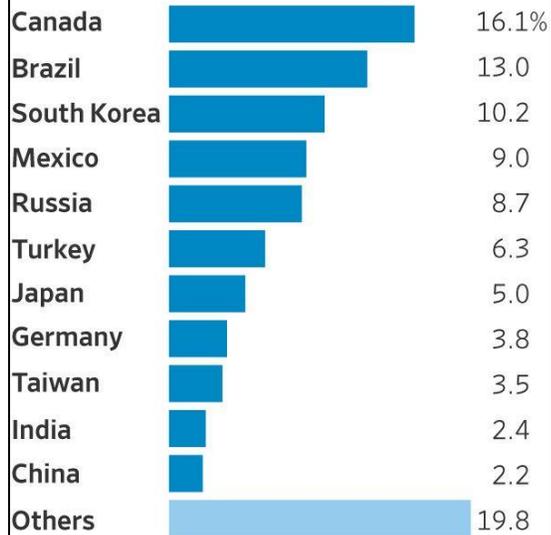
As the U.S. weighs how to curb rising steel imports, including Chinese product that comes through third nations...

U.S. steel imports as a share of domestic market*



...it faces a challenge: Other top exporters are U.S. allies like Canada and Japan.

Share of U.S. steel imports by country, 2017†



*Finished steel products (excludes semi-finished)

†Through October 2017

Source: U.S. Department of Commerce

The public release Friday of possible steel and aluminum measures is likely to intensify a continuing battle between Mr. Ross and other trade hawks inside the administration with more free-trade-oriented Trump aides who have long urged caution. The internal opponents of stricter import curbs have been joined by lawmakers in Mr. Trump's own Republican Party, as well as trading partners such as the European Union which threaten retaliation if they get hit with the penalties.

At the Tuesday meeting with members of Congress, virtually every Republican attending urged Mr. Trump to avoid dramatic action.

Section 232 "is a little like old-fashioned chemotherapy," Texas GOP Rep. Kevin Brady told Mr. Trump. "It isn't used as much because it can often do as much damage as good," added Mr. Brady, who chairs the Ways and Means Committee, which oversees trade policy.

Defense companies have also raised worries. "We are concerned that tariffs may have an unintended impact on the global supply chains that our industry depends on," said a spokesman Friday for the Aerospace Industries Association. "It's particularly true of aluminum and steel."

But Messrs. Ross and Trump repeatedly played down the risks to taking action.

"We really don't think there's very much likelihood" of sharp cost increases for U.S. consumers of steel and aluminum, Mr. Ross said Friday. "We really don't think that's a big factor."

In the Tuesday White House meeting, Mr. Trump suggested he placed a higher priority on trying to protect workers than consumers, even at a time of a historically low 4.1% jobless rate. "You may have a higher price...but you're going to have jobs," he said. "To me, jobs are very important."

For both the steel and aluminum industries, Mr. Ross said the goal of all the proposals is to boost the portion of domestic capacity in use to 80%, a level Commerce called "the minimum rate needed for long-term viability of the industry." Commerce said the U.S. steel industry is currently operating at a 73% capacity utilization rate, while aluminum is operating at a 48% rate.

For each industry, Commerce laid out three ways to try to reach that goal. The first would be broad across-the-board tariffs on all imports from all countries: 24% for steel and 7.7% for aluminum. Another would impose across-the-board quotas, limiting each country to 63% of its 2017 steel exports to the U.S., and 86.7% of 2017 aluminum exports to the U.S.

The third option would be more calibrated, aiming to spare U.S. allies any significant limits, and to try to impose the burden more on countries seen as doing the most to contribute to global overcapacity problems—namely by trying to curb imports from China and third countries that import Chinese cheap steel and re-export it to the U.S. Under that option, the

U.S. would impose high tariffs on exports from China and a list of other countries, and then impose quotas on all other exporters limiting their sales to 2017 volumes.

Concerns about China in particular are driving the studies. Administration officials say Chinese global overcapacity is swamping steel and aluminum markets and that conventional trade remedies haven't fixed the problem since Chinese firms facing U.S. penalties often ship their cheap products to third countries, that then sell them into the U.S.