POLITICS

Trump Administration Beats Back Warnings on Tariffs

Trading partners, U.S. companies voice concerns over proposal on steel and aluminum

Trade adviser Peter Navarro, second from right, with, from left, President Donald Trump, Commerce Secretary Wilbur Ross and Vice President Mike Pence at the Oval Office in March 2017. **PHOTO:** ANDREW HARNIK/ASSOCIATED PRESS

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Trump administration officials are pushing back against overseas officials opposed to planned steel and aluminum tariffs and U.S. executives who warn the move could undermine a strengthening American economy.

Manufacturing executives who use the metals to make beer cans, cars, refrigerators and other goods warn of price surges, shortages and retaliatory trade barriers on U.S. exports if the administration follows through on the plan, announced Thursday, to impose 25% tariffs on imported steel and 10% duties on aluminum imports. They also complain that a lack of detail about President Donald Trump's plan has injected unknowns into their business planning.

"It's the uncertainty that has many people concerned," said John Hayes, chief executive of Ball Corp. , a major producer of beverage cans and metal food packaging with about 9,000 U.S. workers. "We don't know what products it's on. We don't know from which countries it's on. We don't know how it's going to be implemented."

The administration's most prominent trade hawks took to the airwaves Sunday to play down concerns. They said the U.S. would apply steel and aluminum barriers expansively, leaving no country exempt.

"The notion that it would destroy a lot of jobs, raise prices, disrupt things, is wrong," Commerce Secretary Wilbur Ross said on ABC. He said the tariffs would be valued at $9 billion, a fraction of overall U.S. economic output, which is $19 trillion a year.

The TV appearances capped a weekend of sparring between the U.S. and its trading partners. Mr. Ross dismissed a European Union threat to impose penalties on $3.5 billion of U.S. exports including Harley-Davidson motorcycles, bourbon and denim as a "rounding error." Mr. Trump took to Twitter to say he might push for a tax against European-built cars if the EU retaliates against the steel duties.

Hans Jürgen Kerkhoff, president of the German Steel Federation, said that if the EU doesn't act to head off what he sees as a potential steel glut, "our steel industry is going to be left footing the bill for American protectionism."

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The administration is expected to release details of the plan this week, or possibly next. While Mr. Ross and White House trade adviser Peter Navarro said no country would be exempt from the duties, they weren't definitive on the point. Mr. Navarro also suggested some companies might be able to apply for exemptions on some products scarcely made in the U.S.

"There will be an exemption procedure for particular cases where we need to have exemptions so that business can move forward," Mr. Navarro said on CNN.

Many U.S. parts makers fret that the plans could send their business overseas if tariffs drive up domestic prices and fuel inflation for the raw materials they need. They also fear tariffs could have unintended consequences, eventually diverting business away from U.S. steelmakers and shifting manufacturing abroad.

"It's just a terribly disruptive move," said P.J. Thompson, president of Trans-Matic Mfg. Co. in Holland, Mich., which fashions steel into parts sold to auto makers and other manufacturers. "I don't think he's trying to hurt us," Mr. Thompson said, referring to the president. "He's pursuing something other than what economic reality is."

The sheer size of the U.S. economy means the tariffs, by themselves, would have a modest impact on major indicators like growth or the inflation rate, said Seth Carpenter, chief U.S. economist at UBS. Steel and aluminum account for about 1.6% of imports and 0.2% of gross domestic product.

But discrete sectors could be affected, and fallout could reverberate if U.S. trade partners retaliate and Washington responds in turn.

A study last year by NERA Economic Consulting found that a tariff on aluminum imports of 7%, slightly below the 10% tariff Mr. Trump has proposed, would increase aluminum-sector employment by 1,000 jobs annually and boost aluminum output by $850 million a year. But the dent to supply and higher cost to consumers and industries would cause employment in other industries to decline by 22,600 jobs, and total output to decline by $5 billion a year, the study found.

The U.S. has run the experiment on steel tariffs before. In March 2002, President George W. Bush imposed sweeping tariffs and quotas on a range of steel imports before dropping them in late 2003. The tariffs were responsible for a 3% increase in steel prices and were "extremely disruptive to U.S. firms that rely on steel imports to make consumer goods," concluded a 2003 review of Mr. Bush's move by the Peterson Institute of International Economics.

A 2003 study by research firm Trade Partnership Worldwide estimated that higher steel prices cost 200,000 steel-consuming jobs that year, largely in manufacturing. The entire steel industry employed only 187,500 workers at the time, the report said. Laura M. Baughman, the firm's president and a co-author of the 2003 study, said of Mr. Trump's new tariffs: "steel consumers will get hit again."

Wes Smith, owner of E&E Mfg. Co., a 700-employee Plymouth, Mich., supplier of metal stampings used in the auto industry, worries about a repeat of 2002. His customers—car makers and other large auto suppliers—were reluctant to absorb any of the cost increase or pass it on to customers, and he worries some could look to Canada or Mexico for cheaper options. "Until we see the particulars, nobody knows," he said.

U.S. manufacturers for more than a year have ramped up hiring and production as they cheered Mr. Trump's moves to roll back regulations and overhaul the tax code.

"This is going to unfortunately throw some cold water on that momentum," said Jason Andringa, chief executive of Vermeer Corp., an Iowa maker of construction and agricultural equipment. "It's going to bring a dynamic of risk and volatility that we haven't had to deal with in a while."

Following the tariff announcement, Swedish home-appliance maker Electrolux AB said it was putting on hold a planned $250 million investment to modernize and expand a plant in Springfield, Tenn. It said it wouldn't make a decision on the Tennessee investment until it hears more details about the tariffs.

Domestic steel companies, on the other hand, would likely expand production to alleviate supply shortages caused by the tariffs, analysts said.

"I'm convinced there will be a great deal of investment in the industry," said Nucor Corp. Chief Executive John Ferriola. "If we had the assurity that there was going to be a meaningful and comprehensive trade remedy, it would create a willingness to invest in our facilities."

—Rebecca Ballhaus, Josh Zumbrun and Bob Tita contributed to this article.

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