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WORLD

U.S. Allies Around the World Steel for Trump Tariff Tussle

Stock prices slide for major U.S. military allies and steelmakers



Germany is among the countries that will be hard hit by any new tariffs. Shares in Thyssenkrupp and other steelmakers fell Friday. Here, steel coils from ThyssenKrupp's factory in Duisburg, Germany, sits on wagons. PHOTO: MARTIN MEISSNER/ASSOCIATED PRESS

By Kwanwoo Jun in Seoul and Zeke Turner in Berlin

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President Donald Trump's planned tariffs on steel and aluminum prompted angry responses from U.S. allies around the globe Friday, driving down stock prices and generating warnings of a possible international trade war.

Allies in Asia and Europe lobbied for a change of heart and took issue with Mr. Trump's invocation of a little-used Cold War-era law that gives presidents broad discretion to curb imports deemed a threat to national security.

"I believe there is absolutely no impact on America's national security from imports of

steel and aluminum from Japan, which is an allied nation,” Japanese Trade Minister Hiroshige Seko said. “I would like to look for opportunities to make this point firmly to the American side.”

The European Union “will react swiftly, firmly and proportionally,” said Alexander Winterstein, a spokesman for the European Commission. The commission, the EU’s executive arm and trade representative for all 28 EU countries, has countermeasures ready to rebalance the situation, he said.

Mr. Trump, who has championed an “America First” trade policy that would turn the U.S. away from globalization, dismissed such warnings.

“When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win,” he tweeted early Friday.

The leading U.S. military allies in East Asia, South Korea and Japan, are both large steelmakers. Germany will also be hit particularly hard.

Canada is the top foreign steel supplier to the U.S., accounting for roughly 17% of all American steel imports, followed closely by Brazil and South Korea, according to Commerce Department figures. Canada has found itself in the Trump administration’s crosshairs on trade, whether over disagreements on a revamped North American Free Trade Agreement or Canada’s move to launch a sweeping complaint against Washington at the World Trade Organization over U.S. tariffs on Canadian lumber.

Canadian Foreign Minister Chrystia Freeland warned the country “will take responsive measures” against the U.S. should the Trump administration slap tariffs on the country’s steel and aluminum. She deemed the proposed tariffs “entirely inappropriate” and “unacceptable.”

Stocks in Europe and Asia fell sharply. The Stoxx Europe 600 dropped 1.5% midday amid declines in shares of steelmakers and industrial giants, following a 2.5% fall in Japan’s Nikkei Stock Average.

Steel giant ArcelorMittal fell 4.4%, Germany’s Thyssenkrupp fell 3.2%, and Italian-American car maker Fiat Chrysler fell 5.4%. South Korea’s Posco fell more than 3%.

Swedish appliance maker Electrolux AB said it would hold back on a planned \$250 million investment it had planned to make to modernize and expand its manufacturing operation in Springfield, Tenn., following Mr. Trump’s announcement.

“This decision risks creating a far-reaching disruption in world trade with substantial consequences for business and consumers,” said Markus Beyrer, director general of BusinessEurope, a pan-European chamber of commerce. The American Chamber of Commerce in Germany said its members fear “a downward spiral in which everyone loses.”

Mr. Trump said Thursday that he intended to impose the 25% tariffs on steel imports and 10% on aluminum, following Commerce Department studies that concluded metals imports had eroded America’s ability to make its own weapons.

German Foreign Minister Sigmar Gabriel said the tariffs unfairly affect European allies. “Unlike other countries, German and European companies in the steel and aluminum industry don’t use dumping prices to get an unfair competitive advantage,” Mr. Gabriel said in a statement Friday morning. “But this kind of sweeping world-wide blow from the U.S. would precisely hit our exports and labor market the hardest.”

Mr. Gabriel said America’s allies in the North Atlantic Treaty Organization would find it “impossible to understand” the reasoning that protecting American steelmakers is a matter of national security.

“We must do everything possible to avoid an international trade war,” he said.

Jürgen Kerkhoff, president of the German Steel Federation, said he saw the risk that Mr. Trump’s tariffs could badly damage European steelmakers. If tariffs make it harder for steel to enter America, even more steel will flow to Europe, where trade barriers remain low and there is already too much steelmaking capacity.

“If the EU doesn’t act, our steel industry is going to be left footing the bill for American protectionism,” Mr. Kerkhoff said. “Diverted trade flows threaten Europe with a new steel glut when as things are the EU market is far from tackling (its own) import crisis.”

In the past year, rolled steel imports in the EU increased 1% to 32 million tons, an all-time record, according to the German Steel Federation. The U.S. bought 1 million tons of rolled steel from the EU last year, making it the most important export destination for European steelmakers outside the bloc, according to the group.

The tariffs, if made final, also would ratchet up economic tensions with Korea and Japan at a time they are working to counter the threat from North Korea developing nuclear-tipped ballistic missiles capable of hitting the continental U.S.

South Korea’s trade minister, Kim Hyun-chong, has been in the U.S. since Feb. 25 to meet U.S. members of Congress and policy makers including Commerce Secretary

Wilbur Ross. The trade ministry said Friday that it would actively pursue talks “until the U.S. government makes a final decision.”

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Japan’s Mr. Seko said Mr. Trump didn’t list the countries to be targeted by the tariffs, hinting at hopes Washington might exempt its allies while targeting big steel exporter China. The president said he would give concrete details next week.

South Korean President Moon Jae-in told deputies last week that they should actively complain to the U.S. if they perceive unfairness on the U.S. side. He said they should see whether proposed curbs on steel and aluminum imports violated a U.S.-South Korea two-way free-trade pact or World Trade Organization rules.

Under Mr. Trump, the U.S. is already at loggerheads with South Korea in several trade disputes. The U.S. has placed anti-dumping duties on South Korean steel and transformers, while placing tariffs in a separate case that affect South Korean washing machines and solar panels. Seoul has taken initial steps to challenge those moves at the WTO.

Under Mr. Trump’s two predecessors, the U.S. and South Korea negotiated and completed a free-trade agreement that came into effect in 2012. Mr. Trump says it was a bad deal that widened the U.S. trade deficit, but the two sides haven’t agreed how to revise it.

—*Emre Peker in Brussels, Dominic Chopping in Stockholm, Andrea Thomas in Berlin, Paul Vieira in Canada, and Kosaku Narioka and Chieko Tsuneoka in Tokyo contributed to this article.*

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