

Winners and losers from Trump's tariffs

By Heather Long - March 6, 2018

President Trump's tariffs could be in place by the end of the week. Many Republican lawmakers, including House Speaker Paul D. Ryan (Wis.), are livid. So are America's allies, especially Canada and Europe. But Trump says he is doing this to fulfill a campaign promise to blue-collar workers that he would bring back good jobs. Some aluminum- and steel-industry executives are thrilled and say they'll start hiring for \$60,000-a-year jobs as soon as Trump signs the paperwork. Owners of companies that make things with steel, however, say they're about to "bleed" and may cut jobs.

Trump's tariffs are hefty and, in many ways, unprecedented. Every foreign company that sends steel and aluminum to the United States, including Canadian firms, would be forced to pay a 25 percent tariff on steel and a 10 percent tariff on aluminum.

The move is a political and economic gamble for Trump and the GOP. If it backfires, Americans could face higher prices on everything from cars to microwaves, and the U.S. economy could sputter, hurting Republicans' chances in the midterms and Trump's in 2020. But if he manages to bring back a lot of steel jobs, he could be an even bigger hero to some blue-collar workers.

Here's a rundown of the likely winners and losers.

Winners:

Aluminum and steelworkers. In parts of Pennsylvania, Ohio and elsewhere in the Rust Belt, celebrations are going on as workers who lost their jobs think they might be able to get them back. The United States had 216,400 steelworkers in 1998. That fell by about a third to 139,800 in 2016, according to the Commerce Department. The

aluminum-related job losses have been even more precipitous: About 13,000 people were employed in making raw aluminum in 2013. Now only about 5,000 work in the industry.

“We’d like to see the jobs come back. It’s been a pretty hard last three years since 2015,” said Andy Meserve, president of United Steelworkers Local 9423 in Hawesville, Ky., where Century Aluminum says it will hire 300 workers, about the same number who lost their jobs in 2015 when the company downsized the facility as global metals prices crashed.

Aluminum companies. The U.S. aluminum industry would be able to charge higher prices as soon as the tariffs go into effect (the price was already rising at the end of last week). The two main U.S. companies — Century Aluminum and Alcoa — saw their stocks jump Thursday after Trump made his big announcement. Century Aluminum rose more than 10 percent as chief executive Michael Bless told The Washington Post and other outlets that the company would immediately expand U.S. production once the tariff goes into effect. “We’re just concentrating on bringing back U.S. jobs and restarting 60 percent of our Hawesville, Kentucky, plant that was shut down,” said Jesse Gary, general counsel of Century Aluminum. The United States has gone from having 23 aluminum smelters in 1993 to just five today, and not all of the remaining ones are operating at full capacity. The Commerce Department says 90 percent of the aluminum used in America annually comes from overseas.

Steel companies. U.S. steel companies are also smiling at the prospect of tariffs by the end of the week. Steel stocks jumped at the end of last week, with U.S. Steel, for example, surging about 8 percent Thursday. Higher prices mean fatter profits for these companies. U.S. manufacturers that use steel would also have to buy a lot more domestically, another boon for American steel companies. The Commerce Department says about 30 percent of the steel America uses comes from overseas. It's not as big a percentage as aluminum, but raising that percentage even a little would mean larger profits.

Peter Navarro. The person whispering loudest in Trump's ear about trade is Peter Navarro, a former professor at the University of California at Irvine's business school who believes strongly in tariffs. He wrote a book and made a movie called “Death by

China,” in which he argues that the United States needs to hit back forcefully at the second-largest economy on the planet. Navarro was sidelined for much of last year after mainstream economists ridiculed him, including at the conservative-leaning American Enterprise Institute. But he is having his moment of triumph now. He appeared several times on Fox News and Fox Business where he argued, “It’s really important to understand that the impact of these tariffs from a macroeconomic point of view are zero.” Few economists and business leaders agree, but Navarro appears to have won over the one person who matters: the president.

Foreign auto, tool and machine part makers. No one in the White House likes to talk about this one, but foreign companies that take raw steel and aluminum and make it into parts that go into cars and airplanes and refrigerators are also likely to cheer Trump's tariffs. They stand to do very well from this. As prices of aluminum and steel jump in the United States, it makes the prices of parts rise as well and that makes foreign parts look more appealing than American ones. Instead of buying from American parts and tool makers, big companies that sell cars and microwaves and other products may simply decide to make the entire product abroad and then import it. That would probably get around the tariff, but still keep costs low.

Robots. Some jobs that come back in steel and aluminum mills might go to robots. There's a push in manufacturing to make everything more efficient, a code word for using less energy and having fewer workers. In the 1980s, it took an average of 10.1 person-hours per finished ton of steel, according to the American Iron and Steel Institute. By 2014, it took just 1.9 person-hours to make the same product, with many plants able to produce a ton of finish steel “in less than one man-hour.” The recently enacted GOP tax cuts also give companies an extra tax break if they invest more in machines and new equipment, another reason for executives in all industries to see if robots can do more in factories.

Some Democrats. A handful of Democrats from Rust Belt states like Sen. Joe Manchin III of West Virginia and Sen. Robert P. Casey Jr. of Pennsylvania have been pushing for Trump (and Barack Obama before him) to do more to revive the domestic steel and aluminum industries. Manchin said over the weekend, “I like where the president is going on this,” setting up a potential unintended “win” with blue-collar voters for some

Democrats who want to be seen as fighting for workers and able to work with Trump when it matters. Manchin and Casey are both up for reelection this year.

Losers:

Canada. America's neighbor to the north is by far the largest source of foreign steel and aluminum coming into the United States. It stands to get hurt the most if Trump moves forward with the blanket tariff on all nations. Many businesses and the pro-free-trade faction in the White House are pushing for Canada to be exempted from the tariff. Canada accounts for about 40 percent of U.S. aluminum imports and about 16 percent of U.S. steel imports.

Ford and GM. There's a lot of steel in American cars. As the price of steel rises, companies like Ford and GM either have to eat the costs or risk trying to pass them on to consumers. Goldman Sachs projects Ford and GM will both lose \$1 billion each this year if Trump's tariffs go through. Both stocks fell sharply Thursday, a potential harbinger of what's to come.

U.S. auto parts makers. The Aluminum Association has been pointing out to anyone who will listen that only 3 percent of the jobs in America that are tied to the metal are in smelters that manufacture so-called primary aluminum. The other 97 percent of the jobs — about 156,000 — are in “downstream” industries that take the raw aluminum sheets and make them into parts for washing machines, cars and other items. Those downstream industries are likely to be the biggest losers in all of this. It's similar in steel. The Trade Partnership, a consulting firm hired by the downstream steel industries, released a report Monday saying five jobs are likely to be lost in the United States from Trump's tariffs for every one job gained at a primary metal smelter. A similar scenario played out after President George W. Bush's 2002 tariffs on steel: 200,000 jobs were lost, according to research from the same consulting firm, which is more than the total number of people employed in the primary steel industry at the time.

“If you really think about for a second, U.S. manufacturers, the guys that use this stuff . . . now we're going to have a 25 percent disadvantage to anyone else,” said Mike Smith, co-

owner of Termax Automotive Corp. in Illinois, which makes steel parts for big car and appliance companies.

U.S. farmers and agriculture companies. Canada, Europe and other nations are already threatening to retaliate if Trump goes through with the tariffs. One of their top targets is likely to be U.S. agriculture. They know it would hurt another key part of Trump's voter base. Farmers have been lobbying the White House to keep NAFTA and other trade agreements in place. China is the world's top soybean buyer, for example, and Canada imports about \$25 billion worth of agriculture products every year from the United States.

Kentucky bourbon makers. Europe has already said if Trump goes through with the tariffs, the European Union will probably put retaliatory tariffs on American blue jeans and bourbon. Bourbon is a clear hit at the state of Kentucky, the home of Senate Majority Leader Mitch McConnell and a state that would stand to gain some jobs if Century Aluminum expands its operations there because of the tariffs. The European Union wants to counterbalance any job gains by punching back at Kentucky.

Global free trade. America has been the leader of the global free trade movement for decades. Trump's actions threaten to end that, especially his argument that these tariffs must be done to protect "national security," a claim that is hardly ever made (and hasn't tried since the early 1980s). Normally, countries like the United States will argue that another country such as China is illegally dumping cheap steel (or another good) onto the global market and try to target any tariffs or quotas very specifically to harm that one country. But Trump wants to put a tariff on all countries, treating them all the same, whether or not they have been behaving badly. It sets up the potential for a trade war in 2018 and, even more so, for other countries to start doing their own blanket tariffs and defending them by saying they are doing exactly what the United States did.

Paul D. Ryan (and most other Republicans in Congress). GOP leaders thought their best chance for victory in the 2018 midterms was to campaign on the economy. Growth is up, the stock market has done well, and unemployment is low. The tax bill has also been gaining in popularity, setting up a strong talking point for Republicans seeking reelection. But the tariffs threaten to upend all of that. The economy and markets could easily slide if a trade war breaks out. History also shows that past tariffs under George W.

Bush and Obama resulted in net job losses. “This is a policy absolutely bereft of logic,” said **Bernard Baumohl, chief economist at the Economic Outlook Group**, an independent forecaster. “The White House will only end up fueling more inflation, drive interest rates much higher, and ultimately result in a net loss of at least 25,000 jobs.”

Unclear:

China. Trump initially said the tariffs were all about hurting China, but it's unclear if they will have much impact. The United States gets very little of its steel and aluminum directly from China. Only 3 percent of U.S. steel imports originate in China, according to research firm Evercore ISI. “It is difficult to imagine a mechanism in which this 3 percent slice is effectively targeted,” Evercore ISI wrote in a recent report. To put it another way, China is the 10th- largest exporter of steel to the United States. Similarly, only 6 percent of U.S. aluminum imports originate in China.

President Trump. The president says he is instituting these tariffs to help blue-collar workers. He campaigned on getting tough on trade, beating out 16 other Republicans and Hillary Clinton, who were much more pro-free trade. It's possible this ignites Trump's base even more. “We all knew tariffs were coming, part of fair trade and bringing our jobs home,” said Frank Pitcher, a longtime Ford assembly-line worker in Detroit, who voted for Trump largely because of trade.

But the tariffs could also backfire with more middle-of-the-road voters and manufacturing workers at companies that might get hit with job losses or higher costs. If foreign countries retaliate and jobs are lost in other industries, that won't bode well for Trump. Similarly, if the economy suffers in the coming quarters, the obvious culprit will be the tariffs.

United Steelworkers. The big steelworkers union would seem like an obvious winner in all of this, but the USW has substantial membership from both Canada and the United States. United Steelworkers President Leo Gerard is Canadian and has been lobbying the White House extensively to exclude Canada and other countries that “play by the rules.” The USW has a large Canadian membership. If the tariffs go through, some of USW's base won't be happy. “There's no rational reason to have Canada sanctioned because Canada never broke the rules,” Gerard says.