

## Trump tariff plans mixed bag for La.

Move could hurt petrochemical, energy industries

BY TIMOTHY BOONE

President Donald Trump's plan to levy tariffs on steel and aluminum imports could have negative effects on Louisiana as major users of steel, such as the energy and petrochemical industries, deal with higher prices and foreign countries retaliate against U.S.-produced goods.

Winners in the state would include steel makers, who contend cheap foreign steel has unfairly flooded the market. But imposing tariffs could come at a cost to Port of New Orleans imports, drive up costs for manufacturers that likely would be passed along to consumers, potentially endanger construction of proposed industrial projects and hit oil and gas drillers that rely on imported steel.

"This may seem very good on the surface, but you work through the end and Louisiana could end up worse off," economist Loren Scott said. "It all depends on what they decide to place higher tariffs on. Is it going to be the chemical industry?"

Trump, who has long railed against what he deems unfair trade practices by China and others, summoned steel and aluminum executives to the White House on Thursday and said next week he would levy penalties of 25 percent on imported steel and 10 percent on aluminum imports. The tariffs, he said, would remain for "a long period of time," but it was not immediately clear if certain trading partners would be exempt.

"What's been allowed to go on for decades is disgraceful. It's disgraceful," Trump told the executives in the Cabinet Room. "When it comes to a time when our country can't make aluminum and steel ... you almost don't have much of a country."

Last year, the president ordered an investigation into whether aluminum and steel imports posed a threat to national defense because of hits being taken by U.S. producers of the metals.

John Ferriola, chairman, CEO and president of Nucor Corp., applauded Trump's action. Ferriola, whose company has a facility in Louisiana, was one of the steel executives who attended the meeting.

"We are pleased that the president has decided to use all the tools

at his disposal to send a clear message to foreign competitors that dumping steel products into our market will no longer be tolerated," Ferriola said in a statement. "The Commerce Department was correct in concluding that surging imports impair our national security by limiting the ability of our domestic steel industry to supply national defense and critical infrastructure needs, and the president is taking the appropriate response to this threat."

Nucor operates a facility in St. James Parish and has said it plans to eventually build a steel mill on the site. That facility and Benteler Shreveport steel mill are two operations expected to benefit from the president's actions, which likely will raise steel and aluminum prices. Paul Gilbert, a principal in Metalplate Galvanizing, an Alabama firm that opened a plant in Jennings in 2015, said he's waiting to see the details because Trump's proposal was "pretty vague." Metalplate puts a zinc coating on finished steel to prevent it from rusting.

Gilbert told The Advocate last year that cheap imported steel, which already is galvanized, was hurting Metalplate's business. He said the Jennings plant was operating at 40 percent below capacity and was forced to lay off half its staff, bringing the number of employees down to 35.

If the tariffs apply to fabricated and raw steel, Gilbert said that will help metal manufacturers.

"We could double employment if all the projects on the horizon happen," he said. "Steel fabricators will double and triple their employment. It all depends on the wording."

Gilbert said additional hiring could start at his plant by the end of 2018.

While higher prices are good for U.S. steel and aluminum manufacturers, it's bad for companies that use the metals, and it prompted red flags from industries ranging from tool and die makers to beer distributors to manufacturers of air conditioners. The American International Automobile Dealers Association warned it would drive prices up "substantially."

Major users of steel, such as the oil and gas industry and the petrochemical industry, will be affected. Scott said he's worried about the \$85 billion in construction projects in Louisiana that have been announced but on which work hasn't yet started.

"If this drives up the price of products, that may affect the margins of some projects, and the companies may not pull the trigger on them

if they're not profitable," he said.

Eddy Hayes, an international trade lawyer and chairman emeritus of the board of the World Trade Center in New Orleans, said Trump's move puts the U.S. in "unchartered territory."

"This is going to create a reaction, and we expect a retaliation from our trading partners," he said. "The hope is the benefit will outweigh the harm caused by retaliation."

One harbinger of what could happen is in 2002, when former President George W. Bush implemented tariffs as high as 30 percent on most steel imports from Europe, Asia and South America.

The Port of New Orleans said this led to a 46 percent drop in steel imports and a loss of more than \$1.6 million in revenue. Steel accounts for 35 percent of the port's cargo-related revenue. "That had a significant impact on the port," Hayes said. Trump's actions could cause even more harm because the Bush tariffs had a three-year time limit. Trump's decision relies on section 232 of the Trade Expansion Act of 1962, which gives him the authority to restrict imports and impose unlimited tariffs if a Commerce Department investigation finds a national security threat.

"There's no time limit on tariffs under section 232," Hayes said.

U.S. Sen. Bill Cassidy, R-Baton Rouge, said although America needs to confront China's unfair trade practices, the tariffs likely will hurt Louisiana ports and energy producers.

"If the president imposes tariffs, they should only apply to trade offenders, not allies competing fair and square," he said in a statement.

U.S. Sen. John Kennedy, R-Madisonville, told reporters he was undecided on Trump's action. Kennedy said he is generally in favor of free trade but said he understands the argument that tariffs might be needed on steel and aluminum for national security reasons.

Don Pierson, Louisiana Economic Development secretary, said any action such as Trump's that disrupts the global supply chain that state ports and industries rely on is a concern.

"There's still a great deal of political turmoil going on around this," he said. "This has been under discussion for a number of months and additional discussion is going to be going on around

NAFTA."

The seventh round of talks on renegotiating the terms of the long-standing North American Free Trade Agreement is underway in Mexico City among Mexico, Canada and the U.S. Trump has threatened to end NAFTA if more favorable U.S. trade provisions aren't negotiated.

"There are a lot of potential impacts out there for us to view and be aware of," Pierson said.