

## China warns it may retaliate if U.S. imposes metal tariffs

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China said proposed U.S. tariffs on imported steel and aluminum products are groundless and that it reserves the right to retaliate if they are imposed.

The U.S. recommendations, unveiled by the Commerce Department on Friday, aren't consistent with the facts, Wang Hejun, chief of the trade remedy and investigation bureau at China's Ministry of Commerce, said in a statement posted on its website.

Commerce Secretary Wilbur Ross said the U.S. may impose quotas on imports of aluminum and steel, including a tariff of at least 24 percent on steel imports from all countries. While it's the strongest indication yet that President Donald Trump's administration is ready to take action on its protectionist agenda, Ross said "it wouldn't surprise us" if the measures were challenged. The U.S. already has excessive protections on domestic iron and steel products, according to Wang.

"If the final decision impacts China's interests, China will certainly take necessary measures to protect its own rights," Wang said.

American steel companies and steelworker unions have been pushing Trump to follow through on his promise to protect the industry. China's trade partners have complained for years that its industry unfairly benefits from state subsidies, and dumps its products at below-market prices. While China only accounts for about 1 percent of U.S. steel imports, it could challenge U.S. action at the World Trade Organization, a process that could take years.

China has long been at the epicenter of global over-production of steel. But the trade dynamics are shifting as aluminum exports take center stage. In January, China boosted its shipments of the lightweight metal for a third

month, as domestic supplies spill overseas, while steel cargoes shrank to the lowest in nearly five years as strong domestic growth mops up production and environmental curbs trim capacity.

Rather than tariffs on all imports, Trump may opt for a more "surgical" approach, Ross suggested at a meeting with lawmakers this week. On steel, for example, the president could go with the recommended option that would levy a tariff of 53 percent on imports from 12 countries — a list that includes China, Russia, India and South Korea — but allow exemptions for allies such as Japan, Germany and Canada.

South Korea's trade ministry met with local steelmakers Saturday and later issued a statement saying it will reach out to the U.S. before America makes a final decision on tariffs to minimize any impact on its exports.

Japan is viewing this as more of a security issue, said Yasuji Komiyama, director of the metal industries division at Japan's Ministry of Economy, Trade and Industry. The Commerce Department may invoke a seldom-used section of the 1962 Trade Act, which allows the president to impose tariffs without congressional approval.

Komiyama said steel and aluminum shipped to the U.S. from Japan don't pose any threats to American security. "This an issue within the U.S. government. Nothing has been decided and therefore the Japanese government doesn't have any further comment," he said.

Still, Kobe Steel Ltd. warned there could be ramifications. "We need to look more closely into this, but if these measures are enacted, it would be difficult for the industry to avoid any impact," an official for the steelmaker said. JFE Holdings Inc., Japan's second-biggest steelmaker, said it will discuss a response with

related parties after looking more closely at the U.S. announcement.

India's steel industry, which vies with Japan as the world's No. 2 after China, probably won't be hurt, according to K. K. Pahuja, president of

the Indian Stainless Steel Development Association, in a report in the Business Standard. Stainless steel "is not a big-ticket item, since the quantity is not very high," Pahuja told the newspaper. India itself imposes extensive trade barriers on Chinese steel.