CAMMU POST-HEARING SUBMISSION
FOLLOWING THE U.S. INTERNATIONAL TRADE COMMISSION (USITC)
PUBLIC HEARING ON THE
ECONOMIC IMPACT OF SECTION 232 AND 301 TARIFFS ON U.S. INDUSTRIES
JULY 20-22, 2022

CAMMU appreciated the opportunity to testify on July 20, 2022, on Panel 3 of the public hearings on the *Economic Impact of Section 232 and 301 Tariffs on U.S. Industries*. In addition to our oral hearing statement submitted for the record, CAMMU is submitting these final comments to expand on our oral testimony in response to several issues raised by Commissioners during questioning.

Request for Data on Production and Prices

Several Commissioners requested additional data on the impact of the 232 steel tariffs on production and prices.

Regarding steel, the Commissioners' assumption that the domestic steel producers are not only willing but able to manufacture and deliver the specific steel products in question is incorrect. The supply challenge that U.S. steel-using manufacturers continue to face is not due to a lack of imports, but, in fact, it is mostly due to a lack of domestic availability – resulting from either a lack of willingness or ability. Paying a 25 percent tariff, while an option for some, does not incentivize domestic production, but penalizes U.S. manufacturers who do not have a choice but to import due to lack of domestic availability.

What purpose is a tariff that raises the cost of an imported product if it is not leading to an increase in the domestic production and supply of that specific product? Who is the United States government protecting with the tariff if sufficient domestic production does not result, as witnesses testified on July 20, 2022? As for foreign competition, during the testimony, the steel industry admitted that the tariffs are not having an impact on global competitors like China. The situation regarding steel is clear: The U.S. government's Section 232 tariffs create a global market disruption that serves to restrict availability and artificially inflate prices in the U.S., which punishes American businesses using steel.

Commissioners also asked whether the tariffs imply a lack of supply from overseas. This is correct. Tariffs are a disincentive for importers to supply the U.S. market, as their price is automatically inflated by the U.S. government. Companies would normally want to sell into a high-priced market to increase their profit margins, but the 25 percent and 10 percent tariffs act as a deterrent to domestic production of value-added products, as a customer could import a more finished product and avoid the inflated costs due to the 232 tariffs. The protection of a targeted market implies a sufficient supply exists to protect, yet this is not the case for steel and aluminum. Simply paying the tariff if you have the means is not as easy as it may sound. Yes, when available, U.S. manufacturers can be forced to pay the government-imposed 25 percent or 10 percent tariff, but this results in thousands of small businesses absorbing higher prices, making them less competitive globally.

Tariffs are not resulting in domestic steel producers making more of the metal our members need. It has only enabled them to charge at least 25 percent more for the steel our members need. This is an important point, with Commissioner Kearns asking how the price of steel can have increased beyond the 25 percent tariff rate. Manufacturers report price increases of 35-40 percent due in part to less supply in the U.S. and the existence of only a handful of select companies that dominate the supply of specific steel used by our member companies.

On Day Two of the ITC's hearing on July 21st, the very day of their testimony, Outokumpu notified customers of a 5-9 percent base price increase. They also stated that between 2018 and 2021, their base price went up by 35 percent. In addition, bar stock of stainless is in extremely tight supply with 316L, 304L, 410, and other grades of various sizes experiencing delivery times that stretch beyond 44-weeks.

In a survey conducted by CAMMU in August 2022, 90% of respondents reported at least a 10 percent increase in the cost of steel and aluminum, and 67% reported a price increase of greater than 25 percent.

In addition, more than 67% of respondents reported that their suppliers of steel and aluminum reduced supply, and 74% reported longer lead times.

Request for Information on Sales Lost to Foreign Competitors

Commissioners requested information on sales lost to foreign competition because of the rising costs.

One of our members reported that, "Our main issue now in competing with Canadian and Mexican sources can import tariffs free and who's domestic suppliers have their prices set lower due to that ability. We are directly losing bids to Mexican competitors due to material pricing." Another member stated that they have lost $1 million in customers to Canada. In terms of competition with Europe, one member found "We compete against European companies exporting product to the U.S. We've been told by our customers that our competitors in Europe are at an advantage over U.S. manufactures because European steel costs were less expensive. When the 232 tariffs were put in place, it only emboldened the U.S. steel companies to increase their prices further, increasing the gap between U.S. made steel and European made steel."

In a CAMMU survey of manufacturers conducted in August 2022, almost half the respondents indicated that they had lost sales because they had to increase prices to cover rising costs. This is no surprise, as 45% of respondents reported that their products were 11-25% more expensive while 26% reported that their products were more than 25% more expensive than their foreign competitor.

Questions Regarding Whether the Section 232 Tariffs Are Moving Markets

Tariffs are driving price pressures because other countries do not want to export steel or aluminum to the United States, especially if they believe the tariff-regime will remain in place. The price of the product is automatically at least 25% more expensive, so some exporters no longer sell to the U.S. market. The result is less steel available in the U.S., allowing domestic producer to increase prices.

One respondent to CAMMU's August 2022 survey summarized the situation this way: "The federal government needs to communicate a plan to eliminate the Section 232 tariffs on steel. Otherwise, customers will conclude that the U.S. will be permanently a higher cost location for purchasing fabricated metal products and source their future purchase of these products to other countries where raw material costs are much lower." In other words, tariffs do not allow domestic steel producers to make more of the steel we need; it allows them to charge at least 25 percent more for the steel we need.

Another important point of market moving impacts of the tariffs is seen in the price discrepancy between the U.S., EU, and China. While at times following the imposition of the tariffs the domestic price of some steel fell to below 2018 levels, in a globally competitive market the U.S. price is held up against the China price and the costs EU counterparts face. The costs American manufacturers face is consistently well above those seen overseas, especially on steel. Per July 2022 data, American manufacturers spent 29%

more on Hot Rolled Steel than in Western Europe and 208% more than in China. This is not a recent trend but one we can trace back to the start of the tariffs on steel. In July 2021, American manufactures spent 39% more on Hot Rolled Steel than in Western Europe and 265% more than in China. In July 2020, American manufactures spent 21% more on Hot Rolled Steel than in Western Europe and 31% more than in China. In July 2019, American manufactures spent 20% more on Hot Rolled Steel than in Western Europe and 31% more than in China. In July 2018, American manufactures spent 59% more on Hot Rolled Steel than in Western Europe and 88% more than in China. While it is clear that price fluctuations have continued, the one constant that remains certain under the Section 232 tariffs, is that the U.S. is still an island of higher steel prices than those faced by our European counterparts and Chinese competitors.

Passing Tariff-Related Price Increases Along to Customers

Commissioners asked for more information on how companies are passing tariff-related price increases along to customers and whether this has resulted in a greater loss of sales. One CAMMU member reported, "We are having to compete with overseas countries for finished product who don't have to pay the tariff. We have to pay the tariff and pass the cost to our customers." While most respondents to CAMMU's survey were able to pass at least some costs on to their customers, almost half also reported that they lost sales due to the tariffs.

Request for Other Studies

Commissioners requested more studies that confirm the relationship between the imposition of tariffs and higher prices as well as job losses. Below are several that draw on data to confirm this connection.

A study by the Federal Reserve Board of Governors indicates that increased input costs due to the tariffs are associated with 75,000 fewer jobs in the U.S. manufacturing sector, and that was just in 2019: Aaron Flaaen and Justin Pierce, "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector," Federal Reserve Board, 2019, https://www.federalreserve.gov/econres/feds/files/2019086pap.pdf

The American Action Forum published a study that found that, based on 2019 import levels, "U.S. and retaliatory tariffs currently impact over $460 billion of imports and exports, and [former President Trump's] tariffs are increasing annual consumer costs by roughly $57 billion annually." See here:
Tom Lee and Jacqueline Varas, "The Total Cost of U.S. Tariffs," American Action Forum, May 10, 2022, https://www.americanactionforum.org/research/the-total-cost-of-tariffs/

This economy-wide analysis and simulation model shows that eliminating tariffs on steel and aluminum would reduce the consumer price index:
Sherman Robinson and Karen Thierfelder, "Can liberalizing trade reduce US CPI inflation? Insights from an economywide analysis," Peterson Institute for International Economics, March 29, 2022, https://www.piie.com/blogs/realtime-economic-issues-watch/can-liberalizing-trade-reduce-us-cpi-inflation-insights

CAMMU appreciates the opportunity to submit this post-hearing briefing.

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