



Testimony of

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Public Hearing on the Economic Impact of Section 232 and 301 Tariffs on U.S. Industries
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Chairman Johanson and Members of the Commission, thank you for the opportunity to testify before you today. My name is Paul Nathanson. I am the Executive Director of the Coalition of American Metal Manufacturers and Users (CAMMU), an organization that U.S. manufacturers formed to educate policymakers and elected officials on the impact of the Section 232 steel and aluminum tariffs on industries using those metals in the United States.

CAMMU is a broad organization of U.S. businesses and trade associations representing over 30,000 companies and one million American workers in the manufacturing sector and the downstream supply chains. Many of these companies are family-owned businesses in a wide variety of industries, including aerospace, agriculture, appliance, automotive, consumer goods, construction, defense, electrical, food equipment, medical, and recreational industries, among others.

Let me begin by emphasizing that CAMMU members want healthy, strong, and resilient domestic steel and aluminum industries. In fact, we are their customers. The problem is that the Section 232 tariffs are protecting the domestic industry from competition at the expense of its customers and causing damage to our businesses. The tariffs have resulted in the United States becoming an island of high steel and aluminum prices and have created shortages of steel and aluminum supply.

By jeopardizing the ability of businesses to access the steel and aluminum they need and raising the price of steel and aluminum to levels that far exceed our global competitors, the tariffs have made it more difficult for us, American manufacturers, to compete with finished products imported from overseas. Because our competitors are paying global market prices for steel and aluminum and therefore can sell their products for less than our members, they are taking business from U.S. manufacturers. And once this business moves offshore, it can take years for it to return—if at all.

A vast majority of CAMMU member companies only purchase steel and aluminum from domestic sources, usually through service centers. Unfortunately, all steel and aluminum— which often make up our members' most critical input— are priced at levels inflated over that of the global marketplace, and many products—particularly specialized types of steel and aluminum—are in short supply and subject to severe delivery delays, or simply not available at all.

Over the past four years, our members have reported record-high steel prices and delivery times stretching 12-16 weeks, causing significant disruptions. As it stands, thousands of manufacturers cannot procure the necessary raw materials in the United States, “produced in a sufficient and reasonably

available amount or of a satisfactory quality.” This is in fact the actual phrase the Department of Commerce used to describe the reason a company might request an exclusion from paying the tariffs.

Our member companies are already facing severe supply chain challenges due to the COVID-19 pandemic, international conflicts, a chip shortage, and other crises.

As one member company recently told us, “We are fighting a strong U.S. dollar. We are fighting increased freight and logistics costs. To have material be substantially higher than global averages is a major problem [...] We lost an over \$1 million customer to Canada. On top of this, you can have customers import finished aluminum components with no tariff.”

Another said that right now “it is impossible to operate as a small manufacturer. In our 22 years of operation, never have we faced these kinds of challenges.”

A recent survey of CAMMU members show this problem continuing. In a survey of 70 companies completed just last week, 84% of respondents stated that they are having difficulty sourcing steel, and 76% of respondents stated they are having trouble sourcing aluminum.

To remain competitive and to further address supply chain challenges, manufacturers need to be able to reliably determine the price and delivery time for steel and aluminum imports.

In that same survey, 87% of respondents stated that they are experiencing delays in receiving steel supplies and 84% stated they are experiencing delays in aluminum supplies. Thirty-five percent of respondents reported experiencing supply delays exceeding two months, and 32% reported experiencing delays exceeding three months. I will include the full survey in my written submittal.

One member company noted, it is “practically impossible to quote and win large orders because lead-times quoted by mills are so long and they have limitation on quote that price at delivery is in effect, not price at time of order. Customers [are] balking at terms and going outside the country for the finished part.”

When asked if the removal of Section 232 tariffs on imported steel would provide relief on supply issues, 73% member companies responded yes. Likewise, when asked if the removal of Section 232 tariffs on imported aluminum would provide relief on supply issues, 57% of member companies said yes.

The Commerce Department’s Section 232 Tariff Exclusion Process cannot solve the economic harm to U.S. steel- and aluminum-using manufacturers caused by tariffs. Many of our members continue to report significant delays and lack of responses to their requests. As of January 2022, Commerce has received 382,000 exclusion requests and made determinations on more than 369,000 requests. Despite Commerce initially estimating that the total processing time for exclusion requests would be 90 days, about 13,000 requests are still pending. Manufacturers describe a “rebuttal black hole” as a cause for repeated frustration, especially after certain entities repeatedly file objections without merit causing delays.

The exclusion process further disadvantages America’s small and medium sized manufacturers. Many of CAMMU’s manufacturing members are small, family-owned businesses and report that domestic steel suppliers often are unwilling to quote or fulfill orders due to the requests for a quote not meeting their minimum order requirements. This refusal based on quantity discriminates against this country’s small

manufacturers while allowing an objector to state that it has the material available – but is just unwilling to sell it in a small quantity.

Replacing the tariff for the European Union, United Kingdom, and Japan with a tariff rate quota (TRQ) has not significantly helped our members. U.S. manufacturers are facing the challenge of bidding on a job at a certain price, placing an order for steel from a country that has a TRQ, and having the quota filled prior to their order arriving at a U.S. port, resulting in an unplanned 25% tax, which is what these tariffs are, on the steel or aluminum used in the project.

American manufacturers cannot make a component, industrial equipment, or a finished product based on a promise to deliver. They need steel and aluminum, preferably produced domestically. Unfortunately, since the imposition of the Section 232 tariffs, domestic producers continue to struggle to deliver the critical products needed by our nation's manufacturing sector.

Thank you for your time.