COALITION OF AMERICAN METAL MANUFACTURERS AND USERS

March 7, 2019

The Hon. Charles E. Grassley
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

The Hon. Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Re: Support for Legislation to Remove Section 232 Steel and Aluminum Tariffs

Dear Chairman Grassley and Ranking Member Wyden:

On behalf of the Coalition of American Metal Manufacturers and Users (CAMMU), we urge your support for legislation that would reestablish the authority of Congress over Section 232 National Security tariffs. Specifically, we urge you to ensure that any compromise legislation drafted to address Section 232 tariffs adequately address the ongoing uncertainty and harm resulting from the current Section 232 tariffs on steel and aluminum imports.

CAMMU commends the bi-partisan group of Senators that support S 287, *the Bicameral Congressional Trade Authority Act of 2019*. This bill will reinstate Congressional authority in the 232 national security tariff debate. We understand that the Committee is considering compromise legislation in the coming weeks. It is vital that any compromise legislation **provide a mechanism to remove the current section 232 steel and aluminum tariffs** as S 287 does, or it will not solve the problems faced by steel consumers that rely on globally priced raw materials to compete. In addition, it is important to note that removal of the 232 steel and aluminum tariffs and replacing them with quotas will not help metal-consuming manufacturers. In fact, the supply chain may suffer more under a quota regime because of the increased uncertainty regarding supply availability.

CAMMU is a broad organization of U.S. businesses and trade associations representing more than 30,000 companies and over one million American workers in the manufacturing sector and the downstream supply chains of a wide variety of industries including aerospace, agriculture, appliance, automotive, consumer goods, construction, defense, electrical, food equipment, medical, and recreational industries, among others.[1]

The Section 232 tariffs on steel and aluminum have done damage to manufacturers across the United States. For months, our manufacturing members have reported supply chain disruptions

[1] CAMMU members include: American Institute for International Steel, Associated Builders and Contractors, Industrial Fasteners Institute, the Hands-On Science Partnership, the National Tooling & Machining Association, North American Association of Food Equipment Manufacturers, the Precision Machined Products Association, and the Precision Metalforming Association.

that prevent them from filling customers' orders on time or at a competitive cost. Due to high steel prices and the prolonged supply uncertainty due to the tariffs, our members are reporting that they are losing long-time customers to overseas competitors. These customer relationships took years to develop and once business is lost overseas, it rarely comes back.

For example, one of our Coalition members in Michigan that provides components to automakers recently reported that it has seen a 25 percent drop in pre-tax profits forcing it to layoff employees and close down several projects. Another member, a manufacturer in Ohio reported that his profits were cut in half last year due to the steel tariffs and warned that if the tariffs were not ended soon, the company's customers would have no choice by to replace his products with lower cost foreign parts.

Recent economic reports demonstrate conclusively that the tariffs are also harming the larger U.S. economy. According to a study authored by economists from the New York Fed, Princeton University, and Columbia University, the Section 232 steel and aluminum tariffs, in aggregate, cost U.S. companies and consumers the equivalent of $3 billion a month in additional taxes. It also found that "the entire incidence of the tariffs fell on domestic consumers…with no impact so far on the prices received by foreign exporters."[2] Additionally, a recent survey from the Atlanta Federal Reserve bank indicates that the trade war lowered gross investment in the manufacturing sector by 4.2% in 2018 and that 20% of firms are reassessing their capital expenditure plans for 2019 due to trade uncertainty.[3]

Domestic steel- and aluminum-using manufacturers continue to suffer these negative consequences despite the fact that the Section 232 tariffs have also already achieved their objectives as defined by Commerce Secretary Wilbur Ross. In his report to the President on the Commerce Department's investigation into steel and aluminum imports released on February 16, 2018, Secretary Ross stated that the tariff's primary objective was to "increase domestic steel production from its present 73% of capacity to approximately an 80% operating rate." Data compiled by the U.S. steel industry's trade association, the American Iron and Steel Institute, show that the domestic steel industry reached that benchmark in September 2018, yet the tariffs are still in place, have not been adjusted, and no end date has been announced.

Additionally, the U.S. remains an island of high steel prices, largely due to the Section 232 tariffs. This puts U.S. manufacturers at a significant disadvantage when competing with companies overseas who pay less for steel. While all steel prices have declined recently, this has not helped U.S. manufacturers since the difference between prices in the U.S. and the rest of the world remains significant. After initially ballooning, these differences have remained close to constant while the tariffs have been in effect. For example, prior to imposition of the Section 232 tariffs, the difference in the price of hot rolled band in the US and EU was $78 in January 2018. When

---

[2] Amiti, Mary, Stephen J. Redding, and David Weinstein, "The Impact of the 2018 Trade War on U.S. Prices and Welfare," Princeton University Discussion Paper Series, March 2, 2019. Online at: http://www.princeton.edu/~reddings/papers/CEPR-DP13564.pdf

[3] Altig, David, Nick Bloom, Steven J. Davis, Brent Meyer, and Nick Parker, "Tariff Worries and U.S. Business Investment, Take Two, February 25, 2019, Online at: https://macroblog.typepad.com/

the tariffs were imposed the price difference increased to $193 in March, and, most recently, at the end of last month, is now $207. Another example is plate tool steel where the current price per metric tonne in the U.S. is $1,090 compared to $496 in China.

As you know, the continued existence of the tariffs is also threatening the viability of the U.S.-Mexico-Canada Agreement (USMCA). Officials from both Canada and Mexico stated that lifting the steel and aluminum tariffs is a precondition for both legislatures approving the agreement. *In light of the severe economic harm they impose, and the potential effect on critical cross-border trade initiatives, it is imperative the Section 232 steel and aluminum tariffs are terminated as soon as possible, especially for Canada and Mexico.*

The current approach to Section 232 tariffs has no end date, no review mechanism and no appeal process. A congressional vote on a President's recommended tariffs is the right way to ensure stakeholders have a voice in the process. *Any final legislation considered by the Committee must provide a mechanism for removal of the current steel and aluminum tariffs as well as congressional involvement in any future 232 actions.*

Sincerely,

Paul Nathanson
Executive Director
Coalition of American Metal Manufacturers and Users
www.tariffsaretaxes.org

Tel. 202-828-1714
Paul.Nathanson@policyres.com