

Testimony of
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before the

U.S. International Trade Commission
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On behalf of Vaughn Manufacturing in Nashville and our 60 employees, thank you for the opportunity to provide our input on the impact of steel tariffs on American tool and die makers and machine shops in the face of continued competition from China. It was in 2017 when I last submitted testimony to the federal government on the negative impact of broad-based steel tariffs. As a manufacturer of metal stamping dies competing with China, stability in sourcing and regularly available steel is essential to our existence and supporting the jobs we provide in Tennessee.

Too often, companies like ours are trapped between underpriced Chinese government-subsidized dies and pressures increasing the costs of our steel – the most important input for our products. It is basic math, no matter where you are in the U.S. If the price increases on your steel, you either have to find ways to cut costs, and you don't want to reduce wages, or you have to hope your competitor experiences the same cost increases.

Well, when Washington imposes a 25 percent tax on my steel and Beijing subsidizes the cost of their steel, how can companies like ours in Tennessee compete globally? Manufacturers like us are already being undermined by the Chinese government and having the U.S. officials raise prices without increasing availability puts us behind globally.

Since 1930, Vaughn Manufacturing has produced dies for machines that make parts for the automotive, truck, appliance, and heating/air conditioning, among others. Without a robust U.S. tool and die industry, we cannot self-sustain our military's needs, a fact well known since World War II when companies like ours continued supplying the U.S. Armed Forces and our Allies. Any application of tariffs or restriction of imports that reduces supply will result in more dies made in China and elsewhere being imported into the U.S.

This is not about increasing imports of steel but it is about making sure some level of competition exists to drive innovation and keep pricing globally competitive. And to that point of global competitiveness.

The Section 301 tariffs imposed a 25 percent tariff on imports of Chinese products similar to ours. And this increase in the "China price" does help manufacturers like us. However, the "American price" for steel is so much higher than what is paid in China, the negative effects of

the 232 tariffs on our steel far outweigh any benefit from the Section 301 action. Most manufacturers in our industry will tell you the Chinese can ship a finished product to the U.S. for the price of the steel we pay. That issue has only worsened with the tariffs and the tariff rate quotas bring uncertainty to a market that needs stability.

In November 2016, I testified before the U.S. International Trade Commission on anti-dumping and countervailing duties on imports of cut-to-length plate steel. For thirty-five years, the U.S. Government exempted tool steel from duties imposed on cut-to-length plate. The Commerce Department reversed more than three decades of policy and imposed duties upwards of 200% on imports of the only type of raw material companies like ours can use to make tooling and dies.

As we argued then in the AD/CVD case, the result of protecting one industry at the expense of another simply shifts injury from a small set of companies, steel producers, to a broader set, steel consumers. The Section 232 tariffs have shifted the injury to us without significantly increasing the availability of the material here in the U.S.

Having served as Chairman of the National Tooling and Machining Association, with 1,200 U.S. manufacturing members, I know our company is not alone in expressing our concern about the current tool and die steel. The Section 232 tariffs on steel continue to have a net negative effect on the U.S. economy.

As the economy potentially heads into a slowdown, manufacturers will need all the relief they can get from inflation and higher input costs relative to foreign competitors. Lifting the 232 tariffs on steel is one way to help provide some relief.

Thank you for the opportunity to submit our views.