

Impacts of Section 232 Tariffs on Steel; House Ways and Means Hearing – April 12, 2018

Several downstream steel users and other stakeholders recently appeared before the House Ways and Means Committee to discuss the impacts of the steel tariffs. Here are some highlights:

Opening Remarks:

Chairman Kevin Brady (R-TX):

The purpose of the hearing is to discuss how we can enforce our trade laws while not hurting American families, businesses and farmers. China's severe trade abuses cost our U.S. economy thousands of jobs and this cannot continue. I believe we should use a targeted approach to trade enforcement. We have to avoid unintended consequences on whatever methods we use.

Ralph Johnson (R-TX):

I am very opposed to these tariffs. They could lead to a trade war and damage our relationships with our allies.

Ron Kind (D-WI):

We need to look at the ratio of jobs in the steel industry to those in the consuming industries which is 20:1. Can steel producers create enough jobs to counter the job losses that will be experienced in consuming industries.

Erik Paulsen (R-MN):

Solutions need to be targeted and not negatively impact fairly traded steel products from our allies.

Kevin Kennedy, Kennedy Fabricating:

What was presented as a tariff on foreign steel producers has effectively become a tax on US manufacturers like us. We face the challenge of our own government effectively subsidizing foreign manufacturers at our expense by giving them a significant cost advantage through the Section 232 Steel Tariffs. These tariffs have eliminated imported steel overnight and without any competition U.S. steel producers have raised prices over 40%. Why should we pay 40% more here than our foreign competitors pay in their countries? This means that a company in China can now purchase a raw steel beam from a Chinese mill at a 40% discount, drill two holes in it and ship it to the U.S. as a fabricated good without a tariff. The raw steel targeted with these tariffs makes up almost half the cost of many products in our industry and our customers will not pay for such an increase.

Ann Wilson, Motor & Equipment Manufacturers Association

MEMA is very concerned about the adverse impact on manufacturing jobs resulting from the Sections 232 and 301 tariffs. Suppliers support and rely on a strong domestic steel and aluminum industry to provide a wide range of raw and semi-finished materials to manufacture motor vehicle components and systems in the U.S. However, many specialty steel and aluminum materials used in many vehicle components are not available domestically. Given the low volume compared to high investment necessary to manufacture and smelt these specialty products, many U.S. steel producers simply have made the decision that it is not worth the investment to enter into these markets.

In our view, tariffs for these specialty products should be excluded altogether as these materials are not produced domestically in the United States.

Furthermore, suppliers are also very concerned that these tariffs will lead to greater importation of finished goods that will compete with U.S.-manufactured goods made with higher-cost steel and aluminum due to the tariffs.

The exclusion request process lacks transparency and will be particularly burdensome for smaller manufacturers. It is unbalanced and appears to not allow for successful outcomes for downstream users. MEMA has urged the Department of Commerce to simplify the process and develop clearer procedures and processes for product exclusion applications. Specifically we requested the following:

1. Provide timely information on application requirements and to publish an “FAQ” clarifying the process;
2. Streamline the exclusion process to allow for applications covering products with the same HTS code in different widths, consolidate the process to allow trade associations apply for exclusions for an industry;
3. Regularly review the impact of tariffs on the economy and downstream users and implement a plan to sunset the tariffs when they prove to have a significant negative impact; and
4. Consider the need for and availability of these products in our nation’s supply chain.

Additionally, country exemptions should be extended to Japan and Switzerland. And finally, MEMA urges Congress to carefully monitor the impact any quota requirements have on consuming industries.

Scott Paul, Alliance for American Manufacturing

Just one month has passed since President Trump signed a Section 232 proclamation and we are already seeing positive results with factory investments, nearly 3,500 jobs announced and cooperation from trading partners like South Korea and Canada.

The product exclusion process under the Section 232 remedy should be transparent, allow for public comment and producing -industry and work input, and primarily focus on matters related to economic and security considerations. If a product is excluded based on short-term market limitations, the exclusion should be time-limited and we should adopt a government-wide effort to develop strategies that encourage domestic suppliers to begin production.

Question and Answer Session

When asked about the positive developments for the steel industry after the tariffs were put in place, Kennedy responded that this would be short-lived. He agreed that there was a demand spike, but that was because consuming industries tried to buy all the steel they could before prices soared even more. Plus, this steel was purchased for projects already in place. The problem is that new projects will be out of reach for U.S. manufacturers because their competitors are getting raw materials at 40% lower cost.

In response to a question about how complicated the product exclusion process is Wilson stated that the process is not transparent and is constantly changing. Therefore, small companies cannot keep up. They don't have legal staffs so Associations should be able to submit exclusion request applications. Also, she asserted that the tariffs should be sunsetted and constantly monitored to see whether the tariffs are hurting downstream industries.