

March 17, 2020



AAM Cautions Against Weakening Trade Enforcement in Coronavirus Response Congress Should Instead Focus on Public Health Response, Investments in American-Made Infrastructure, and Supply Chain Vulnerabilities

Dear Senators and Representatives:

As Congress works with the administration to develop a fiscal stimulus package in response to the coronavirus pandemic, I write on behalf of the Alliance for American Manufacturing (AAM) to caution against proposals that would undermine the Section 232 national security and Section 301 China trade actions. A reduction in tariffs, combined with the strengthening dollar, invites U.S. plant closures, layoffs, and a deterioration of manufacturing capabilities. Instead, AAM strongly urges you to focus first on the public health response and fiscal stimulus policies designed to help those Americans most vulnerable to the health and economic impacts of this crisis. We also strongly recommend measures to shore up critical supply chain vulnerabilities and investments in American-made infrastructure.

The Section 232 actions on steel and aluminum have provided relief to U.S. companies and American workers and strengthened our national security by slowing the massive import penetration driven by global overcapacity in these sectors. Unfortunately, state-directed countries like China continue to produce far more steel and aluminum than the world can consume, and global overcapacity continued to grow in 2019. There has now been a sharp economic slowdown induced by efforts to control the spread of coronavirus. Yet, China has nonetheless maintained excessive levels of steel and aluminum production and other countries are doing the same. This has created rising inventories of steel and aluminum would devastate our market if the Section 232 action were to be weakened or lifted.

China's aluminum stockpile increased 62 percent since the start of February and steel inventories are 45 percent higher than a year prior.¹ With China's steel inventory approaching record levels, Chinese producers are reportedly lowering prices to "prune their inventory."² Rebar inventories, for example, have returned to levels not seen in several years.³ If enacted, proposals that undermine Section 232 will result in the United States being flooded with excess production from China and other countries – leading to U.S. plant closures, layoffs of American workers, and a rapid deterioration of our national security production capabilities.

We also strongly caution against broad "tariff relief" measures being suggested by a coalition of importers as a benefit to consumers. The Section 301 tariffs on China should be maintained to

¹ "Coronavirus Epidemic Exacerbates Metals Glut: China, the top producer of aluminum and steel, has kept up output as demand falls," Bob Tita. [The Wall Street Journal](#). 8 March 2020.

² "Sharp Rise in Chinese Steel Inventory Weighing on Korean Steel Industry," Business Korea. 13 March 2020. Accessed 17 March 2020 on [South East Asia Iron and Steel Institute](#) website.

³ "China Keeps Churning Out Steel That No One Wants to Buy," [Bloomberg](#). 20 February 2020.

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foster negotiations on a Phase Two trade deal. With nearly all major structural issues left unresolved by the Phase One agreement – including industrial subsidies, overcapacity, state-owned enterprises, predatory investment, currency manipulation and misalignment, cyber intrusions, worker rights, environmental rules, and tax policy – it would be counterproductive to lift these tariffs, and to cede valuable negotiating leverage, without securing anything in return. We must strive to secure a deal that is comprehensive, specific, enforceable, and backed by strong and automatic penalties if Beijing fails to live up to its words.

Of course, in limited cases, it is appropriate to approve emergency tariff exemptions for medical supplies or other goods needed to protect the public and particularly vulnerable populations from this unprecedented crisis. But, now is not the time to double down on imported goods from China with general “tariff relief” measures. To the extent consumers are not buying goods and services, the Section 301 tariffs are certainly not the cause and those seeking to remove them are merely seeking to capitalize on a health crisis to benefit their bottom line.

Earlier this month, a Chinese official remarked that “it is possible to turn the crisis into an opportunity — to increase the trust and the dependence of all countries around the world of ‘Made in China’”⁴ Combined with the strengthening dollar, removing tariffs as a perceived short-term boost to the economy would immediately subject our market to a flood of imported steel, aluminum, and other products. The evolving health crisis is already exposing supply chain limitations where the United States is dangerously reliant on China for pharmaceuticals and other items necessary for disaster response. If our domestic production capabilities of steel, aluminum, and other products are permitted to deteriorate further, our country could be forced to rely on countries such as China and Russia, with unreliable supply chains and leadership that has shown its willingness to undermine American stability, to supply our military, critical infrastructure, and emergency response needs. We cannot let that happen.

Instead, AAM strongly urges you to focus first on the public health response and fiscal stimulus policies designed to help those Americans most vulnerable to the health and economic impacts of this crisis. We also strongly recommend measures to shore up critical supply chain vulnerabilities and investments in American-made infrastructure.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott N. Paul". The signature is fluid and cursive, with a large initial "S" and "P".

Scott N. Paul
President
Alliance for American Manufacturing

⁴ “Viral Moment: China’s Post-COVID Planning,” [Horizon Advisory](#). March 2020.