

AAM Supports Section 232 Trade Action

Dear Senators and Members of Congress:

On behalf of the Alliance for American Manufacturing (AAM), we urge your support for the announced Section 232 action to defend America's steel industry and its workers from imports that threaten our national security and domestic welfare.

The Department of Commerce has concluded that years of predatory trade behaviors by China and many other countries threaten America's ability to produce steel for our national security interests, as well as the critical infrastructure that keeps us safe here at home. [Commerce found](#) that while worldwide steelmaking capacity surged 127 percent since 2000, six basic oxygen furnaces and four electric furnaces have closed in the United States. Global excess capacity has reached 700 million tons, seven times annual U.S. consumption. And, since the administration initiated a Section 232 investigation last April, the challenge has only grown in scope. Total steel imports soared [15.4 percent in 2017](#), domestic capacity utilization remains too low, and import penetration has risen to an alarming level.

These trends are putting our national security at risk. Let us share some specifics. Already reduced to just one remaining domestic producer of the steel used in our electricity grid, grain-oriented electrical steel (GOES) imports increased by 98 percent in 2017 compared to 2016 – with product from Japan, China, and South Korea up between 147 and 258 percent over that same period. Oil country tubular goods (OCTG), critical in America's race to energy independence, saw a 196 percent increase last year alone – primarily from South Korea. We recently received the painful news that several steel mills in Pennsylvania would be reducing operations, including one that produces armor plate for the U.S. military and which played an important role in the production of armored vehicles to protect our service men and women from IED attacks in Iraq and Afghanistan.

The scare tactic arguments of Section 232 opponents are unsatisfying at best:

- **Tariffs would represent a very small share of the overall economy.** The estimated \$9 billion in steel tariffs represent a tiny fraction of the overall \$20 trillion economy.
- **Consumer cost impacts are wildly overblown.** There is no clear evidence of significant cost increases caused by past usage of similar trade enforcement tools. For example, the International Trade Commission (ITC) analysis of the Section 201 steel tariffs of 2002 to 2003 found no discernible impact on the economy, a possible overall gain in GDP, lower domestic prices relative to foreign markets, increased year-over-year sales and profits for steel-consuming industries, and an improved employment situation among consuming industries. It's also worth noting that the largest price shock steel consumers have faced over the past two decades was the result of an overheated economy in China, and not through any specific trade action.
- **Past job loss estimates have been proven to be wildly inaccurate.** A recent job loss estimate on the Section 232 remedy should be viewed with deep skepticism. A similar study released during the Section 201 action in 2002 to 2003 made similarly

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exaggerated claims of job loss, but the [ITC questioned their methodology](#) and cited another study showing that, within the broad definition of “steel-consuming industries” used, employment *increased* by almost 53,000 after falling 281,000 prior to the tariffs.

- **Section 232 will not start a massive trade war.** Trade enforcement actions are common, with 82 new antidumping and countervailing duty cases initiated in 2017 and a total of 411 orders in place across a range of different industries, covering both allies and strategic competitors. Baseless threats and fears of retaliation should not deter America from putting an era of trade surrender to an end. The United States will vigorously defend its interests if other nations seek to retaliate without cause.
- **The United States is on firm ground in citing national security as a rationale for this trade action,** as provided for under Article XXI of the General Agreement on Tariffs and Trade (GATT). Commerce noted that the U.S. military market for steel is not large enough to support one company, much less an entire industry. Domestic steelmakers require a functioning market, one that is not plagued by pervasive dumping, subsidies, circumvention, overcapacity, and the damage caused by state-led capitalism.
- **The Section 232 action is *nothing* like “Smoot-Hawley,”** an argument that has no basis in historical fact or present circumstances. The Smoot-Hawley Act, which included tariff changes impacting 20,000 categories of goods, was enacted by Congress in 1930 amidst a nosediving economy and in the wake of a stock market crash. Even Nobel Prize-winning, free trade economist [Paul Krugman says](#) the 1930 action didn't cause the trade contraction that was already underway.

We believe the market, our workers, and consumers are best served when global production and consumption are better aligned and fair market pricing is restored. An effective, lasting remedy will jump start a long-overdue process of squeezing out massive overcapacity in the steel industry while enabling U.S. producers to revive idled production and jobs. Already, the news of action on Section 232 has prompted the announcement of the reopening of a major steel plant in Granite City, Illinois – shut down since 2015 – bringing 1.5 million tons of raw steel production back online.

America's steel workers are hurting, their communities are on the brink, and each passing day without action puts our national security at further risk. Immediate action is necessary to prevent this strategic industry – vital to our national security, defense requirements, and economic welfare – from falling into the hands of China, Russia, and other strategic competitors. We urge your support for the announced Section 232 action, which would represent a powerful first step in defending our national security and American jobs.

Sincerely,



Scott N. Paul
President
Alliance for American Manufacturing