

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Economic Impact of Section 232 and)
301 Tariffs on U.S. Industries) Inv. No. 332-591

Testimony of Richard Chriss, American Metals Supply Chain Institute

1. Good morning, Commissioners. My name is Richard Chriss, and I am the President of the American Metals Supply Chain Institute, or AMSCI. AMSCI is a trade association that represents the entire supply chain in the United States for steel, aluminum, and other metals. Our members include businesses involved in logistics, transportation and ports, metals distribution and fabrication, and manufacturing and other end-uses of metals products. I appreciate the opportunity to testify before you today on behalf of AMSCI’s diverse membership.

2. Over the past two years, the COVID-19 pandemic has increased awareness like never before of the critical importance of strong and resilient supply chains for the functioning of the U.S. economy. AMSCI’s mission is to support policies and practices that strengthen the metals supply chain, thereby boosting the economy and enhancing the livelihoods of the men and women who earn their living in it. From this unique perspective, I would like to offer the following thoughts regarding the economic impact of Section 232 and Section 301 tariffs on U.S. Industries.

3. The imposition of Section 232 tariffs and quotas, and Section 301 tariffs on imported steel and aluminum have had a significant negative impact on AMSCI's members and on millions of workers in downstream U.S. industries that consume steel and aluminum in the manufacture of value-added products in the United States. It is AMSCI's belief that a reduction or removal of the tariffs is required to shore up the metals supply chain for U.S. manufacturers and workers. The negative impacts of the Section 232 and Section 301 measures are most clearly manifested in the following areas: (1) rising domestic inflation and the threat to long term economic growth, (2) negative effects on downstream consumers of steel and aluminum, including reduced employment in the manufacturing sector, and (3) offshoring of manufacturing operations. I would like to touch on each of these areas briefly. They are addressed in greater detail in AMSCI's prehearing statement.

4. Rising Inflation. The current inflationary pressures in the U.S. economy are well documented. According to the latest figures released by the bureau of labor statistics, the consumer price index increased 9.1 percent in June – even more than in May, and the largest increase since November 1981. Core inflation, excluding food and energy prices, increased 5.9 percent. While a number of macroeconomic factors are contributing to the current inflationary surge, there can be little doubt that the Section 232 and Section 301 tariffs are contributing

significantly to the surge in inflation. A study by the American Action Forum found that Section 232 and Section 301 tariffs increased consumer costs annually by \$51 billion, based on 2021 import levels. These costs, along with a general rise in consumer prices, would reduce the average American household income by \$1,277. These tariffs increase not only the price of consumer goods but also materials and supplies used in the production of automobiles, equipment, and homes, among others.

5. AMSCI members have first-hand experience with these impacts. One of our members recently found itself unable to import a specific type of steel from the European Union that is used by manufacturers serving the construction industry. The inability to import this steel at a competitive price helped drive up the cost of fabricated structural metal used in U.S. construction projects by over 36 percent year-over year from April 2021 to April 2022, and the cost of other construction-related steel products in the U.S. by over 43 percent over the same period. The reduction or elimination of these tariffs would provide much-needed relief that would ease inflationary pressures while boosting productivity and output.

6. Negative Effects on Downstream Industries and Job Losses. The principal justification for, in particular, the Section 232 tariffs on aluminum and steel, has been the protection of American jobs. However, studies have shown that

job-creation in the U.S. steel industry since the imposition of these measures has been significantly less than advertised, and has not been sustained. Just last month, U.S. Steel announced it intends to permanently close its two blast furnaces at its Granite City Works facility. This is the same facility that then-President Trump described as having been “saved” by the Section 232 tariffs. Meanwhile, the tariffs raise costs and undermine the competitiveness of the steel and aluminum-consuming industries, which employ millions more American workers. One study estimated that downstream industries would pay an additional \$5.6 billion for domestic steel after the tariffs, which would amount to \$650,000 for each additional job created in the steelmaking industry. Overall, studies have estimated that the Section 232 tariffs have resulted in 75,000 fewer U.S. manufacturing jobs.

7. Increased Offshoring. With the increased cost of steel and the difficulty in receiving an exclusion or securing enough domestic steel, many manufacturers are forced to consider alternatives to paying the tariffs, including moving their operations outside of the United States. Noting that U.S. exports became less competitive in foreign markets and that exports in industries targeted by the tariffs declined, the Congressional Research Service found that some U.S. manufacturers already have begun shifting production offshore to avoid the tariffs. Examples include Tramontina, a cookware manufacturer based in Wisconsin, which closed its domestic plant, resulting in the loss of 145 manufacturing jobs;

Stack-On Products, an Illinois-based storage manufacturing company, that moved its plants to Mexico, laying off 153 workers in the process; and even American icon Harley-Davidson, which has sought and received EU approval to shift its manufacturing outside the U.S. because the company's operating income fell 26% in one quarter due to the impact of the tariffs. The longer the tariffs remain in place, the more this trend will accelerate. And, once those jobs have been moved offshore, it is very unlikely that they will return. Reducing or eliminating the tariffs will change the calculus for domestic manufacturers who must decide whether to take the painful step of moving existing U.S. manufacturing offshore.

8. The ostensible purpose of the tariffs has been to enhance the economic viability and competitiveness of the domestic steel and aluminum industries. That goal has been largely accomplished. As this Commission found in the recently completed Sunset Review concerning galvanized steel, the domestic steel industry has increased its capital expenditures over the past four years even as it has reaped windfall profits. These increased capital expenditures and new manufacturing facilities, combined with the shuttering of older, less efficient facilities such as Granite City, have left the domestic steel industry stronger and more competitive so that continued protection on the current scale is simply not necessary.

9. I appreciate your consideration of our views. Thank you.