

OPPOSE the Toomey-Gallagher Anti-Section 232 Legislation

Misguided Legislation Puts U.S. National Security at Risk
While Jeopardizing Steel and Aluminum Sector Jobs and Capital Investments

Dear Senators and Representatives:

On behalf of the Alliance for American Manufacturing (AAM), I write to outline our strong opposition to the “*Bicameral Congressional Trade Authority Act of 2019*” (S. 287 / H.R. 940), introduced by Senator Patrick Toomey (PA) and Representative Mike Gallagher (WI). This misguided legislation dangerously weakens Section 232 of the Trade Expansion Act of 1962 by effectively eliminating an important national security trade tool for use by the current or any future president. It also threatens to repeal current Section 232 actions initiated in March 2018 on steel and aluminum imports that are creating thousands of jobs, spurring massive investments, and restoring U.S. productive capacity.

Weakens a National Security Trade Enforcement Tool. The Section 232 tool was put in place to ensure that the domestic production of materials or products vital to the national security of our country are not decimated by market-distorting import penetration. The Toomey-Gallagher bill effectively eliminates this important national security trade enforcement tool while offering no alternative solutions.

Congressional Approval Slows National Security Action, Invites an Import Surge, and Allows Foreign Influence. The bill requires Congress to pass an approval resolution within 60 days for any Section 232 action to take effect, a burdensome obstacle that delays a national security trade action. In the months that would pass between the announcement of a Section 232 action and congressional approval, domestic producers and American workers would face a massive surge of imports as foreign producers and importers race to stockpile product before tariffs could take effect. This unrealistic process would only make matters worse and further deteriorate domestic production capabilities already determined to be at risk. Congress delegated this authority to the executive branch knowing full well that the legislative process is not well suited to reacting to national security concerns with agility and speed. Also, it is ill-advised to leave the approval of a national security action hanging in the balance for foreign governments and interests to seek to influence the outcome, and perhaps even defeat it.

Narrow “National Security” Definition Fails to Recognize Market Realities. By narrowing the definition of “national security,” this misguided legislation fails to recognize that a functioning commercial market is necessary for domestic producers to be able to meet the irregular but critical demands of our national defense. The health of domestic producers through periods of peace requires a healthy commercial market to maintain production and the capacity to invest in plant upgrades, cutting-edge research, and a skilled workforce.

Investigation Responsibility Should Remain at DOC. The Toomey-Gallagher bill seeks to shift Section 232 investigation responsibilities from the Department of Commerce to the Pentagon, a seemingly innocuous change that similarly diminishes the importance of properly functioning commercial markets. Meanwhile, the Department of Defense, often under pressure to cut costs without regard for the health of our defense industrial base, does not have the expertise of the Commerce Department to assess the health of domestic companies and the impact of imports. Further, experience has shown the Pentagon is more likely to place a lesser

importance on lost domestic capabilities if there are allies producing the same product. In a time of international conflict America's allies are of immeasurable importance, but they can be pressured by other countries to remain on the sidelines. There is no replacement for having domestic production capabilities ready to meet America's security needs. In fact, when the nation's security is at stake, domestic producers are required to give preference to "rated" military orders.

Retroactively Seeks to Eliminate Section 232 Actions on Steel and Aluminum. The bill's retroactive congressional approval requirement for existing Section 232 actions endangers the substantial progress already being made to restore our domestic steel and aluminum production capabilities. In March 2018, Section 232 tariffs were applied to steel and aluminum imports following years of market disruptions caused by state-directed economies like China producing far more steel and aluminum than the world could consume. The United States, with its uniquely open market, received the brunt of this global oversupply, leading to significant plant closures, layoffs, and a rapid deterioration of our national security production capabilities. According to the Department of Commerce investigations, ten major U.S. steel-producing mills closed since 2000. At the peak of the import crisis that started in 2015, nearly 19,000 steelworkers had lost their jobs over a short period. Similarly, the domestic aluminum sector saw production plummet as the number of domestic smelters shrank from 23 in 2000 to just five in 2017.

Steel and Aluminum are Vital to U.S. National Security. Steel and aluminum are used in everything from ships, tanks, and weapons to bridges, rail systems, and energy infrastructure. Already, the United States has experienced operational reductions and plant closures affecting the production of armor plate to protect our troops, electrical steel necessary for maintenance and restoration of our electricity grid, and high-purity aluminum necessary for manufacturing state-of-the-art fighter jets. If our domestic production capabilities are permitted to deteriorate further, our country could be forced to rely on unpredictable countries like China and Russia to supply our military and critical infrastructure needs. The same bad actors that created massive global overcapacity and market imbalances in the first place would stand to benefit even more.

Steel and Aluminum Section 232 Actions are Working. The Section 232 investigation and subsequent action on steel and aluminum imports has spurred the announcement of sizeable investments, increased domestic production, and created thousands of new jobs – all supporting our national security capabilities. Domestic producers have already announced \$18 billion in capital investments across 26 states to reopen, expand, and construct new facilities. The addition of more than 18 million tons of capacity has prompted the creation of nearly 12,000 jobs – and many more throughout the supply chain and at Main Street storefronts. Passage of the Toomey-Gallagher bill would put an immediate chill on these investments and disrupt hiring plans – or worse, trigger layoffs – for thousands of workers in communities that for too long have been devastated by global overcapacity and the resulting import crisis.

Broader Manufacturing Sector Remains Strong. Some have argued that the Section 232 actions are hurting our economy, including downstream manufacturers using steel and aluminum, but the facts are not in their favor. America's overall manufacturing sector has shown robust growth during the first year that the Section 232 actions were in place. Since the beginning of March 2018, 230,000 new manufacturing jobs have been added, and the rate of increase in manufacturing jobs was more rapid than that of all jobs in the United States in every month but one. In both steel and aluminum, there have been downstream jobs created – which

runs contrary to the wildly-inaccurate projections of job losses by tariff opposition research groups. Job openings in manufacturing are historically high.

Green Light to China, Russia, and Others that Created the Problem. The Toomey-Gallagher bill lets bad actors like China and Russia off the hook after flooding the global market with their excess production and putting our national security at risk. Rather than confronting China's market-distorting practices, this bill seeks to capitulate to them. If retroactive congressional approval were not granted for the steel and aluminum tariffs already in place, it would send an alarming signal to China and others who abuse subsidies and state-ownership that there are no consequences for wiping out our industrial sectors deemed at risk and vital to U.S. national security. Potentially faced with a new flood of imports, domestic steel and aluminum producers would once again be forced to curtail their operations – putting the United States back on a path of increasing reliance on China and Russia to supply steel and aluminum for our military and critical infrastructure needs.

Undermines Trade Negotiations and Puts the OECD and WTO Back in Charge. The Section 232 action on steel and aluminum has provided the United States with its most significant negotiating leverage in years to force collective global action against China and others to curtail the industrial overcapacity that has put our national security at risk. However, the Toomey-Gallagher bill would effectively undermine these talks and put the WTO and OECD back in charge of finding a global solution – something that alluded them for years. While these are well-meaning institutions, they lack the enforcement powers necessary to tackle major global trade challenges – ones that are putting our national security at risk.

Overlooks Voters of Both Parties and All Demographics. This legislation sends a message to voters that Congress isn't serious about fighting unfair trade. Two out of three Americans either believe that "we should keep the tariffs" (33 percent) or that "we should at least "give the tariffs more time" (30 percent), according to a nationwide survey of 2018 likely midterm election voters. Just 29 percent said we should "end the tariffs immediately."

OPPOSE the Toomey-Gallagher Anti-Section 232 Legislation. Rather than weakening available national security trade tools, Congress should reaffirm its support for a fair and level playing field and urge other countries in the strongest possible terms to confront their own, and China's, protectionism. The Toomey-Gallagher bill abandons Congress' commitment to trade enforcement, an essential part of the "three-legged stool" of U.S. trade policy – alongside expansion and adjustment. Congress has rarely used its own authorities to self-initiate trade cases and has played political football with trade adjustment assistance. This legislation would only further erode voters' faith in Congress to execute on trade policy as it seeks to weaken available trade tools.

Sincerely,



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