

**Statement of
Wilbur L. Ross
Secretary of Commerce
Before the
Committee on Ways and Means
U.S. House of Representatives
March 22, 2018**

Chairman Brady, Ranking Member Neal, and Members of the Committee:

On March 8, President Trump exercised his authority under Section 232 of the Trade Expansion Act of 1962, as amended, to impose a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports, with exemptions for Canada and Mexico, in order to protect our national security. The President's Section 232 decisions are the result of a long and well-thought-out process led by the Commerce Department, after review and comment through the usual Administration clearance process. On March 23, the U.S. Customs and Border Protection (CBP) will begin collecting the tariffs.

Today the United States has only one steel mill that can produce the advanced alloys used in armored vehicle plating; one aluminum smelter that makes the high grade aluminum needed for defense aerospace applications; and one steel mill that makes certain material needed for certain critical infrastructure, like electrical transformers. The tariff actions taken by the President are necessary to protect America's essential steel and aluminum industries which have been harmed by imports to the point that allowing imports to continue unchecked threatens to impair our national security. These imports stem from a variety of reasons, including industrial export policies of our trading partners, unfair trade practices, and massive global excess production, particularly by China.

I initiated the steel and aluminum Section 232 investigations in April 2017 and the President signed two memorandums that month directing me to proceed expeditiously to conduct these investigations and report my findings. Section 232 investigations include consideration of: domestic production needed for projected national defense requirements; domestic industry's capacity to meet those requirements; the existing and anticipated availabilities of human resources, products, raw materials, production equipment and facilities, and other supplies and services essential to the national defense; the growth requirements of domestic industries to meet national defense requirements and the supplies and services, including the investment, exploration and development necessary to assure such growth; the impact of foreign competition on the economic welfare of individual domestic industries; and any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of domestic products by excessive imports, without excluding other factors, in determining whether such weakening of our internal economy may impair the national security. In January 2018, I delivered two reports to the President on the effects of imports of steel and aluminum on the national security. The Commerce Department recommended that President Trump take action to protect the long-term viability of our nation's steel and aluminum industries.

We concluded that steel import levels and global excess capacity are weakening our domestic economy and therefore threatens to impair our national security. The level of foreign steel imports threatens to impair the national security by displacing domestic production. Six basic oxygen furnaces and four electric arc furnaces have closed since 2000 and employment has dropped 35 percent since 1998. Global excess capacity will cause U.S. producers to face more

and more competition from foreign imports as other countries increase their exports to further their own economic objectives. China is by far the largest producer and exporter of steel, and the largest source of excess steel capacity. China's excess capacity alone exceeds the total U.S. steel-making capacity by at least three times.

We also concluded that the quantities and circumstances of aluminum imports are weakening our economy and threaten to impair national security. Rising levels of foreign imports put domestic producers at risk of losing the capacity to produce aluminum needed to support critical infrastructure and national defense. Aluminum imports have risen to 90 percent of total domestic demand for primary aluminum, up from 66 percent in 2012. From 2013-2016, aluminum industry employment fell by 58 percent, six smelters shut down, and only two of the remaining five smelters are operating at capacity, even though demand has grown considerably. The report found that excess production and capacity, particularly in China, has been a major factor in the decline of domestic aluminum production. We concluded that if no action were taken, the United States could be in danger of losing the capability to smelt primary aluminum altogether.

The tariffs on steel and aluminum are anticipated to reduce imports to levels needed for these industries, in combination with good management, to achieve long-term viability. As a result, these industries will be able to re-open closed mills, sustain a skilled workforce, invest in needed research and development, and maintain or increase production. The strengthening of our domestic steel and aluminum industries will reduce our reliance on foreign producers.

It is true that higher steel and aluminum costs could mean price increases for American consumers. However, any increases should be small for individuals and families. According to Commerce Department estimates, monthly payments for a typical mass-market automobile may increase by \$4 because of the tariffs. We believe that is a fair price to pay for protecting national security.

The United States is not the only country that has expressed concern about the types of unfair trade practices and excess capacity that are prevalent in the steel and aluminum industries. Countries like China have provided massive subsidies to their companies and this is harming markets worldwide. As described in the Presidential proclamations announcing these actions, the President welcomes any country with which we have a security relationship to discuss alternate ways to address the threatened impairment of the national security caused by imports from that country. The President has left open an avenue for potentially modifying or removing a tariff under certain conditions for individual countries.

In addition, the President authorized the establishment of a mechanism for U.S. parties to apply for exclusions of specific products based on demand that is unmet by domestic production or for specific national security considerations. This process is being managed by the Commerce Department in consultation with other Federal agencies. We published an interim final rule in the *Federal Register* on March 19 establishing the procedures for the exclusion process.

Only individuals or organizations using steel and aluminum articles subject to the tariffs in business activities (e.g., construction, manufacturing, or supplying steel or aluminum to users) in

the United States may submit exclusion requests. This limitation recognizes the close relation of the economic welfare of the nation to our national security, by affording those who contribute to that economic welfare through business activities in the United States, the opportunity to submit exclusion requests based on particular economic and national security considerations. Allowing individuals or organizations not engaged in business activities in the United States to seek exclusion requests could undermine the adjustment of imports that the President determined was necessary to address the threat to national security posed by such imports. Any individual or organization in the United States may file objections to steel and aluminum exclusion requests, but the Commerce Department will only consider information directly related to the submitted exclusion request that is the subject of the objection. The review period for exclusion requests will normally not exceed 90 days.

The Commerce Department will also continue to monitor imports of steel and aluminum in accordance with the President's March 8 proclamations.

We will not hesitate to continue standing up for American families, American businesses, and American workers.

Thank you for allowing me to testify on this vital national security matter and I look forward to answering questions from members of the committee