

**Statement of
Wilbur L. Ross
Secretary of Commerce**

**Before the
Senate Finance Committee
June 20, 2018**

Chairman Hatch, Ranking Member Wyden, and Members of the Committee:

The reports that I submitted to the President in January pursuant to Section 232 of the Trade Expansion Act of 1962 found that steel and aluminum imports threaten to impair our national security. The President determined that tariffs are necessary to address this threat. As a result, the President signed proclamations on March 8 imposing a 25 percent tariff on steel imports and a ten percent tariff on aluminum imports. The President subsequently signed additional proclamations on March 22, April 30 and May 31, and modified the tariffs with respect to steel imports from Australia, Argentina, Brazil, and South Korea, and aluminum imports from Australia and Argentina. The President's Section 232 decisions are the result of a robust and thorough interagency review coordinated by the White House.

The tariff actions taken by the President are necessary to protect America's essential steel and aluminum industries, which have been harmed by the quantities and circumstances of 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 memoranda that month directing me to proceed expeditiously to conduct these investigations and report my findings. The Department provided a 30-day public comment period and held three days of hearings. 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.

We concluded that steel import levels and global excess capacity are weakening our domestic economy and therefore threaten to impair our national security. The level of foreign steel imports has been greater than 30 percent for the past four years and threatens to impair the national security by displacing domestic production. Six basic oxygen furnaces and four electric

arc furnaces had 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. Even more importantly, China exported 40 percent more steel than the U.S. produced in 2015 and 36 percent more in 2016. In 2017 China reduced its exports, but still exported an amount of steel equal to 90 percent of total U.S. production.

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 had 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 will take time for U.S. steel and aluminum producers to fully restart idled capacity and regain long-term financial health.

However, industry has started taking actions to restart idled capacity:

- U.S. Steel is restarting two steel blast furnaces in Granite City, Illinois, adding approximately 2.5 million metric tons of steel capacity available for U.S. consumers
- Republic Steel is restarting an idled steel electric arc furnace in Lorain, Ohio
- Liberty Steel is reopening its wire rod coil steel facility in Georgetown, South Carolina
- Magnitude 7 Metals is restarting 236,000 metric tons of aluminum production in Marston, Missouri
- Century Aluminum is investing \$100 million dollars to restart and modernize its high purity aluminum smelter in Hawesville, Kentucky
- India's JSW Steel Limited announced in March 2018 that it paid nearly \$81 million to acquire the Acero Junction facility near Steubenville, Ohio

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. Recognizing our shared concern about global excess capacity, the President's proclamations announcing these actions welcomed 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.

In addition, the President authorized the establishment of a mechanism for U.S. parties to apply for exclusions from the applicable tariff for 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.

Today, we are announcing our first determinations on 98 exclusion requests for steel products, granting 42 requests and denying 56. Commerce has received more than 20,000 steel and aluminum exclusion requests (including resubmissions) and has posted more than 9,200 for public review and comment. Commerce has also received more than 2,300 objections to exclusion requests. Review of exclusion requests and related objections is being conducted on a case-by-case basis in a fair and transparent process. Commerce is making an unprecedented effort to process the requests expeditiously. The public comment period on the interim final rule ended on May 18, and we are reviewing the comments received to assess whether any revisions to the process are necessary.

On May 23, I also initiated an investigation under Section 232 to determine whether imports of automobiles and automotive parts into the United States threaten to impair the national security. Automobile manufacturing has long been a significant source of American technological innovation. This investigation will examine the United States' production capabilities and technologies needed for projected national defense requirements and the adverse effects of foreign competition on our internal economy. As with the steel and aluminum investigations, there is a transparent notice and comment period: a Federal Register notice was issued on May 30 inviting public comments, which are due by June 22. Public hearings on the investigation will be held on July 19 and 20.

This Administration is standing up for American families, American businesses, and American workers by taking action to reduce imports that threaten our national security.

Thank you for allowing me to testify on this important matter, and I look forward to answering questions from members of the committee.