

UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY

Request for Public Comments and)
Public Hearing on Section 232)
National Security Investigation of)
Imports of Steel)

Docket I.D. No.:
2017-08499

COMMENTS OF THE
TRUCK AND ENGINE MANUFACTURERS ASSOCIATION

May 30, 2017

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Introduction

The Truck and Engine Manufacturers Association (“EMA”) hereby responds to the request for public comments that the Department of Commerce, and its Bureau of Industry and Security (“DOC”), issued on April 26, 2017, seeking input on the DOC’s investigation “to determine the effects on the national security of imports of steel.” (*See* 82 FR 19205.) The DOC’s inquiry is being undertaken pursuant to 19 U.S.C. section 1862, which authorizes the Secretary of Commerce to determine the effects on the national security of certain imports -- in this case, imports of steel -- and to make recommendations to the President, within 270 days, regarding any actions that should be taken “to adjust the imports of the article in question [steel] and its derivatives so that such imports will not threaten or impair national security.” (19 U.S.C. § § 1862 (b) and (c).)

EMA is the trade association that represents the world’s leading manufacturers of heavy-duty commercial vehicles, as well as the world’s leading manufacturers of the internal combustion engines that power the vehicles and equipment used in virtually all applications other than passenger cars and aircraft. EMA’s members maintain significant manufacturing operations in the United States that employ tens of thousands of workers engaged in the manufacture of, among other things: trucks, buses, heavy-duty pickups and vans, construction and agricultural equipment, mining equipment, law and garden equipment, along with the wide array of internal combustion engines that power those myriad applications, as well as the engines that power locomotives and marine vessels. All of those very significant and vital manufacturing operations – operations that quite literally produce the machinery that powers and moves our domestic economy – use significant amounts of steel. As a result, EMA and its members have a significant stake in the DOC’s pending investigation.

The DOC Should Not Recommend Actions That Increase The Costs of Domestic Manufacturing

The DOC's pending investigation stems, at least in part, from concerns regarding whether steel imports: (i) cause American workers to lose jobs needed to meet the security requirements of the domestic steel industry; (ii) result in negative impacts on government revenues; (iii) harm the economic welfare of the United States; (iv) negatively impact the domestic steel production needed for national defense requirements; and (v) impair the domestic steel industry's capacity to meet the national defense requirements. While all of those concerns are certainly genuine and significant, there is also a significant national interest in ensuring that domestic manufacturers are not forced to purchase steel at prices that are materially higher than those that prevail in foreign manufacturing markets.

Steel is a key commodity in the manufacture of the goods produced by EMA's members. In addition, those steel-derived goods are sold into world-wide markets, and so necessarily compete with goods manufactured in multiple foreign locations. To the extent that U.S.-based manufacturers are compelled to pay more for necessary steel inputs than their foreign competitors, they will be at a significant and unfair disadvantage from the outset.

Restrictions on the imports of steel could result in increases in the price of steel based on reduced supplies in the U.S. marketplace. That cost increase, as noted above, could cause significant competitive disadvantages for U.S.-based manufacturers that utilize steel as a key commodity in their manufacturing operations. It also could force manufacturers to pass on higher prices for their finished goods to U.S. consumers, thereby compounding the negative impacts of the increased price of steel in the U.S. Accordingly, in addition to the important concerns that are motivating the DOC's investigation, the DOC should take into account, and give high priority to, the potential impacts on the competitiveness of U.S.-based manufacturers. A proper assessment of those impacts should be a key component of any recommendation that the DOC submits to the President on this matter.

Previous experience with additional tariffs and related restrictions on steel imports is highly instructive. In 2002, the U.S. government imposed tariffs on a broad range of steel imports over a 3-year period. In subsequent studies of the economic impact of those tariffs, it was found that the tariffs had resulted in a number of unintended adverse consequences, including the following: (i) 200,000 Americans lost their jobs due to higher steel prices; (ii) one-quarter of those job losses occurred in the machinery and equipment, and transportation equipment sectors; (iii) every U.S. State experienced employment losses from higher steel costs; and (iv) steel tariffs caused shortages and higher steel prices that put U.S. manufacturers of steel-containing products at a disadvantage relative to their foreign competitors.¹ The same types of unintended adverse consequences could result in this case, depending on the types of "adjustments" to steel imports that the DOC may choose to recommend as an outcome of the pending study.

¹ See "*The Unintended Consequences of U.S. Steel Import Tariffs: A Quantification of the Impact During 2002*," (CITAC Foundation, 2013), quoted in, "*Teeing Up Trump Tariffs*," Wall Street Journal, (April 20, 2017), "*Trump's Bid to Stem Steel Imports Faces Hurdles*," Wall Street Journal (April 20, 2017), and "*Trump's Steel Tariffs Are a Surefire Way to Hurt the Rust Belt*," Foreign Policy (May 4, 2017).

Conclusion

Protecting and providing for the defense of the United States is always of the highest priority. So too, however, is ensuring the strength and competitiveness of our national economy. Accordingly, in completing its study under 19 U.S.C. section 1862 (b) (*see also*, 15 C.F.R. § 705.4), the DOC should avoid making recommendations that could lead to unintended adverse consequences on U.S.-based manufacturers that produce goods utilizing steel inputs, and that compete on a global basis. Safeguarding the competitiveness of U.S.-based manufacturers is vital to our national welfare, and needs to be a core component of any recommended outcome of the DOC's pending investigation.

Respectfully submitted,

TRUCK & ENGINE
MANUFACTURERS ASSOCIATION