

**CURRENT AND PROPOSED TARIFF  
ACTIONS ADMINISTERED BY THE  
DEPARTMENT OF COMMERCE**

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**HEARING**

BEFORE THE

**COMMITTEE ON FINANCE  
UNITED STATES SENATE**

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

—————  
JUNE 20, 2018  
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**WEDNESDAY, JUNE 20, 2018**

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, DC.*

The hearing was convened, pursuant to notice, at 9:11 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Grassley, Crapo, Roberts, Enzi, Cornyn, Thune, Isakson, Portman, Toomey, Heller, Scott, Cassidy, Wyden, Cantwell, Nelson, Carper, Cardin, Brown, Bennet, Casey, Warner, McCaskill, and Whitehouse.

Also present: Republican staff: Brian Bombassaro, International Trade Counsel; Rory Heslington, Professional Staff Member; Shane Warren, Chief International Trade Counsel; and Jeffrey Wrase, Deputy Staff Director and Chief Economist. Democratic staff: Elissa Alben, Senior Trade and Competitiveness Counsel; Roberta Dagher, Detailee; Michael Evans, General Counsel; Joshua Sheinkman, Staff Director; and Jayme White, Chief Advisor for International Competitiveness and Innovation.

**OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S.  
SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. The committee will come to order.

I want to say good morning and welcome to everybody who is here today at this morning's hearing on current and proposed tariff actions administered by the Department of Commerce.

Naturally, I would like to welcome Secretary Ross in particular. I want to thank you, Mr. Secretary, for joining us.

I intend to focus this morning on three investigations self-initiated by the Department of Commerce under section 232 of the Trade Expansion Act of 1962.

It should come as no surprise that many of us on the committee have concerns about the process, effects, and strategy behind these investigations and resulting actions. That includes the serious problems that Senator Wyden and I raised in April about the product exclusion process, a process that still needs significant improvement.

In February, the Department of Commerce completed two of its section 232 investigations, one on imports of steel and the other on aluminum products. As a result of those reports, the United States

is currently imposing tariffs of 25 percent on steel products and assessing tariffs of 10 percent on aluminum products. Combined, these tariffs directly affect almost \$50 billion worth of goods while also affecting many billions of dollars more in downstream goods.

American manufacturers are already suffering the consequences of increased costs and decreased supply of steel and aluminum inputs. Take, for example, Bish's Steel Fabrication. Bish's makes custom industrial equipment in my hometown, Salt Lake City, UT, and sells to customers in the United States and around the globe.

Bish's has been in business since 1945, but because of the section 232 tariffs, they are worried about their future. Steel prices are going up; not just foreign steel subject to tariffs, but also U.S. steel. As a consequence, Bish's has lost its competitive edge against foreign manufacturers, and the company tells me that contracts for future work have all but dried up.

And Jack's Ornamental Iron, another Salt Lake City manufacturer, saw its steel costs jump 20 percent in less than 2 weeks since the steel tariffs were announced.

These companies are small, Mr. Secretary, but they are important. They are important sources of jobs in our communities, and they are particularly vulnerable to the consequences of the steel and aluminum tariffs.

On the other end of the scale, multibillion-dollar investments for new manufacturing plants that employ thousands of workers are also being put at risk.

As you are aware, Mr. Secretary, the Shell Pennsylvania Chemical Project is one of the largest economic development projects in the United States. I grew up in Pittsburgh, and I know how important this development is for western Pennsylvania.

The project is expected to employ 6,000 construction workers and 600 full-time employees once the facilities are operational. Unfortunately, this project is being slowed down and these new jobs are being delayed because essential parts are being stopped by Customs as a result of the steel quotas.

Now, these parts are individually customized under contracts concluded years ago and are suddenly being stopped at the port of Long Beach because they contain steel from Brazil.

I know delaying these construction and manufacturing jobs and even putting some of these jobs at risk was not the intent of the actions on steel, but it is the inevitable result.

The negative consequences of the steel and aluminum tariffs are not isolated to manufacturing. Rather, the effects have spread throughout the economy. Take, for example, American farmers who are bearing the brunt of retaliation for these actions.

As many of us know, Mexico is the largest export market for American pork, including pig farmers in Utah. Recently, Mexico announced it will impose tariffs of 20 percent on U.S. pork in retaliation for U.S. steel and aluminum tariffs.

China, our second-largest overseas market for American pork, is increasing tariffs by 25 percent. I just do not see how the damage imposed on all of these sectors could possibly advance our national security.

The steel and aluminum tariffs distract from the real trade issue that must be addressed. The President has repeatedly stated that

Chinese mercantilist policies harm U.S. companies and the U.S. economy, something with which I fully agree. However, these steel and aluminum tariffs utterly fail to address Chinese overproduction.

Of the steel and aluminum products targeted, only around 5 percent are from China. Let me repeat that: only 5 percent are from China.

In reality, these actions target our allies, particularly Canada and the European Union, with whom our trade in steel and aluminum products far exceeds our trade with China.

This is not just my opinion. The U.S. Department of Defense has stated that it is, quote, “concerned about the negative impact on our key allies,” unquote, of the steel and aluminum actions recommended by the Department of Commerce, particularly global tariffs and the use of quotas.

The lessons of the steel and aluminum tariffs are clear: these tariffs do not support U.S. national security. Instead, they harm American manufacturers, damage our economy, hurt American consumers, and disrupt our relationship with our long-time allies, while giving China a free pass.

That is why I was stunned to hear on May 23rd that the Department of Commerce has initiated another investigation under section 232, this time into the national security implications of imports of automobiles and auto parts.

This investigation covers more than \$200 billion worth of trade, four times larger than that under the steel and aluminum investigations combined.

A car is not a can of soup. It is not a can of soup, Mr. Secretary.

For most American families, their car is the second-biggest purchase they make, and many require a car to get to their jobs. It is a significant financial commitment for most families, often paid for with debt, and I am shocked that anyone would consider making it more expensive.

The average price of an imported car is \$23,200. If the Department of Commerce were to recommend a 25-percent tariff on cars, it would be recommending raising the cost of an average imported car for an American family by \$5,800.

To put that in perspective, the median household income in the United States is just over \$59,000. That means that roughly 10 percent of the median household income could be erased purely by the additional cost of a single car.

That is why I call tariffs a tax on American families. And the Tax Foundation agrees. It estimates that auto tariffs could result in a \$73-billion tax increase on American consumers and businesses, erasing many of the benefits of tax reform passed earlier this Congress.

Not only would these tariffs cost American families, but they would also put American jobs at risk. The Peterson Institute calculates that auto tariffs could cause 195,000 workers to lose their jobs. Now, that is nearly 200,000 people out of work, and that is before other countries retaliate against American auto manufacturers, which support U.S. jobs by exporting \$65 billion worth of autos per year.

And once again, though supposedly pursued for national security reasons, tariffs on cars and trucks target our closest allies—namely Europe, Canada, Mexico, Japan, and South Korea—while allowing China to continue its predatory trade policies undeterred.

Mr. Secretary, as you consider these tariffs, know that you are taxing American families, you are putting American jobs at risk, and you are destroying markets, both foreign and domestic, for American businesses of all types, sorts, and sizes.

I hope you will consider that carefully as your department conducts its investigation into the national security threat from imported automobiles and auto parts.

With that, Senator Wyden, please go ahead with your statement. [The prepared statement of Chairman Hatch appears in the appendix.]

**OPENING STATEMENT OF HON. RON WYDEN,  
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman. And thank you for holding this hearing.

If you follow the news on trade, you know that Secretary Ross is a key Trump trade official negotiating with China, determining who gets tariff exemptions and potentially reshaping the automobile industry for decades to come.

In the last few days, news reports about Secretary Ross uncovered a short sale of stock in a Kremlin-tied shipping firm. New developments show that while Secretary Ross was negotiating on trade with China, he may have maintained financial ties with firms connected to the Chinese government.

A fund controlled by the Ross family reportedly owns a major international manufacturer of auto parts. This unfortunately is not a one-off story. Virtually every day in the news, you get whacked over the head with another report about Trump officials violating ethics rules or coming into questionable windfalls.

You do not need a thick government rulebook to recognize flagrant conflicts of interest when they are brought into public view. And when it comes to trade, Americans have a right to know it is their best interests Trump administration officials are looking out for at the negotiating table. The stories that we have seen in the last few days call that into question.

Now, here is why these issues are so important. I am onboard with several of the administration's top trade priorities.

First, tougher enforcement of our trade laws—long overdue, colleagues.

Second, cracking down on China ripping off American technology and jobs—also long overdue.

Updating NAFTA—you know, NAFTA was written decades ago, and clearly it needs an update.

Those are challenges that demand action, but taking action gets harder when you are surrounded by the specter of conflict of interest. That undermines the credibility of our negotiators, it certainly makes it harder to work in a bipartisan way in Congress, and it makes it less likely the American people will accept the end results.



It is also frustrating to watch as the administration's trade moves seem more like knee-jerk impulses than any kind of carefully thought-out strategy. Its most obvious accomplishment on trade so far is sowing a lot of chaos that has united our allies and China against us, that is, unless you rank that behind the rescue of ZTE, an action that, in my view, has compromised, has sold out American security and gotten nothing in return.

Chaos has consequences, and you do not have to take it from me.

Tariffs on steel and aluminum imports are in place, but the process of determining what imports will be excluded is in a state of disarray. Businesses from sea to shining sea that are filing for those exclusions are waiting for the Commerce Department to do its job.

So I have heard from potato farmers in my home State of Oregon who export nearly a third of what they grow and now will face tariffs in key markets like Mexico. I have heard from Pacific Northwest cherry growers who have nearly 1.5 million boxes of cherries ready to ship to China. They are worried those cherries are going to end up stuck on the dock or rotting in a warehouse due to China's retaliation. Small brewers find their costs skyrocketing when they need new can lines and holding tanks, which, of course, are largely made of steel and aluminum.

Now, a strong, well-planned strategy on trade would bring the full economic might of the United States and our allies to bear on China's trade cheating. That would give confidence to American farmers, manufacturers, and service firms, rather than creating yet more bedlam and chaos. And I believe there would be bipartisan interest here in the Senate in fresh policies that would strengthen trade enforcement and protect American workers.

So today has to be a beginning of the end of the chaos. I hope that we will see more from the administration in the days ahead. I think it is priority business to get a clear sense of what is going to be done to resolve these questions we hear about from our constituents every single day. And those will be the questions I will pose to Secretary Ross.

And I appreciate him being here, and I look forward to questions.

The CHAIRMAN. Thank you, Senator.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. I would like to extend a warm welcome to Secretary Wilbur Ross for coming here today. Secretary Ross was sworn in as the 39th Secretary of Commerce on February 28th, 2017 and has been the principal voice of business in the Trump administration.

Secretary Ross, it is a pleasure to have you here today. And please proceed with your opening statement.

**STATEMENT OF HON. WILBUR L. ROSS, SECRETARY,  
DEPARTMENT OF COMMERCE, WASHINGTON, DC**

Secretary ROSS. Chairman Hatch, Ranking Member Wyden, and members of the committee, thank you for inviting me here today to discuss the actions we have taken to assure the continued viability of our important steel and aluminum industries.

The reports I have submitted to the President this past 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 the necessary means to address these threats. As a result, the President signed proclamations on March 8th imposing a 25-percent tariff on steel imports and a 10-percent tariff on aluminum imports.

The tariff actions taken by the President are necessary to revive America's essential steel and aluminum industries. They have been harmed by imports to the point that allowing imports to continue unchecked threatens to impair our national security.

The tariffs on steel and aluminum are anticipated to reduce imports to levels needed for these industries to achieve long-term viability.

In the short term, since the imposition of the section 232 tariffs, industry already has started taking actions to restart idled facilities. Idled steel and aluminum capacity is being restarted as we sit here, in Illinois, Ohio, South Carolina, Missouri, and Kentucky. Several other companies have also announced new investments in these industries in Oklahoma, Florida, Missouri, and Texas.

In addition, the President authorized the establishment of a mechanism for U.S. parties to apply for exclusions from the tariff for specific products based on demand that is unmet by domestic production or for specific national security considerations.

Today we are announcing our first determinations on 98 exclusion requests for steel products, granting 42 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 also has received more than 2,300 objections to exclusion requests. Review of exclusion requests and related objections is being conducted, as it must be, on a case-by-case basis. But we have made some major changes in reforming and improving the process. And I will describe a couple now.

First of all, we will be accelerating the processing of exclusion requests by immediately granting those which are correctly submitted in full, to which no objections have been received during the public comment period.

Commerce is making an unprecedented effort to process the requests expeditiously. We also are developing a list of downstream products that have been hurt by imports since the tariffs have been imposed. And we are incorporating as many of these as are logical to the list we are recommending for inclusion in the 301 tariff listing of \$200 billion that will be released shortly. We have already found some 50 products that will be included in that list.

The public comment period on the interim final rule for these decisions ended on May 18th, and we are reviewing the comments received to assess whether any further revisions to the process are necessary.

Finally, on May 23rd, after a conversation with the President, I initiated a proceeding under section 232 to determine whether imports of automobiles and automotive parts into the United States threaten to impair the national security. This investigation will examine the United States' production capabilities and the tech-

nologies needed for projected national defense requirements, as well as the adverse effects of foreign competition on our internal economy.

In conclusion, this administration is standing up for American families, American businesses, and American workers by taking action to reduce imports that threaten our national security.

I thank you, and I look forward to answering questions from the members of the committee.

The CHAIRMAN. Well, thank you, Mr. Secretary.

[The prepared statement of Secretary Ross appears in the appendix.]

The CHAIRMAN. Let me just start off with the section 232 statute, which requires that the Secretary of Commerce consider the domestic production that is needed for projected national defense requirements.

When you decided to self-initiate a section 232 investigation into automobiles and auto parts, what were the projected national defense requirements for these products that you had identified?

Secretary ROSS. Well, as you know, the investigation, Mr. Chairman, has just begun, so we do not have the detailed answers to any of those questions.

What we have done is, as required by section 232, I immediately sent a notification letter to General Mattis as Secretary of Defense asking for his inputs, just as we had under the steel and aluminum investigations.

And as you are aware, in the case of steel and aluminum, General Mattis wrote back to us that he accepts the proposition of the threat to national security arising from the imports of steel and aluminum.

I have no idea at this early stage what his attitude will be on the automotive sector, but it is a factor that we definitely will consider as required by the statute and, even more, as required by good common sense as we consider the automotive and auto parts environment.

The CHAIRMAN. Okay. Product-based exclusions from the steel and aluminum tariffs are available in two circumstances: when a product is not available domestically in the quality or amount needed and when national security considerations warrant an exclusion.

However, I understand that the Commerce Department is refusing to grant any exclusions from the quotas that limit the volume of steel and aluminum products that Americans may import from certain countries. What is the national security justification for refusing to grant exclusions from quotas where, in the same circumstances, the same product would be excluded from tariffs?

Secretary ROSS. Thank you for that question, Mr. Chairman.

The President's proclamation does not authorize us to grant exclusions from quotas. There are very few countries that have quotas in any event, the most important of which is South Korea, and they do have a quota which is equal to 70 percent of the average shipments, product by product, from 2015 through 2017.

In addition, Brazil and Argentina have agreed to quotas, and so those three are fundamentally the quotas that exist.

We are taking into consideration the requests that have been made for exclusions based on quotas that have already been exceeded or shortly will. The problem is that a number of countries rammed in a huge amount of product prior to the President's decisions and therefore have put in much more than they had in the prior year, so there is an intellectual challenge as to whether or not to reward those countries that were trying to game the system.

Nonetheless, we are giving real consideration to requesting the President to consider whether these similar exclusions should be granted to those countries subject to quota as opposed to the ones we are granting to those countries that are subject to tariff rates.

The CHAIRMAN. The process that the Commerce Department is administering for businesses to request product-based exclusions from the steel and aluminum tariffs has had, in my opinion, many serious flaws, and problems continue to surface.

For instance, some have been subject to objections that, in their view, contain inaccurate, incomplete, or misleading claims, and they would like to rebut those claims. However, I understand that the Commerce Department has provided no formal channel for submitting rebuttals on *regulations.gov* where all of the requests and objections must be filed.

Will the Commerce Department accept rebuttal comments on objections? And if so, will petitioners be able to submit their rebuttals through the *regulations.gov* website?

Secretary ROSS. I would like to put up chart number one, which will describe to you some statistics on the section 232 processing.

I hope it is large enough that the type can be viewed. But on the off chance that your vision is as bad as mine, I will also read you the information.

By type of submission in the case of steel, we have received 20,003 exclusion requests, and in the case of aluminum, 2,503, totaling 22,506.

Against those, there have been objections filed in the case of 3,939 items in steel and 98 items in aluminum, for a total of 4,037 exclusion objections to the filing.

In terms of comments, we have received during the comment period 383 comments on steel, 51 comments on aluminum, for a total of 434.

So the total submissions in the case of steel are 24,325, in the case of aluminum, 2,652, for a grand total of 26,977.

Of the exclusion requests, we have posted 8,168 in the case of steel. Of those, we have rejected 2,513. The rejections are in addition to the ones posted. We have pending 9,310, for a total of 20,003.

In the case of aluminum, we have posted 1,828. We have rejected 420. We have pending 253, for a total of 2,503.

That comes to the same total—22,506—of exclusion requests.

In terms of objections, we have posted 1,765 in the case of steel, 52 in the case of aluminum, for a total of 1,817.

We have rejected 230 in the case of steel, 5 in the case of aluminum, total 235.

We have pending 1,944 in the case of steel, 41 in the case of aluminum, total 1,985.

So the grand totals: There were 3,939 objections filed in steel and 98 in aluminum, for a total of 4,037.

The timing is in chart two.

These are the steel submissions by week. And you can see, or will be able to see in a moment, that there was a big peak realized on the week of the 14th of May of this year. In that single week, we received 3,175 requests. Those are the large blue bars that you see on the chart.

Those have now tapered off quite a bit. The exclusion requests received in the week ended June 11th this year are only 1,481.

In terms of the ones posted, those are the gray bars. And you can see that is starting to go down as well, because we are eating through the backlog.

The orange bars are the objections filed. And you will see that bar is growing very rapidly.

As the exclusion requests have become a little bit seasoned, the objections come in.

And then finally, the yellow, very small bars are the objection filings posted. So we are pretty well catching up with the backlog that was created.

A similar pattern in aluminum in chart three.

In the case of aluminum, the requests for exclusion peaked in the week ended the 7th of May at 769 that week and have gone down to 210 in the most recent week.

Of exclusion requests posted—that is again the gray bar—you can see how that is going up. We managed to post in the week of June 4th 602.

The orange bar, again, is objection filings.

And the yellow bar, the very, very small one, is objection filings posted.

So there is no huge backlog because, as you know, there was a mandatory objection period prior to which we could not grant anything. So you will start seeing, more or less every single day, batches of exclusions being acted upon.

Based on what we have seen so far, though, there is a high probability that relatively few of those will be granted, because many of them have no substance and/or have some potential substance, but have objections that are well-grounded posted against them.

So I hope that gives you a bit of the feel for both the magnitude of the chore in terms of the number of requests received and the fact that we are making very good progress in dealing with them.

It is also important to note that under the President's proclamation, whatever the date when an exclusion request is granted, it is granted retroactive to the date when that objection was posted. So even if it takes a few days longer for people to be granted an exclusion, they really will not suffer meaningful economic harm because it will be made retroactive, and whatever tariffs they have paid will be refunded to them quite promptly.

I hope that helps to clarify that part of your question, sir.

Senator GRASSLEY. Senator Wyden, out of my time, could I just make an observation after hearing all that?

It sounds to me like we have a government-run mercantilist economy as opposed to a free-market economy.

The CHAIRMAN. Senator Wyden?

Senator WYDEN. Thank you very much, Mr. Chairman.

Mr. Secretary, look, your charts notwithstanding, America's small businesses believe they are being held hostage in a bureaucratic twilight zone waiting to see if they are going to escape.

And you do not have to take my word for it, Mr. Secretary. Here is what one of the top officials in the Commerce Department said this morning in the newspaper. He is quoted as saying that the process on these tariff exclusion issues is, quote, "going to be so unbelievably random, and some companies are going to get screwed. These people are making multibillion-dollar unbelievably uninformed decisions."

Now, Mr. Secretary, those are not my words; those are the words of a top official in your department as of this morning.

Now, the number of companies—and every single member of this committee is hearing from small businesses, every one—the number is staggering. You planned on receiving 6,000 applications for exclusions; so far you have gotten 21,000.

Now, we are going to review your math today, but as far as we can tell, what you have done is going to address something like 1 percent of the applications.

And by the way, adding further concern is, this top official, who is quoted this morning, says you have only begun training staff on how to process the applications. So every week, it just seems to me there is more and more bedlam.

And I would like to start with a question of whether you are satisfied with how the product exclusion process is working now. That is a "yes" or "no" answer. Are you satisfied?

Secretary ROSS. Well, thank you for raising those questions.

First of all, as to this unnamed, anonymous, allegedly high-ranking Commerce official, I do not take very seriously comments that are made by people who are probably disgruntled for some other reason when they are anonymous. I do not think that that is a very good basis for anything.

But more importantly, on the substance of it, the person is totally incorrect in saying we have only begun to train people.

What is correct is that it took a long time for the Congress to give us, through the appropriations process, the right to add people as we had requested, and they have not given us the full amount that we requested. Between it being delayed and smaller than what we had requested, that is why the new people, the people who finally we got permission to hire, about a million dollars' worth of them, those are the people who are being trained.

So it simply shows this anonymous source is not very well-informed as to what is actually going on. That is simply wrong.

Senator WYDEN. I can tell that you want to dismiss the criticisms, but what he said, Mr. Secretary, is consistent with what every single member of this committee is hearing from home.

I have companies that employ hundreds of workers in our State making steel pipe fittings, cutting blades for the sawmill industry, a wide variety of industrial products caught up in this process. I was just home; all I hear are these endless stories.

And I have to tell you, I think it is a real head-slapper, and it will certainly be baffling to these small businesses that check in

with all of us on this committee for anybody to say that this process is going well. It is not going well.

And I think I would like to close with a very specific request. As you can see, the chairman and I have been working on these matters. And I do not think the improvements that you have talked about are going to be adequate.

I would like to ask you this morning to commit to providing this committee on a bipartisan basis within a week a specific timetable and specific fixes so that the small businesses and the workers who are contacting us can really have a sense of what is going to happen.

Will you make a commitment to do that and get it to us within the next week, Mr. Secretary?

Secretary ROSS. I would be happy to send to you within the next week our program. But it is impossible to commit to a specific timetable when we do not know how many requests are yet to come in. So that is one big problem.

As you can see, there are requests still coming in. But if you do the homework, you will find that there are very, very few requests that have ended the comment period more than about a dozen days without response.

Senator WYDEN. Mr. Secretary, the reason I am asking for this plan within a week is, I do not think your department did a lot of homework at the front end, which is one of the reasons we are having the problems.

You all planned on receiving 6,000 applications for exclusion. So far, you have gotten 21,000. So respectfully, I will tell you I do not think enough homework was done at the front end.

I want to make it clear, I am expecting to see within a week to the chairman, myself, and all of our colleagues on a bipartisan basis an actual timetable on how we are going to get this fixed. Because I will tell you, respectfully, nothing I have heard this morning sounds like we are going to be on top of this anytime soon.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Grassley?

Senator GRASSLEY. Yes. I heard the question by our chairman about auto parts, and this relates a little bit to it, but it is a little bit more specific.

The section 232 announcement that the administration released May 24th states that it will apply to light-duty autos and auto parts.

Now, many auto parts share the same private code in the automotive chapter of the U.S. Harmonized Tariff Schedule with other similar products such as heavy-duty trucks, buses, construction equipment, agricultural equipment, and industrial engines.

For example, water pumps used in the cooling system of the construction equipment are classified as, quote, "fuel, lubricating, or cooling medium pumps for internal combustion piston engines," end of quote. The Harmonized Tariff Schedule code does not differentiate between auto and construction equipment parts.

Is it the administration's intent to impose tariffs of up to 25 percent on all these parts for every country around the world, even if they do not necessarily go into automobiles?

Secretary ROSS. Well, at this early stage in the investigation, we do not have the data to make any of those decisions. But the intention is to deal with automotive parts, not to deal with parts throughout the economy. I can assure you of that.

But there also has been no decision made as to whether to recommend tariffs at all. We are at the early stages of the process. We have invited the various participants in the industry to make their submissions. They requested some extra time, so we gave them an extra week to do so.

So we are trying to go about this in a very judicious and a very open, transparent, and fair manner.

Senator GRASSLEY. Okay.

Secretary ROSS. We will try our very best to avoid there being any unintended consequences, such as the ones you have described. And I have taken note of what you said, and we will undertake to deal with that as we go through the process.

Senator GRASSLEY. I think that that would be a pretty satisfying answer to manufacturers of other than cars in my State.

Question 2. You mentioned in your testimony that several U.S. steel plants are expected to come back online as a result of steel and aluminum tariffs. How long do you think it will take for production from these facilities to impact and lower the price of steel here in the United States by increasing supply?

Secretary ROSS. It should be fairly quick. U.S. Steel announced a couple of months ago their first restart, which was a million tons. They subsequently announced the second restart of a million and a half tons. That is 2½ million tons of steel. That is the better part of \$2 billion worth of steel right there. So it is coming.

Exactly what month it will come, I do not know. But by around the end of the year, that problem should be fairly well-addressed by most of these new restarts of facilities.

What has been happening and is a very unsatisfactory thing is, there has been a lot of speculative activity—storing inventory, withholding product from the market—by various intermediary parties. So the price of steel and, for a while, the price of aluminum went up far more than is justified by the tariffs.

And so we are starting an investigation into that, trying to find out whether there are people who illegitimately are profiteering out of the tariffs. There is no reason for tariffs to increase the price of steel by far more than the percentage of the tariff; and yet, that is what has been happening. That clearly is not a result of the tariff; it is clearly a result of antisocial behavior by participants in the industry.

Senator GRASSLEY. My last point is something you do not directly deal with, but I want to make this point anyway. It is not a question to you, it is just a message I would like to have the administration get.

I realize that section 301 intellectual property investigation is not in your jurisdiction, but since you are the person here representing the administration, I convey this point to you from what I hear from my constituents.

The impact of the proposed tariff is getting very real. We have watched the soybean markets start to collapse from an upper-nine-



dollar range to a mid-eight-dollar range, yesterday down 40 cents I believe.

As an example, losing \$1.25 on national average soybean yield of 49 bushels per acre equates to a farmer losing \$61.25 an acre because of these movements.

Even if farmers do not have to sell their physical crop right now, the sudden volatility in the market can increase the costs of hedging and, in some cases, require margin calls for those who are long in the market.

I would request you and others in the administration, and particularly Peter Navarro, to be aware of the pros and cons of the brash statements to the press on these trade issues and be very diplomatic with comments.

Thank you very much, Mr. Chairman.

Secretary ROSS. Senator, I will be happy to relay your comments to the parties you described.

And as you know, the President has directed the Secretary of Agriculture to use every power that is at his disposal to help the agriculture parties who are adversely affected by retaliation.

But I will communicate what you have said to the White House.

Senator GRASSLEY. We heard the President say that to the Secretary of Agriculture. And in the process, all the Senators around the table said, "We do not want money from the Treasury; we want markets."

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennet?

Senator BENNET. Just to follow up on Chairman Grassley's question, what do you mean by that? What do you mean? What are you going to make available to our farmers and ranchers? What do you propose?

When Ambassador Lighthizer was sitting there, he said, "Your farmers and ranchers have my sympathy, because they will be the first people who will suffer retribution if there is a trade war." And I said, "They do not need your sympathy; they need you to act reasonably."

What do you now propose for our farmers and ranchers? What do you mean when you say the Secretary of Agriculture should do everything he can do—who, by the way, I think opposes these policies?

Secretary ROSS. Well, I am not in-detail familiar with all of the tools the Secretary—

Senator BENNET. But how can you not be familiar with them? You have come here and testified that that is how you are going to solve the issue. It is like describing these steel prices that are going straight up like this as antisocial behavior and not a result of the tariffs. That is not true.

Secretary ROSS. Well, I disagree with you, Senator.

Senator BENNET. The antisocial behavior—even accepting that description—was certainly provoked by the tariffs, was it not?

Secretary ROSS. No, sir.

Senator BENNET. Would it have existed with no tariffs?

Secretary ROSS. I think they have viewed the tariffs as an opportunity for them to profiteer.

Senator BENNET. Thank you. It is related to the tariffs.

So what do you propose the Agriculture Secretary should do? A policy opposed by my Republican colleagues, but what should he do?

Secretary ROSS. Well, it is up to the Secretary of Agriculture to decide, because each of the segments of agriculture is quite a different segment.

I think he heard very clearly the comment from the farm State representatives that they do not want government aid. Well, we have no control over what another country does in retaliation, but what the President just did announce to try to discourage retaliation, when the Chinese on the 301 announced that they would match the \$50 billion of product that we have put tariffs on with their own \$50 billion, the President said he would put tariffs on \$200 billion. That is a very significant number.

Senator BENNET. It sounds like the beginning of a trade war to me, Mr. Secretary.

And I think the sensitivity maybe on Capitol Hill might be that we are looking at a trillion-dollar deficit next year, the largest deficit that we have seen outside of a recession or outside of a war, because of this administration's policies.

So my point is, I do not think you are going to have any backstop for our farmers and ranchers. And to blindly pursue these policies without considering what happens to them, I think is a huge mistake.

I would like to ask you, following on the chairman's questions of you, Mr. Secretary, what is it about the Canadian steel industry that is a national security interest threat to the United States?

Secretary ROSS. The Canadian steel industry is not being accused of directly and individually being a security threat.

Senator BENNET. Well, what is our trade deficit in steel with Canada?

Secretary ROSS. We do not have a trade deficit.

Senator BENNET. We do not?

Secretary ROSS. No, sir.

Senator BENNET. We have a surplus with Canada in steel?

Secretary ROSS. Yes, sir. We have a surplus in dollars—

Senator BENNET. Does that surplus—

Secretary ROSS. May I finish my answer?

Senator BENNET. Sure, of course.

Secretary ROSS. We have a surplus in dollars. We do not have a surplus in physical value.

Senator BENNET. Okay, so—

Secretary ROSS. What happens is steel—

Senator BENNET. Mr. Secretary, what is the national security threat of the trade surplus that the United States has with Canada in steel?

Secretary ROSS. The national security implication is, in the aggregate, all of the steel.

Senator BENNET. But why did you put a tariff on—what is the national security basis for the tariff that you have placed on Canada?

I understand what we are supposed to be doing with China. I do not understand why the President is not focused on it. I do not understand why he is excluding ZTE. I do not understand it.

What is the national security rationale for putting a tariff on the Canadian steel industry with whom we have a trade surplus?

Secretary ROSS. If you would let me finish the answer—

Senator BENNET. I will.

Secretary ROSS [continuing]. I will try to do so. The reason the tariff has been put on essentially all countries, most of whom are friendly countries and have good relations with us and some others which also have surpluses with us, the reason it has to be a global solution is, if you just looked at the raw data, you would not think China is a problem for the U.S., because what they have been doing is masking their exports to us by shipping them through other countries.

So the raw data, if you just believe the raw numbers, China is shipping less to us than they did 5 years ago.

The reality is quite to the contrary.

They are disrupting the global steel markets. They are causing both direct and indirect damage to it. So we have to do it on a global basis.

Senator BENNET. I am—

Secretary ROSS. I am not quite finished, sir.

Senator BENNET. I am sorry.

Secretary ROSS. The good news is, that as a direct result of the 232s, suddenly Europe is enacting safeguards against steel dumping into Europe. They did not do much before. Canada is taking action. Japan for the first time has created an enforcement body within METI to deal with the problem.

The only way we are going to solve the global steel overproduction and overcapacity is by getting all the other countries to play ball with us. And while they are complaining bitterly about the tariffs, the fact is they are starting to take the kind of action which, if they had taken sooner, would have prevented this crisis.

The CHAIRMAN. Senator, your time is up.

Senator Roberts?

Senator ROBERTS. Thank you, Mr. Chairman.

Mr. Secretary, thank you for coming today.

I know you expect me to focus on tariffs, as ably described by my colleague from Colorado. And putting agriculture commodities in a retaliation bullseye, that is an ongoing and very critical challenge for everybody in farm country.

But I would like to start off my questions by providing you with an update on the effects that the steel and aluminum tariffs are having in Kansas and locally.

First, I want to let you know our wheat harvest has just started. The expected total will be the lowest in 40 years. We are in a rough patch.

Yesterday, the closing price in Dodge City—here is the farm report—for wheat was down about 70 cents per bushel, corn down about 3 cents, sorghum down about 4 cents.

By the way, I was in my office when the decision was made on the solar panels and the washing machines. Rather, I was not in my office, I was at the White House when that happened. And the sorghum producers were there, and they lost 80 cents on the dollar and, you know, there were more problems with that as we continued.

Soybeans down about 20 cents. That would have been worse if they had not rebounded over the course of the day.

We usually have our wheat exported to Mexico. I am talking about “we,” the wheat producers in Kansas. We have wheat on the ground from last year’s crop. This year’s crop, as I said, was the lowest in 40 years.

Mexico is buying their wheat from Argentina, their corn from Brazil. That is the problem. We could be in a situation where we would lose that market and we would not be a reliable supplier. Once you do that, you are in a lot of trouble in the trade business.

But I want to talk about—recently the owner and operator of Shield Agricultural Equipment, Mike Bergmeier, contacted me about the rising costs his business is experiencing due to steel tariffs. This is just one example. I guess he is in exclusion purgatory with one of the 42,000 you are trying to deal with.

But Shield Ag is a small business in South Hutchinson, KS. It employs 42 people. The company designs and manufactures and distributes tillage tools and hardware. His company uses steel from Manitoba, Canada to make their Shield V blades, a key component of blade plows. Farmers use this equipment for conservation efforts all across the High Plains.

The steel is not available from any other mill in the United States. And due to tariffs on steel, Shield Ag’s cost of production for this single replacement blade is \$85,000.

Shield Ag has submitted a steel exemption request, but has yet to see it posted on the regulation website. I think every member here has already mentioned that. It is a cumbersome and very slow exclusion process. And I know you need people, and I know you need funds to pay the people.

In the absence of an exemption, Shield Ag will have no choice but to pass the rising costs of production on to their customers, primarily farmers and ranchers. They do not want to do that, and they are in no situation to pay for it.

What will be the impact of tariffs on steel and aluminum? Well, Mike Bergmeier knows, as do many small and medium-sized enterprises that are seeing price increases now and have been for months. I think a case can be made that these businesses are paying the price for the administration’s negotiating strategy.

Secretary Ross, I think it is imperative that you and your department understand the current impact, not only with regards to farmers and ranchers and the entire ag industry, but also the small-business community, the so-called little guy.

So, when Mike called and talked to my staff, he asked, “Who can I call? What can I do?”

I talked to him. I sympathized with him. But obviously, you can only do so much as a Senator and also the chairman of the Ag Committee.

I told him about the hearing today. And he made a request and I made a request to you earlier—and I appreciate your response—and that is that you give Mike Bergmeier a call so you can hear firsthand the tough choices that small and medium-sized businesses are making due to these tariffs.

He gets up every morning at 5:30. That would be 6:30 our time. I know your time is extremely valuable. You have indicated you are

going to give him a call. I gave you the card and a little background sheet. I truly appreciate your willingness to give him a call, because his example is a classic with regards to small businesses up and down Main Street in rural and small-town America.

Thank you.

Secretary ROSS. Well, thank you, Senator.

From your description of his situation, it sounds like it is one for which the exclusion process was specifically designed. If it is a unique product, a unique form of steel, not available from here, and if there is no objection—which, if there is no U.S. manufacturer, it is hard to imagine there would be an objection filed—if none of that happens, there is no reason he would not be granted an exclusion.

As I promised to you before, I promise you now on the record: I will call him no later than tomorrow morning. It may not be quite as early as 6:30, but I will get him either today or quite early tomorrow.

Senator ROBERTS. Well, if you could move him to the top of the list, it would be great. But I think I am not sure that that is the way we ought to do business.

Thank you.

Secretary ROSS. No. But do you know offhand, Senator, when he filed the request for the exclusion?

Senator ROBERTS. I do not know that.

Secretary ROSS. Because if he—

Senator ROBERTS. I will be happy to get back to you on that.

Secretary ROSS. Because, as you know, there is a statutory waiting period that we have. We cannot do anything until that clock has tolled and, therefore, until we have received whatever objections there may be.

So it could well be that he is in that period. If he is out of the period, we will do our best to accelerate.

The CHAIRMAN. Okay.

Senator Enzi?

Senator ENZI. Mr. Chairman, thank you for holding this.

I am going to have a different kind of a question for you. And that is that in January, you were submitted a section 232 petition for relief from imports of foreign uranium that threaten our national security. According to the recent “Uranium Marketing Annual Report for 2017” that was released by the U.S. Energy Information Administration, domestic uranium comprised only 7 percent of the total uranium delivered to the civilian nuclear power reactors.

Our overreliance on uranium from foreign countries, such as Russia and Kazakhstan, has created a significant national security threat and hamstrung our domestic uranium producers. The problem is particularly important in my home State of Wyoming, because we account for two-thirds of that domestic uranium.

Will the Commerce Department initiate an investigation based on this petition? And if “yes,” when can we expect that investigation to begin?

Secretary ROSS. Yes, I am quite familiar with that situation and have, among other things, been discussing it with Secretary Perry. Because as you know, energy comes very much under his—and power comes directly under him.

We will be making a decision very shortly as to whether to initiate a 232 investigation. It is complicated by some prior agreements that exist, but we are sorting through it, and we will come to a conclusion very, very quickly.

I think your figures are quite accurate about the extreme dependence that our country has on foreigners, who are not necessarily always our friends, for the supply of uranium. But we are going right now through the process of trying to come to a rational conclusion about whether or not to self-initiate the 232 on uranium.

Senator ENZI. I appreciate that and your answer.

Now, Congress has enacted trade remedy laws, such as the anti-dumping and countervailing duty remedies provided in title VII of the Tariff Act, in an effort to protect domestic industries. In the case of uncoated groundwood, tariffs imposed to benefit one mill will result in significant harm to our rural newspapers.

How should the Commerce Department approach cases where the protection of one portion of an industry can lead to significant harm to another portion of the same domestic industry?

Given that Congress did not enact the trade remedy laws in order to harm the overall economy, how does Commerce ensure that Congress's intent is achieved?

Secretary ROSS. Right. Well, among the data that we have requested from the newspaper industry—which, frankly, has yet to be forthcoming—is just how much per page for each of their publications does this mean.

And the only ones we have gotten data for have been provided by the petitioner. And his figures show that it is a very trivial thing, both for major newspapers, such as *The Wall Street Journal*, and for small newspapers, such as the one in the Pacific Northwest where he operates.

So we have been seeking from the industry—and some of the members of Congress have been helpful in going back to their newspaper constituents and asking, “Please tell us three things.” How many pages do you print a day? How much per page is the extra cost? And how does that compare to the price of the paper?

Then we can really put in perspective and judge the extent to which it is a compelling argument. So we are quite open to receiving that information. I have no idea what it will show, but we are desperately seeking input.

So any newspapers in any of your areas that would be willing to submit that information, it would be very, very helpful.

Senator ENZI. Well, that information will not be very difficult from the big newspapers. It is the little newspapers that do not have an extra person to calculate what the per-penny cost is on a sheet of paper.

And they do know that the inserts that they are putting in are also going up, which means advertisers are going to advertise less, because they have a budget that they have to meet.

So it has a lot of different implications, of which a lot of them are hard to calculate. But I can guarantee you that a lot of small newspapers are going to go out of business if that happens. And that one mill may do well. And on the other hand, with less customers, it may not.

Thank you.

Secretary ROSS. Well, you know, there also, sir, are a number of parties who have told us that they are in the process of opening mills. So to the degree that that proves correct, there may very well be another solution, which is more domestic production.

So we understand the dilemma; we understand the problem. To the degree you can get me that information, it would be very, very helpful. Because the only information on the record is what was put in by the petitioner, and his information is it is a fraction of a penny—not per page, but per issue, counting all the pages.

So if he is right, that would say it is not a very big problem compared with some of the other problems the newspaper industry has.

We already have gotten to a situation where he has withdrawn his similar petition against the particular kind of paper used in directories, so that should also help alleviate the situation. So we are working on it. We are trying very hard to get a handle on just what these cost figures are.

And frankly, even with a small newspaper, I cannot imagine they do not know what their paper cost is and the number of pages. So it cannot be that hard a calculation for them to come up with.

Senator ENZI. Thanks.

The CHAIRMAN. Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

Mr. Secretary, China has been stealing our intellectual property and using unfair trade practices for far too long. We all acknowledge that. And I am glad the President is taking this problem seriously, unlike his predecessor.

However, I am increasingly concerned that the tariffs, both those in place and those that have been proposed, are going to hurt American consumers and our domestic businesses, especially in the agricultural sector, far more than they are going to persuade the Chinese to change their unfair trade practices.

And with the President's announcement last night that he is prepared to impose as much as \$400 billion more in tariffs if China does not make systemic changes, it appears that this situation is escalating rapidly.

My question is, what is the administration's overall strategy to find an equitable solution in this case before the burden of these tariffs have a substantial impact on American consumers and businesses and drive down U.S. economic growth?

Secretary ROSS. Well, the basic strategy is to try to bring enough pressure on parties who are not behaving appropriately so that they conclude that the alternative of continuing their present behavior is going to be more painful to them than acceding to the requests we have made that they honor intellectual property.

As to the importance of intellectual property, the President is extremely committed, and so am I. And in fact, yesterday we had a historic event. The President signed the 10 millionth patent issued by the United States. That is almost half of all the patents that have ever been issued in the entire world, and more than half of the 10 million have been issued since 1985.

So the pace of patents is growing very, very rapidly. And that is good. But it is only good if we can force other nations to honor them and not abuse them, not force technology transfers, not steal

through cybersecurity, not do all of the horrible things that we are well aware are in fact being done.

So the only method we could think of—we have tried negotiation. I myself have been four or five times in China negotiating over the last year or so. And the President has concluded that we need more than just negotiation.

There have been years of talk with China about intellectual property. The President feels, and I agree, that now is the time for action. And unless we make it more painful for them to continue those practices than to do otherwise, unless we put that kind of pressure on, it is unlikely we will succeed.

Senator THUNE. Well, and we appreciate your focus on that. We all agree that they have been abusive, they have cheated. And again, I like the focus.

But this thing seems to be escalating out of control fairly quickly. And I want to come back to one other issue.

I am running out of time here.

But the White House's decision to impose tariffs under the section 301 investigation is also very concerning. And this decision walks back an earlier announcement that the United States and China had reached a tentative deal that would increase agricultural exports from China and put the implementation of tariffs on hold.

What is more, the President's proposal to move forward with hundreds of billions of dollars in additional tariffs threatens to severely damage the ag industry at a time when producers are already experiencing low prices in a down farm economy. In fact, one commodities analyst this week described the current commodity markets as wildly dangerous, largely due to trade uncertainties.

A recent \$1 drop on soybean prices will potentially cost soybean producers in just my State of South Dakota alone \$225 million. Corn, wheat, beef, and pork are all suffering market price declines as well due to current trade policies.

And I would like to drive home the point that with every passing day, the United States loses market share to other countries competing with our ag product market, some of it unlikely to be recaptured.

So I have two questions. First, with low and recently dropping crop and livestock prices and slim profit margins, producers are looking to the administration to create more opportunities for trade, not less. What is the administration doing to increase ag exports and promote jobs in rural communities? And how long will farmers, ranchers, and the rest of rural America have to hold their breath until U.S. trade with multiple global partners stabilizes? Question number one.

Second, what new trade agreements is the administration working on to counterbalance what we may lose if we do not reach an agreement on NAFTA to offset what we gave up by pulling out of TPP and to anticipate the result of imposing crippling tariffs on our top trading partner, which is China?

Secretary ROSS. Well, I met last Friday with a delegation of farmers from North Dakota. And they voiced similar concerns, but they amplified it in another direction as well. They felt that the market price, at least of soybeans, which was the main product



they discussed with me, that the market price decline has been exaggerated by speculative activity.

Their belief is that the price will level out at a better level than it is now. They also believe, and our own research tends to confirm, it will be relatively difficult for China to fully implement their threat on soybeans. The fact is that Brazil now ships to China around 55 percent of the soybean imports it needs. We ship around 32, 33 percent from America.

For Brazil to replace us—and they are the only one which has remotely enough capacity to do it—they would have to increase their exports of soybeans to China by 60 percent.

Well, if they could do that, they would be doing it already if they could do it at a competitive price. There is no evidence that Brazil has been holding back just because we did not put tariffs on China.

So I think you are going to find that as this thing settles down, while there probably will be some problems, two things will happen. One, to the degree that China is able to pay a premium to Brazil to divert shipments from their other existing customers, that will open up for American farmers the markets that were vacated by that product. Whether that will be a full offset, I do not know, but I think that the current speculative activity in the ag futures market is due to anxiety, fear of the unknown, fear of what might come next.

And I sympathize very much with that, but I heard from big farmers directly, and they do think it is a little exaggerated. I do not know whether your constituents in South Dakota feel the same or not.

But the problem we have is, if we are not going to fix the big problem, which is the unfair trade practices, the abuse of intellectual property, now, when are we ever going to fix it? It is very, very difficult to do.

It would have been a lot easier had prior administrations dealt with it before things got as far out of hand. But the President feels very committed that we have to put maximum pressure on to have any hope of fixing the problems.

Senator THUNE. Well, and just so you know, there is a lot of consternation in farm country about this.

Secretary ROSS. Well, I know that, sir.

Senator THUNE. And I hope that you are right. I hope that things settle and stabilize. But in the long run, there are serious concerns about restricting access to markets rather than expanding it.

And obviously, in farm country, we have to do everything we can to grow our markets. And it does not seem, at least right now—we do not see a lot of evidence that there is any negotiation going on with respect to some of these countries that we missed out on with TPP.

Mr. Chairman, thank you.

Senator WYDEN [presiding]. Thank you, Senator Thune.

Secretary ROSS. And if I could just add one thing. You mentioned the proposal the Chinese had come up with about the \$70 billion, including a lot of ag. I was the one who negotiated that, so that does show you that the administration is trying. It is just that we were not able to accomplish enough to justify, in the President's mind, not going ahead with the tariffs.

So I think there already are some signs that we may get some ultimate resolution. I do not think the Chinese want a trade war any more than we do. And as you know, the President's general view is that the trade war was lost years ago. This is an effort to fix the outcomes that were unsatisfactory from it.

Senator WYDEN. Senator Casey?

Senator CASEY. Thank you, Mr. Chairman.

And, Secretary Ross, thanks for being here.

I sent a letter with Senators Brown and Portman regarding electrical steel. That was back in March. At that time, that letter asked the President to expand the scope of 232 to cover downstream electrical steel products.

We followed up on that request with your office and the White House staff, as you know.

We have only one electrical steel manufacturer left in the United States. They have been hammered by dumped imports of electrical steel and minimally transformed downstream products. The continued import of these dumped products in the U.S. not only endangers good-paying jobs in Pennsylvania but also puts at risk the last domestic producer of electrical steel, which is of significant national security importance.

I was glad to see the Trade Representative included downstream electrical steel products on their 301 list.

Secretary ROSS. Yes.

Senator CASEY. Could you provide an update on where things stand with regard to the inclusion of downstream electrical steel products?

Secretary ROSS. I believe there is no doubt that they will be included. There will be a big list forthcoming very, very shortly. And I believe that will cover the downstream products in the electrical steel as well as in some other areas.

And I do not know if you were here for my opening remarks, but we have also supplied a supplemental list to the U.S. Trade Representative of other industries that we have become aware have hit the same problem where, instead of it coming in as raw steel or with a relatively low degree of processing, it is coming in as a little bit more sophisticated product.

So we are working actively to deal with that, because that is even worse than the steel itself coming in, because now you are hitting another layer of value added, another layer of jobs just beyond the steel. So we are totally cognizant of that.

And unlike some others' considerations, that is something we believe we can very well deal with in the 301.

Senator CASEY. Thank you. And I was also going to ask you today about newsprint tariffs. As you know, we have, in a State like mine, we have a couple of major papers and then a lot of smaller papers. Lots of jobs are at stake when it comes to policy that affects those newspapers.

Secretary ROSS. Yes.

Senator CASEY. You and I have spoken about this, and I appreciate you taking the time to talk about it.

I, after our conversation, sent a letter to you regarding the initiation of a suspension agreement. I hope you are giving that suspension agreement request and the accompanying data provided seri-

ous consideration. And I hope you take the appropriate action to address those concerns that are raised by lots of papers across our State and I am sure many others.

Secretary ROSS. Yes. I just received your letter within the last couple of days. And I would make the same request to those papers: give us the per-page cost, give us the information.

I do not know if you were here when this question was raised before, but what we are seeking from the papers is, how much paper do they use in a page? How many pages do they publish in each issue? And what is the subscription price or the price that they have, so that we can put it into perspective?

Because for sure, any time you deal with products that have been dumped, for sure somebody is going to bear an increase. The question is, is that really an important increase to them? Or is it just something which adds a little bit to existing problems that they have from Internet and from social media and stuff that is unrelated to paper?

So to the degree you can get your newspaper constituents to give us those data, it will be a great help.

Senator CASEY. We will work on that and provide an ample record.

Secretary ROSS. Thank you, Senator.

Senator CASEY. Thanks, Mr. Secretary.

Senator WYDEN. Senator Brown?

Senator BROWN. Thank you, Mr. Secretary.

I would like to ask if you would, just in the interest of time—I am going to ask a series of questions. I would like a “yes” or “no,” if you would answer that way, please.

First of all, I am wondering about the electrical steel issue resolved in 232. In your 232 steel investigation, you identified steel mills that had closed because of imports. According to the steelworkers, since 2012, some 6,500 to 7,000 USW members have been laid off in my State alone due to steel plant closures in Steubenville, Yorkville, Martins Ferry, Warren, and Lorain, mostly in the northeast quadrant of the State.

We know the culprit behind these layoffs is global steel overcapacity, which started as a singularly Chinese problem but has infected the global market as other countries have followed their lead with State-supported steel companies.

You know all this.

My first question is based on your 232 analysis. Would you expect more steel mills to close and would you expect thousands more workers to be laid off in Ohio and across the country if the U.S. took no trade enforcement action to address China’s steel overcapacity?

Secretary ROSS. Yes.

Senator BROWN. Okay. Thank you, Mr. Secretary.

I often say, if we do not address unfairly traded steel imports now, China and other countries will just move down the supply chain. Today it is steel, tomorrow it is cars or some other finished product.

Do you agree China intends to use unfair trading practices to gain market share, not just in steel, which they have done, but in other sectors down or up the supply chain?

Secretary ROSS. Yes.

Senator BROWN. Okay. Thank you, Mr. Secretary.

Given the role you have had in trade talks with China, do you believe it would undercut U.S. leverage in these negotiations if Congress took action to weaken our trade enforcement tools, whether by undermining the section 232 statute or our anti-dumping and countervailing duty laws?

Secretary ROSS. Yes.

Senator BROWN. Okay. Thank you, Mr. Secretary.

And I thank Ranking Member Wyden for his outspoken, especially recently, ringing defense of trade remedy laws.

Last question. Senator Grassley and I, a Republican member of this committee, have written a bill to review foreign investment in the U.S. to determine if it is in our long-term economic interests.

We know China is trying to gain U.S. market share by buying up our companies. Right now, if the investments fall outside the scope of CFIUS, the Committee for Foreign Investment in the U.S., outside our national review scope, we do not review them at all.

The bill that Senator Grassley and I have would give you, the Secretary of Commerce, the authority to review those investments and give us another tool to fight Chinese unfair trade practices and their investments here.

Senator Grassley and I want to get this bill signed into law. There is a lot of interest in both parties here. We would like to get it into law, particularly as the administration considers investment restrictions against China.

Will you work with Senator Grassley and me to get this bill to the President's desk?

Secretary ROSS. Well, we are happy to help you with anything that will make it easier to restrict the Chinese investments here.

As you know, we have in place right now some 446 trade actions against various countries for various infractions. Of those, about half are against China and about 40 percent of that half are on steel.

So that means the 60 percent that are in products other than steel already, to the degree that we could have the ability to pass on anything that the Chinese were trying to acquire, it would be very useful power, because right now the CFIUS is somewhat constricted as to what can be done. FIRRMA\* will be helping in that regard. So whatever—

Senator BROWN. Good. Thank you.

Are you willing—and this is just to make clear for anybody listening, I know the Secretary understands this. This is about Chinese investment in the U.S.—or other countries' investment in the U.S. Are you prepared to take a position in support of that bill at this point?

Secretary ROSS. Well, I am prepared to take a position in support of the objective for sure.

Senator BROWN. Okay.

Secretary ROSS. I have not read the bill in detail.

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\* Foreign Investment Risk Review Modernization Act of 2018.

Senator BROWN. Okay. We want to get with you and your staff to get an endorsement from the administration—and more than just an endorsement. But we will do that.

And thank you for all your answers.

And my invitation for you, as we talked about after your nomination and since, to come to Lorain steel plants still stands. I hope you can make it.

Secretary ROSS. Thank you very much. As you know, Lorain is one of the communities where facilities have been reopened.

Senator BROWN. Well, we are working on it.

Thank you, Mr. Chairman.

Senator WYDEN. Senator Toomey?

Senator TOOMEY. Thank you, Mr. Chairman.

Mr. Secretary, thanks for joining us today.

Well, I am very concerned about a number of aspects of these 232 tariffs, not the least of which is, it does not seem to me that the administration has taken into account the fact that for every person who works in the steel production industry, there are probably something on the order of 40 or more people who work in steel-consuming industries. And so we are picking winners and losers, probably resulting, in my view, in the risk of far more jobs lost than jobs that are going to be gained.

One company that comes to mind—and I mentioned this company to you on the phone, and I have sent a letter to you. By the way, I sent the letter almost 2 months ago, and I have not yet received a response. I would appreciate it if I could get a response—

Secretary ROSS. It is en route to you as we sit here.

Senator TOOMEY. Okay. It has been almost 2 months. And it was a list of many Pennsylvania companies that have applied for exclusions. Allegheny Technology is one, a steel producer. And because they have been able to import a particular type of steel that is not commercially available in the U.S., they bring it into a facility they have in Pennsylvania where they recently brought back almost 100 workers.

These workers have total compensation packages, on average, that exceed \$100,000 per worker. These are good jobs. And every one of them is at risk if they do not get an exclusion. They have not heard anything since their submission in early April.

And I certainly hope they will get a prompt response, because these guys do not deserve to lose their jobs because we have decided to impose taxes on American consumers of steel. I hope that we will get a quick resolution to their situation.

But I think other circumstances are more difficult. I recently had a conversation with an executive from Kraft Heinz. Right?—iconic American company, co-headquartered in my State. Heinz ketchup is a quintessentially American product. I do not think I have had a day of my life that their ketchup has not been on the shelf in my kitchen.

Well, it is interesting. As a result of NAFTA and the free trade agreement we have with Canada and Mexico, Kraft Heinz decided to reorganize their supply chain, and they moved production facilities from Canada to the United States. And all of the ketchup that

they sell to Canada, and they sell a lot, is manufactured in the United States.

Well, unsurprisingly, the Canadians have decided that they are going to impose huge taxes on the sale of American ketchup. So it is hard to imagine that this does not dramatically erode their market share.

And there is a solution for Kraft Heinz. They have not suggested this to me, but, you know, I was not born yesterday. The solution for them to be able to continue to sell their product in Canada would be to shut down their U.S. factory and move to Canada, then they would not be subject to these tariffs.

So I am very, very concerned about the direct consequences for the downstream steel and aluminum users. And we are seeing the threat to their jobs. And I am really concerned about the retaliation, which has not even really started to hit us yet, but it is going to hit the people who make Kraft and Heinz products.

And so I guess I would like to follow up on a question that Senator Bennet was pursuing. With respect to section 232 tariffs on Canadian steel, I did not hear a persuasive argument for why the importation of these modest amounts of steel from Canada amounts to a national security threat to the U.S.

So let me pose the question a little differently. What policy change would the Canadians have to make, what changes, what would they have to do so that the administration would stop taxing my constituents on the steel that they buy from Canada?

Secretary ROSS. Okay. As I believe you know from testimony from Ambassador Lighthizer—and you know from the media as well—we have initially exempted Canada and Mexico from the 232, pending negotiations of the NAFTA overhaul.

Unfortunately, those talks were not able to come to a conclusion. Ambassador Lighthizer has indicated publicly that he is optimistic that after the Mexican election, which is, I believe, the 1st of July of this year, that those talks could pick up steam again.

So our objective is to have a revitalized NAFTA, a NAFTA that helps America. And as part of that, the 232s would logically go away, both as it relates to Canada and as to Mexico.

Senator TOOMEY. So I am about to run out of time, so let me just respond to this.

First of all, I am very deeply concerned that the very provisions that Trade Representative Lighthizer is seeking would make NAFTA a much lesser agreement. It would weaken NAFTA. One of them is to have a sunset provision which basically causes NAFTA to expire.

In that kind of context, I think we can expect to see a departure of investment from the United States, which would be harmful.

I wish we would stop invoking national security, because that is not what this is about. This is about economic nationalism and an economic policy of managing trade.

When South Korea is exempted from 232 securities because they agreed to lift a quota on American car exports, which we were not hitting anyway, and they agreed that we would punish our own consumers of South Korean light trucks and that got them exempted, that has nothing to do with national security.

Mr. Chairman, I see my time is up, but I want to urge the Commerce Secretary: please do not impose these taxes on my consumers with respect to automobiles.

And since we are witnessing what I think is a wholly inappropriate use of the 232 tariffs, I would urge my colleagues to support the legislation that Senator Corker and I have, which would restore to Congress the authority to make the final decisions about the imposition of those tariffs.

Senator WYDEN. I thank the Senator.

A couple of other questions, Mr. Secretary, and we will see if other colleagues are coming.

So the Commerce Department made a deal with ZTE. And I was struck by the fact that during all of this, the Trump administration had a nominee, Mr. William Evanina, to head an important and new counterintelligence post.

And this was an open hearing in the Intelligence Committee. We do not have very many. And I asked Mr. Evanina if he thought ZTE was an espionage threat. There has been a bipartisan report on this in the past. And he said, "yes."

So the Commerce Department has now entered into a deal with ZTE. So my question is, does the Commerce Department believe that the espionage threat that the counterintelligence nominee was concerned about—does the Department believe that the espionage threat has gone away?

Secretary ROSS. I think it is a little more complicated question and a little more complicated answer.

When the only powers that Commerce has relate to enforcement of export controls, ZTE violated those provisions by breaking the sanctions both to North Korea and to Iran.

That is why in early 2017 we forced them into a settlement agreement that was approved in court. And that agreement provided for them to pay, between escrows and actual cash, over a billion dollars and to agree that in the event they had further violations of the agreement that we could take one of two courses of action. One was to confiscate the \$300 million that had been suspended as part of the original deal, and two was to shut them down.

The staff at BIS, which is Bureau of Industry and Security—and that is the relevant part of Commerce—they recommended that in punishment for the second thing that came up just recently, namely March of this year, which was not further sanction violations, but rather proof that ZTE had lied to us during the negotiation process and after it, they recommended that we grab the \$300 million.

I felt that that was not enough of a penalty and therefore initiated the action, with the support ultimately of BIS, that we not do the \$300 million, that we instead shut them down.

When President Trump made the request that we reconsider and see if there was some other way to deal with the behavior that is within our domain—which is not espionage, it is simply violation of export controls—we came with the new solution of fining them a billion dollars more and \$400 million in escrow, but more importantly, the right to put in a monitor of our choosing, a group of people of our choosing, who would have unfettered access to ZTE.

There has never been an enforcement case of either an American company or a foreign company where we have gotten that power.

So I believe, and I believe most people agree, that from a strictly enforcement point of view, which is all that Commerce is empowered to deal with, from a strictly enforcement point of view, I think if this had been our original solution, everybody would have applauded it.

It is only with this other revelation about espionage, if that is outside my—

Senator WYDEN. Whoa, whoa, whoa. Please, Mr. Secretary. I have let you go on for quite a while. Recent revelation about espionage?

Mr. Evanina, when he came—I pointed out that the House, on a bipartisan basis, has been talking about the fact they think ZTE is an espionage threat for years.

Now, you certainly have a right to basically take the full 5 minutes to take me through this explanation, but I still have not gotten an answer as to whether you and this administration agree with Mr. Evanina, who said in an open hearing that it was an espionage threat.

So what I would like to do is, I will hold the record open and have you give us in writing—and consult with your colleagues—whether you all feel that ZTE is still an espionage threat. Because what I see in the trade area—and certainly, we need not go in to differences you have had with Mr. Navarro and Mr. Lighthizer—one of the big challenges in building the bipartisan support for the President's trade policies, where there is lots of opportunity to come together on enforcement and on China and on upgrading NAFTA, is it is virtually impossible to sort out how different voices within the administration speak on trade and, in my view, seemingly contradict each other.

Because when I asked Mr. Evanina in an open intelligence hearing about whether he thought ZTE was an espionage threat, he did not have a 3½-minute answer, he had one word: "Yes, I consider ZTE an espionage threat."

So let me ask you about one other matter. And we will wait to have a written response. Could we have that within a week with respect to ZTE as a current espionage threat with you and your associates in the administration? Is that acceptable to you?

Secretary ROSS. We will respond to all of the requests for written answers as promptly as possible, sir.

Senator WYDEN. Well, I would like that, again, in a week because, as you know, we are continuing the debate here in the Congress with respect to ZTE. So I hope that we will get this within a week.

One other question with respect to how you all intend to proceed in some of these areas.

When there was discussion with respect to the tariffs on steel and aluminum and how you were going to look at this going forward—and I think your prepared statement touched on this—you said you would evaluate it on the basis of what constitutes good management, and then you had other criteria.



So are you all going to be in the business of trying to create measures for what constitutes good management for these areas of the economy that are so important to American businesses?

Secretary ROSS. No. What I was referring to was that our objectives in the steel and aluminum tariffs were to get the volume levels and the facility utilization levels to a point where, with decent management, they should be able to be self-sufficient, able to support the necessary R&D, able to support the necessary capital expenditures, and therefore be viable as long-term entities.

It was not that we are going to pick and choose winners and losers in that regard. It simply was to get the operating rates up to where decent management could survive.

Senator WYDEN. One last question. And we understand you have to go here around 11:15. There are colleagues who are coming back because of the vote schedule.

On the autos investigation, I am curious whom you talked with in connection with putting this all together. For example, did you talk to the United Automobile Workers? Was this something that you all did as you tried to reach out? And same thing with respect to business.

And by the way, I did not hear about it as the ranking Democrat on the Senate Finance Committee, which troubles a lot of the members because there are consultation requirements, as you know, embedded in the law.

So when you took on this auto investigation, whom did you consult with?

Secretary ROSS. Well, we took it on, as you know, at the request of the President. The period for comment from unions, from the members of the industry, from foreign companies, from the interested parties in the public, is just now beginning. I believe we have issued the public Register notice about hearings and comment periods.

And at the recent request of the American automotive industry, we have extended the deadline for that by a week so that they can provide the full breadth of information that they wish us to consider.

We obviously have not talked to all the participants, because the investigation is just beginning.

Senator WYDEN. Well, as you know, 232 is different with respect to consultation. And one of the concerns I have is that there ought to be more consultation with the Congress. And as far as I can tell, the way this process unfolded on 232 is, you pretty much had one conversation: you had a conversation with the President.

And to me, when we are talking about something with such sweeping implications for the American economy, we are going to have to do better with 232 and with consultation.

I hope my colleague from Missouri made the second vote.

Senator MCCASKILL. I did.

Senator WYDEN. So I think we can hand the gavel off to her. There may be other colleagues coming.

Senator MCCASKILL. I believe there are; there are a number on the floor who have not yet questioned the Secretary.

Senator WYDEN. I think I see Senator Whitehouse.

And it would be good if, Senator McCaskill, you can handle the remainder of the hearing, because I am going to have to take off.

Senator MCCASKILL [presiding]. Thank you.

Mr. Secretary, thank you for being here.

You know, as someone who has listened to my colleagues across the aisle bang the podium for free markets and less regulatory burden, I feel like I have gone down the rabbit hole as it relates to the issues that we are discussing today.

It appears to me that in a chaotic and, frankly, incompetent manner, you are picking winners and losers on a very technical basis, according to all the reporting we have, without a great deal of training.

And the regulatory burden is so extreme on small businesses. For example, if someone gets a waiver for a very specific product—and I do not need to tell you with what kind of specificity. I mean, many of these companies are filing dozens of waivers based on having to file a different one for every slightly different product. A waiver for a very specific product for one business does not even result in a waiver for another business with the exact same product.

You are requiring that these waivers be filed every year. And many of these are small businesses. And I want to tell you the story of one.

The majority of nails that are manufactured in this country come from a company called Mid Continent Nail Corporation in Poplar Bluff, MO. It is about an hour down the road from the aluminum smelter that you referenced in your opening statement. It is the only large-scale producer of steel nails in the United States. They produce over 50 percent of the nails made in America.

The company has 500 workers in a town of only 17,000. They are the second-largest employer in Poplar Bluff.

So far, in response to the tariff, they have lost almost half of their business in 1 month due to price. They went from an average of 9,000 tons of nails sold every month—in June, that dropped to 5,500. In July, the company will sell fewer than 4,000 tons.

The customers can easily source nails manufactured in other countries.

So they have now laid off 60 of their 500 employees. They have idled their most sophisticated production facility in Poplar Bluff. And they are expected to cut 200 more jobs by the end of July. And the company, which has visited with us at length, believes they will be out of business by Labor Day.

They absorbed the duties for inputs because the inputs were in fact so much cheaper. They have filed 24 separate exclusion requests, but there will not be enough time for them to potentially save their business.

Now, down the road, the smelter has indeed added jobs. But at the end of the day, we are going to lose more jobs an hour down the road at the nail company than we may gain in the smelter.

And so, this is what is happening. All of us have talked about this. And frankly, I do not want—I mean, I would love to save this company, I want to save this company, but there is something very wrong when people on this committee are able to jump the line with individual companies and have you call someone in Kansas or

have you go back and figure out how you can help this nail company when there are thousands of employees across this country who are potentially going to lose their jobs because, on the day you announced the tariffs, you have not done the homework about what exclusions would be appropriate.

And that could have been done. That is what George W. Bush did when he announced steel tariffs. On the very day he announced the tariffs, they announced exclusions.

And that is why it feels like what is going on over there—training people and 3-hour sessions with something so complex—really feels chaotic and incompetent.

Secretary ROSS. Well, let me address the several remarks.

First of all, Mid Continent only filed their exclusion requests 2 days ago. So for whatever reason, they did not file it on a very prompt basis. If they had—

Senator MCCASKILL. They filed it last week.

Secretary ROSS. Yes, 2 days ago. We received it 2 days ago.

I do not understand—and I am not belittling their situation at all. But given the importance of it to them, it is very unfortunate that they waited all these weeks to file the request. Because, under the authority we were granted, there is a process which we have to follow.

Senator MCCASKILL. You could have excluded them on day one, Mr. Secretary. You had the ability to list exclusions on the same day you announced the tariffs. That was just a matter of homework. It took you a year to figure out the 232, why couldn't the experts at Commerce figure out the exclusions that would obviously apply?

Secretary ROSS. Well, all I can tell you is, we can only deal with exclusions of which we are aware. And they just filed theirs very recently.

But more substantively than that, I do not think you were here earlier when I described the process—

Senator MCCASKILL. No, I heard. And by the way, it would be really helpful if you are going to bring charts like that if you would give us all copies.

Secretary ROSS. Sure.

Senator MCCASKILL. That would also be something that you would think would be normal: that you would distribute the charts that you are going to put up, that, frankly, I could not read from over here.

Secretary ROSS. Oh, we would be very happy to. We just completed the charts last night.

Senator MCCASKILL. Well, then you could use a copy machine. There are not that many members on the committee, Mr. Secretary.

Secretary ROSS. We will be happy to provide you with them.

Senator MCCASKILL. That would be great.

The CHAIRMAN. That will be good.

Senator Cantwell?

Senator CANTWELL. Thank you, Mr. Chairman.

Secretary Ross, we have had many conversations about Washington State and trade writ large. I guess I would say this, that we kind of look at trade wars as very 1980s retro policy, because

one in four jobs is related to trade. So whether it is aerospace or agriculture or now seafood that is going to be impacted, when we have trade wars, it impacts the Washington economy in a major way.

And so many of our businesses have fought these same fights that you are trying to fight, but they have tried to avoid the trade war because, in the end, what happens is, somebody pays the price. And in this case, we are very, very concerned about agriculture.

So not only do we have 10-billion-plus-dollars revenue from ag in our State, we push through our ports about \$182 billion worth of ag products. So anything that affects ag affects our State writ large.

Anything obviously on the steel tariffs impacts aerospace. And now we are faced with this seafood issue.

So I guess what I am really trying to understand is, how do you think this end game is going to support people who are in a sector that is paying the price in the short term for, as many of my colleagues have said, this area of job recovery in one area but tremendous risk and failure in other areas if these tariffs continue?

Secretary ROSS. Well, the President's objective is not to end up with high tariffs, and his objective is not to end up with a trade war. He has made that pretty clear.

Senator CANTWELL. Do you think we are in a trade war right now? Because I do.

Secretary ROSS. Well, if I could finish. His objective is to get to a lowering of trade barriers, both tariff and nontariff ones, and to protect intellectual property.

The problem we have is that, because of constrictions imposed by the WTO rules, there are relatively few tools we have to accomplish those objectives. The main tool seems to be one of trying to put pressure on China and on other parties that are doing what we view as untoward practices, because the only way we are going to get them to change and protect another big industry in Washington, namely one very dependent on high tech and very dependent on intellectual property—those are the industries of the future as well as the industries of the present—is to put pressure on them.

The purpose of this is to get to an end game that is much closer to free trade than anything the world has seen before.

The tragic fact is that, historically, we are the least-protectionist country in the world, and we have the deficits to show for it.

It would have been much easier to solve these problems sooner. They were neglected. The President has decided to take decisive action to deal with these problems now. That is what is our purpose.

Senator CANTWELL. Mr. Secretary, so I just want to be clear. Do you think we are in a trade war right now? Because that is where I see us.

Secretary ROSS. As the President has often said, we have been in a trade war forever. The difference is that now our troops are coming to the ramparts.

Senator CANTWELL. No. Mr. Secretary, I want you to hear me. Apples and cherries are getting hurt.

Secretary ROSS. I understand.

Senator CANTWELL. People who are farmers, who are small businesses, individual businesses, who fight every day to get access to Asian markets, to India, to Canada, to Mexico, they believe in a trade policy that keeps moving forward. Why? Because they gain access and there is a growing middle class around the globe.

They get that we can grow things and be competitive at growing things, even if there are more value-added products. American agriculture can still win.

But what they cannot win at is if you push them off a shelf space right now with a huge tariff and they go out of business; they are not coming back. Once you get whatever you think you are going to get later, that person does not refinance their company and just come back; they might be out of business forever.

So I do not think you are empathetic enough to the plight of agriculture.

Now seafood, which, again, is also on short margin, is going to be in the same spot. And these people might go out of business while you are creating this trade war.

So I would just say, Mr. Secretary, trade wars are not good; they are very damaging. And for the State of Washington, they are very very damaging.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Whitehouse?

Senator WHITEHOUSE. Thank you very much.

Secretary Ross, I am over here in this corner. [Laughter.]

I would like to try to get what information we can that either your department or the Treasury Department has about what the administration's expectations are for how this plays out.

We know what tariffs the administration is planning to impose. You know that because they are your tariffs. So that is a known, correct? Yes?

Secretary ROSS. Yes. Ours and USTR.

Senator WHITEHOUSE. And we probably have some pretty solid intelligence and estimates and conclusions about, if we do X, the Chinese do Y, the Canadians do Y. So we have some capacity to predict what the trade countermeasures are likely to be.

So, given then what we know about our own tariffs and given then what we predict about trade countermeasures, presumably somebody at Commerce or Treasury is thinking through how those inputs cascade into different industries and what different industries have to look forward to.

Now, if you are Senator Cantwell and you have Boeing in your State, that is a very big company that can pretty well take care of itself and try to figure this out as best it can.

But if you are a Rhode Island parts manufacturer with 30 employees that is providing things to Boeing, it is really hard to know how this apparently unplanned or only simply planned or partly planned cascade of tariff consequences is going to come down and hit you.

So I guess my question is, what does the Commerce Department have and, to the extent that you know it, what does the Treasury Department have by way of predictions as to how these trade con-

flicts will cascade into the American economy? And who needs to worry the most? What do you have for information?

I assume you looked at that kind of stuff before you embarked on this. And I would like to see whatever it is that you've got.

Secretary ROSS. Okay. Well, as to the 232s, we have testified before about research we have done into the direct impact of the 232s on various segments of the economy. I think you are aware that we have testified that it is a fraction of a penny on a can of Campbell's soup, it is a fraction on a can of Budweiser, a fraction on a can of Coke, that it is less than 1 percent on the cost of an automobile. We have done those kinds of research.

Senator WHITEHOUSE. Can we see those studies? Can we see those studies? Would you let us have a look at that? Can we make that a question for the record?

Secretary ROSS. Sure. Well, they are not very difficult to figure out.

Senator WHITEHOUSE. They are difficult for a Rhode Island manufacturer with 30 employees to figure out. If the government has that information, it would be great if you could share it so we could have a sense of what to expect.

Secretary ROSS. Well, the best proof that they are accurate is, with all the complaints that have been voiced about the 232s, no one has refuted the percentages that I have quoted.

Senator WHITEHOUSE. I am not trying to refute them; I am trying to get access to them.

Secretary ROSS. Sure.

Senator WHITEHOUSE. I am trying to get that information to us. So will you—

Secretary ROSS. We are happy to do that.

Senator WHITEHOUSE. Sometimes a question for the record goes in and nobody ever answers it. So I want to be able to call up your legislative staff later on and say, actually, the Secretary agreed to give us this in the hearing, and maybe that will help them get the information to us.

Secretary ROSS. Yes. What we also did was take a look overall at the economy. And the total amount of the tariffs is a small fraction of 1 percent of the GDP. So it is not physically possible for the tariffs as such to have more of an impact than that on the overall economy.

Senator WHITEHOUSE. And my time is running out. I am down to 30 seconds.

So I just want to make sure that my request also includes whatever planning or projections were done for the President's announcement that he was going to jack up the China tariffs \$200 billion.

So specific to that particular trade threat, I would like to see what the economic projections are as to how that plays through.

Secretary ROSS. Well, that one is not Commerce; that relates to the U.S. Trade Representative.

Senator WHITEHOUSE. Yes, but I have you here. So I assume you have access to that material, right? You are the Secretary of Commerce; they are not going to tell you, "No, you cannot see that."

Secretary ROSS. I really think your proper party to ask that to—we are not 301; we are the 232s. I would be happy to relay the request to the U.S. Trade Representative.

Senator WHITEHOUSE. So you are truly telling me that you are not going to answer this question, I should go knock on a different door in the same administration?

Secretary ROSS. No. There are different doors because we have different responsibilities and different functions.

Senator WHITEHOUSE. But you do have access to the U.S. Trade Representative's materials, do you not? You talk to each other, you exchange documents. You are operating as a team, are you not?

Secretary ROSS. Everyone has access. If you would like to submit that as a written request, we will respond as—

Senator WHITEHOUSE. That is what I would like to do. I am just trying to clarify that.

Okay. Thank you.

The CHAIRMAN. Senator Portman?

Senator PORTMAN. Thank you, Mr. Chairman. I appreciate you having the hearing today. And, Secretary Ross, good to have you back.

You guys have been busy, clearly.

As you know, I am supportive of cracking down on China. I think it is necessary. I think we have tried in the past; it has not been successful. And my hope is, we will have more success. We have to be careful about an escalation there.

I also support what we are doing with regard to a better NAFTA accord. We need NAFTA, we need it badly, but we have to be sure that it is updated.

I also believe in leveling the playing field on trade generally. I am the author of the Leveling the Playing Field Act with Senator Brown. We have been winning cases consistently, including steel cases, because of unfair trade dumping and subsidies.

My concern is 232. And you and I have talked about this.

Secretary ROSS. Yes, sir.

Senator PORTMAN. It is a very extraordinary remedy that ought to be used very carefully and very selectively. And it ought to be used for national security reasons, which is why it was drafted.

Frankly, my concern is, the way we are using it now, it is both misusing it and having negative economic impacts in certain sectors, but also I think it risks us not having this tool in the future. Because, although the WTO has not yet adjudicated this case, if we are pushing the envelope beyond national security, I think we lose a tool that could be very important for us in a true national security situation.

I am deeply concerned about its application to Canada, as an example, our number-one export market from Ohio, the country's number-one export market. Mexico, the EU—I do not see the national security perspective there.

And I have looked back, you know, to try to figure out, well, what did we mean back in the 1960s when we came up with this bill? It has only been used, as you know, a few times. It has not been used in over 30 years.

Secretary ROSS. Right.

Senator PORTMAN. George Bush tried to use it, and his Secretary of Commerce said it was not a national security concern with regard to steel, so he had to use another measure.

It does not require any surge. It does not require any showing of material injury. So it is very unusual in terms of our trade laws and ought to be used for national security concerns.

When you look back at the then-chairman of the Ways and Means Committee, what he said, he talked about, you know, this needs to be used to be sure we are helping our allies, not hurting them. He said any modification of a duty on imports would inevitably result in curtailment of exports; it could be a burden on the domestic industry. It would not only be a burden on the domestic industry, an economic disadvantage, it would also be a disadvantage to national security. So that was the thought here: this would be very narrow.

And speaking of damages, Ohio, as you know, is disproportionately hit. We are hit harder than any other State by the Canadian retaliatory tariffs, as an example, because of 232.

So I get your argument that we have a global glut of steel. I agree with that. China is the reason. Fifteen years ago, they had about 15 percent of production; now they have about 50 percent of the world's production. They do not need it, they are sending it out below its costs. That is dumping. That is why we are winning these cases, including almost a 300-percent tariff on some of the rolled product from China today.

I believe that the ENFORCE Act ought to be used much more aggressively. This is something I worked on with Senator Wyden and others in this committee. It is in law to stop these transshipments, where China sends its product to one country and then it ends up coming to us. We are not enforcing it in the way we should. And Customs and Border Protection has a huge role to play there.

I think with regard to Canada and Mexico, there is a solution that we ought to be looking to. One, the ENFORCE Act. If you see a problem too, let us measure transshipment.

My understanding is, we do not know to what extent there is any transshipment. We are not even accusing them of that. We are certainly not accusing them of any unfair trade practices. But if that is true, let us have a trigger in place where, should that happen, we can react. It seems like that would be a very appropriate part of the NAFTA negotiations.

How would you feel about such an approach where we could measure transshipments and then have a trigger in NAFTA as compared to using 232, this blunt instrument?

Secretary ROSS. Well, at present, there is no measurement being conducted, because Customs and Border Protection is not very interested in things that are shipped between two countries that have no tariff to each other. So we simply do not have definitive data as to what is going on in the way of transshipment from China through Canada.

We have seen all kinds of transshipment with or without slight modification of product going on to get around the existing enforcement actions we have taken.



You are well aware, we have some 440 trade actions in force, including the one we just put in on the welded, large-diameter pipe, mostly against China.

But what happens is, the WTO rules—as you are well aware as former U.S. Trade Representative—require great specificity as to product and origin. So if they make a small modification, a steel bar like this, if they put a little, tiny flange on it, we have to start all over.

Senator PORTMAN. I would just say, Mr. Secretary—and I appreciate your response—that is why we wrote the ENFORCE Act, precisely to be able to get at those kinds of situations.

And I understand you are saying that Customs and Border Protection does not prioritize this issue as much as you would like them to, apparently. We agree. That is why we wrote the law.

So it seems to me, before we take these extraordinary actions and really risk the possibility of using 232 in the future, in my view—because I think the next time it is before the WTO, it is going to be very problematic for us, given the way we are using it without any national security connection.

Let me go on to another one, which is automobiles. What is the basis for a national security concern with regard to automobiles?

Secretary ROSS. Well, we are at the early stages of the investigation on the auto industry. So we clearly do not have conclusions.

There are a few things, however, that we are very concerned about, one of which is the automotive trade deficit that we have been experiencing.

If you look at the overall trade deficit of the—and we are going to put up a chart to show you why we think it is so important and so dramatic.

The blue bars, the vertical ones, are the amount of trade deficit each year. And you will see that starting about 1985, we had small trade deficits in autos; now we have a quite huge one, pushing \$140 billion a year.

We have a similar one in auto parts. And as you can—

Senator PORTMAN. Let me just say, because I am over my time—and I apologize. I wish we had more time. Maybe we can do a second round. I know you have to leave also.

But my point is not that we do not have a need to balance trade, it is what tools we use. And if you use 232—and I looked back at the legislative history. It has only been used three times since the 1960s when it was written. It has not been used in over 30 years, because other Commerce Departments have said this is not a national security concern—I do think that you risk these huge retaliatory tariffs that will be upheld.

By the way, our auto industry now is the number-one exporter in America.

Secretary ROSS. Right.

Senator PORTMAN. Cars and auto parts, the number-one exporter. So losing those export markets is a big deal to the auto companies as well. It is also a highly integrated industry, as you well know, given your background.

Secretary ROSS. Sure. Truly.

Senator PORTMAN. And so the supply chains are complicated, but they are international. So they are really concerned.

I just hope, Mr. Secretary, that we continue to make progress and level that playing field, reciprocity, but do it with the tools we have at our disposal that deal with unfair trade, that deal with surges, that deal with countries that dump, that deal with countries that subsidize, and be very, very cautious in terms of how we extend beyond that, because I think that will end up hurting our workers and our economy.

And I thank you for being here today. I look forward to continuing to work with you on this.

Secretary ROSS. Thank you very much, Senator.

The CHAIRMAN. Well, thanks, Senator Portman.

The witness's time—he is supposed to leave here at 11:15; he has an appointment at the White House.

Senator Isakson has a short statement. And then there is a quick question from Senator Cardin, if we can finish up that way.

Senator ISAKSON. I will be very quick.

I respect your time, and I appreciate you staying here this morning.

And I know whom you speak for and represent, and I know whom I speak for, which is the voters of the State of Georgia.

Let me just say this. In your first press conference on the steel and aluminum tariffs, at the end of that press conference you held up an aluminum can and made reference that tariffs would only add pennies to the cost of that can.

The largest producer of soft drinks in the United States of America and in the world is the Coca-Cola Company, which is headquartered in Atlanta. That pennies a can is pennies times a billion for the billions of cans of Coca-Cola and other products they produce that are sold every single day by their bottlers and their retail outlets.

The same is true with automobile companies. The same is true with everybody.

So, although a couple of pennies on a can is not much, a couple of pennies times a billion is lots. We are getting into a war that is going to cost lots of billions of dollars. And we need to be careful to follow the admonition of Senator Portman and make sure we know where we are going before we find out we got there and it is the wrong place to be.

Thank you, Mr. Secretary.

The CHAIRMAN. Thanks, Senator.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

And, Mr. Secretary, thank you for being here.

And I was listening to your exchange with Senator Portman, and a lot of that I agree on. Our enforcement rules we strongly support and want the enforcement rules used. The problem is that the way this administration is using 232 is unprecedented and not what was anticipated in that authority being given by Congress.

You also have pointed out, the framework for international trade under WTO does not cover a lot of things that we would like to see it cover. I have not seen the administration work within the WTO to try to make that more favorable towards the U.S. As you point out, we have open markets.

And lastly, in our bilateral and regional trade agreements, we have elevated the standards. And they have worked to help American companies. And you do not seem to be sensitive to trying to deal with some of these issues on that level.

So I share Senator Cantwell's concern that we are getting into a trade war. I do not understand. Are we in a trade war? I do not understand the administration's strategy.

Certainly, as we talk to some of our key partners, some of whom we have favorable trade balances with, they are scratching their heads as to why we are taking action against one of our NATO allies. So it raises significant concern, the manner in which the administration is carrying out the trade policy.

My quick question deals with some of the issues that have already been raised in regards to small companies. I am the ranking Democrat on the Small Business Committee. And I heard your exchange on this issue before.

But I would just point out, small companies do not have an army of lawyers that can help deal with exemption of products, and they cannot deal with the way that the original process was set up for exemptions. It just does not work for small companies.

We need to have some sensitivity for them to be able to get the help they need in order to make an appropriate case to you for an exemption of product line.

I would just urge you to work with us and the small-business community so we can find a streamlined process, perhaps through their industry representatives, so that they can pursue properly exemptions to these rules.

Secretary ROSS. Right. Well, I think you were perhaps not here earlier when I described some of the changes that we have in fact made. One of them is—

Senator CARDIN. I heard that exchange. I was not here, but I heard it.

But it is not working yet.

Secretary ROSS. Well, I honestly do not agree with that. It is working, but there are these time periods that are required, like the one that Senator McCaskill mentioned, complaining that we had not granted an exclusion to a request that was filed a few days ago after weeks and weeks and weeks during which it could have been filed. So it is not our fault if people file late.

And I put up a chart before. The number of filings that are still coming in is quite considerable. So we cannot deal with an exclusion request that has not been filed.

Senator CARDIN. And my point is that the process that you have set up makes it extremely challenging for a small company to be able to pursue a product line exemption.

Secretary ROSS. Yes. But the only way that we can deal with it is very specific products, the harmonized code, because that is the only way the Customs and Border Patrol can deal with things and implement them. We have no choice.

Senator CARDIN. Well, would you let a trade organization file the claim on behalf of a business?

Secretary ROSS. No, the reason that—

Senator CARDIN. So how do they have the capacity to do this?

Secretary ROSS. Here is the reason that that does not work, sir. The only way the trade association will know the harmonized code numbers, which are up to 10-digit numbers, the only way they would know them is to get them from the individual members. So adding another step to the process not only would not accelerate it, it would slow it down.

So we decided that it is better and essential to have the individual companies file the individual requests, and 29,000 or some such number have already been filed. So the process is under way.

Senator CARDIN. And you and I will just have to disagree on this. I am telling you, from our perspective, from the small-business role that I play, it is not working for a lot of small companies. They effectively cannot pursue this. It is because they do not have the capacity to do this.

Secretary ROSS. Well, I do not mean to be argumentative, but I find it hard to imagine that even a small company does not know the harmonized code number of the products they buy. I really have a great deal of difficulty—

Senator CARDIN. And I have a hard time understanding why a trade association could not do that on behalf of a small company.

The CHAIRMAN. Okay. Okay. This has been good. And I want to thank you all for your attendance and participation today.

And I want to thank you again, Secretary Ross, for your patience and for your being here today and answering the questions, your willingness to appear and answer our questions today.

And I ask that any member who wishes to submit questions for the record do so by noon on Friday, June 27th.

So with that, we are going to get you going so you can meet your schedule.

This hearing is adjourned.

Secretary ROSS. Thank you, Mr. Chairman.

The CHAIRMAN. Yes, sir.

[Whereupon, at 11:28 a.m., the hearing was concluded.]

## APPENDIX

### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

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PREPARED STATEMENT OF HON. ORRIN G. HATCH,  
A U.S. SENATOR FROM UTAH

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing with U.S. Commerce Secretary Wilbur Ross to examine the use of tariffs under section 232 of the Trade Expansion Act of 1962.

I intend to focus this morning on three investigations self-initiated by the Department of Commerce under section 232 of the Trade Expansion Act of 1962.

It should come as no surprise that many of us on the committee have concerns about the process, effects, and strategy behind these investigations and resulting actions.

That includes the serious problems that Senator Wyden and I raised in April about the product exclusion process, a process that still needs significant improvement.

In February, the Department of Commerce completed two of its section 232 investigations, one on imports of steel and the other on aluminum products.

As a result of those reports, the United States is currently imposing tariffs of 25 percent on steel products, and assessing tariffs of 10 percent on aluminum products.

Combined, these tariffs directly affect almost \$50 billion worth of goods, while also affecting many billions of dollars more in downstream goods.

American manufacturers are already suffering the consequences of increased cost and decreased supply of steel and aluminum inputs.

Take, for example, Bish's Steel Fabrication. Bish's makes custom industrial equipment in my hometown, Salt Lake City, Utah, and sells to customers in the United States and around the globe.

Bish's has been in business since 1945, but because of the Section 232 tariffs, they are worried about their future.

Steel prices are going up. Not just foreign steel subject to tariffs, but also U.S. steel.

As a consequence, Bish's has lost its competitive edge against foreign manufacturers and the company tells me that contracts for future work have all but dried up.

And Jack's Ornamental Iron, another Salt Lake City manufacturer, saw its steel costs jump 20 percent in less than two weeks since the steel tariffs were announced.

These companies are small, Mr. Secretary, but they are important sources of jobs in our communities, and they are particularly vulnerable to the consequences of the steel and aluminum tariffs.

On the other end of the scale, multi-billion dollar investments for new manufacturing plants that employ thousands of workers are also being put at risk.

As you are aware, Mr. Secretary, the Shell Pennsylvania Chemical Project is one of the largest economic development projects in the United States.

I grew up in Pittsburgh, and I know how important this development is for western Pennsylvania.

The project is expected to employ 6,000 construction workers and 600 full-time employees once the facilities are operational.

Unfortunately, this project is being slowed down and these new jobs are being delayed because essential parts are being stopped by Customs as a result of the steel quotas.

These parts are individually customized under contracts concluded years ago, and are suddenly being stopped at the Port of Long Beach because they contain steel from Brazil.

I know delaying these construction and manufacturing jobs, and even putting some of these jobs at risk, was not the intent of the actions on steel, but it is the inevitable result.

The negative consequences of the steel and aluminum tariffs are not isolated to manufacturing. Rather, the effects have spread throughout the economy.

Take, for example, American farmers who are bearing the brunt of retaliation for these actions.

As many of us know, Mexico is the largest export market for American pork, including pig farmers in Utah.

Recently, Mexico announced it will impose tariffs of 20 percent on U.S. pork in retaliation for U.S. steel and aluminum tariffs. China, our second largest overseas market for American pork, is increasing tariffs by 25 percent.

I just don't see how the damage imposed on all of these sectors could possibly advance our national security.

The steel and aluminum tariffs distract from the real trade issue that must be addressed.

The President has repeatedly stated that Chinese mercantilist policies harm U.S. companies and the U.S. economy—something I fully agree with.

However, these steel and aluminum tariffs utterly fail to address Chinese overproduction.

Of the steel and aluminum products targeted, only around 5 percent are from China.

Let me repeat that. Only 5 percent are from China.

In reality, these actions target our allies, particularly Canada and the European Union, with whom our trade in steel and aluminum products far exceeds our trade with China.

This is not just my opinion.

The U.S. Department of Defense has stated that it is “concerned about the negative impact on our key allies” of the steel and aluminum actions recommended by the Department of Commerce, particularly global tariffs and the use of quotas.

The lessons of the steel and aluminum tariffs are clear: these tariffs do not support U.S. national security.

Instead, they harm American manufacturers, damage our economy, hurt American consumers, and disrupt our relationship with our long-time allies while giving China a free pass.

That's why I was stunned to hear on May 23rd that the Department of Commerce has initiated another investigation under Section 232, this time into the national security implications of imports of automobiles and auto parts.

This investigation covers more than \$200 billion worth of trade, four times larger than that under the steel and aluminum investigations combined.

A car isn't a can of soup, Mr. Secretary.

For most American families, their car is the second biggest purchase they make, and many require a car to get to their jobs.

It is a significant financial commitment for most families, often paid for with debt, and I'm shocked that anyone would consider making it more expensive.

The average price of an imported car is \$23,200. If the Department of Commerce were to recommend a 25 percent tariff on cars, it would be recommending raising the cost of an average imported car for an American family by \$5,800.

To put that in perspective, the median household income in the United States is just over \$59,000.

That means that roughly ten percent of the median household income could be erased purely by the additional cost of a single car.

That's why I call tariffs a tax on American families.

And the Tax Foundation agrees.

It estimates that auto tariffs could result in a \$73 billion tax increase on American consumers and businesses, erasing many of the benefits of tax reform passed earlier this Congress.

Not only would these tariffs cost American families, but would also they put American jobs at risk.

The Peterson Institute calculates that auto tariffs could cause 195,000 workers to lose their jobs. That's nearly 200,000 people out of work, and that's before other countries retaliate against American auto manufacturers, which supports U.S. jobs by exporting \$65 billion worth of autos per year.

And once again, though supposedly pursued for national security reasons, tariffs on cars and trucks target our closest allies—namely Europe, Canada, Mexico, Japan, and South Korea—while allowing China to continue its predatory trade policies undeterred.

Mr. Secretary, as you consider these tariffs, know that you are taxing American families, you are putting American jobs at risk, and you are destroying markets—both foreign and domestic—for American businesses of all types, sorts, and sizes.

I hope you consider that carefully as your Department conducts its investigation into the national security threat from imported automobiles and auto parts.

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PREPARED STATEMENT OF HON. WILBUR L. ROSS,  
SECRETARY, DEPARTMENT OF COMMERCE

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 8th imposing a 25-percent tariff on steel imports and a 10-percent tariff on aluminum imports. The President subsequently signed additional proclamations on March 22nd, April 30th, and May 31st, 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, IL, 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, OH.
- Liberty Steel is reopening its wire rod coil steel facility in Georgetown, SC.
- Magnitude 7 Metals is restarting 236,000 metric tons of aluminum production in Marston, MO.
- Century Aluminum is investing \$100 million dollars to restart and modernize its high purity aluminum smelter in Hawesville, KY.
- India's JSW Steel Limited announced in March 2018 that it paid nearly \$81 million to acquire the Acero Junction facility near Steubenville, OH.

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 re-



ceived 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 18th, and we are reviewing the comments received to assess whether any revisions to the process are necessary.

On May 23rd, 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 30th inviting public comments, which are due by June 22nd. Public hearings on the investigation will be held on July 19th and 20th.

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.

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QUESTIONS SUBMITTED FOR THE RECORD TO HON. WILBUR L. ROSS

QUESTIONS SUBMITTED BY HON. ORRIN G. HATCH

*Question.* In March, when the Commerce Department published instructions in the Federal Register for the product exclusion process, the Commerce Department estimated that the steel and aluminum product exclusion processes would yield a total of 6,000 responses. During the hearing on June 20th, you told me that Commerce has received more than 20,000 responses, meaning that the Commerce Department's estimate was wrong by 330 percent and counting.

In light of the magnitude of the error in this estimate, what steps is the Commerce Department taking to confirm whether the estimates and assumptions that underlie its national security analysis of steel and aluminum imports are proving to have been correct or wrong?

*Answer.* The Department's estimates on the number of product exclusion requests were based on the number of exclusion requests submitted in response to President Bush's March 5, 2002 imposition of safeguard measures on certain steel products under section 201 of the Trade Act of 1974. The 2002 action was the most relevant prior experience upon which the Department could draw. However, the 2002 action was not an exact analog. For example, under the 2002 action there was a limited window for exclusion requests to be submitted. In contrast, the exclusion process in the current action is ongoing. It also appears that many companies are submitting exclusion requests for every steel and aluminum product they import, even if the product is available in the U.S. market. The number of product exclusion requests does not affect the Secretary's analysis and conclusion that the quantities and circumstances of steel and aluminum imports threaten to impair U.S. national security.

*Question.* The process that the Commerce Department is administering for businesses to request product-based exclusions from the steel and aluminum tariffs has had many serious flaws, and problems continue to surface. For instance, some petitioners have been subject to objections that, in their view, contain inaccurate, incomplete, or misleading claims, and they would like to rebut those claims. However, I understand that the Commerce Department has provided no formal channel for submitting rebuttals on *regulations.gov*, which is where all of the requests and objections must be filed.

Will the Commerce Department accept rebuttal comments on objections and, if so, will petitioners be able to submit their rebuttals through the *regulations.gov* website?

*Answer.* The Department has developed a rebuttal process to allow exclusion requestors to provide evidence refuting objectors' claims of domestic capacity. This process has been implemented in the revised exclusion process rule, which was pub-

lished in the Federal Register on September 11th and is also available on the BIS website.

*Question.* U.S. businesses have contracts for the purchase of steel and aluminum products that pre-date the administration's imposition of quotas.

How will the Department of Commerce ensure that quotas will not interfere with supply of products companies rely upon to execute long-term business and investment plans?

*Answer.* On August 29th, the President signed proclamations allowing the Secretary to provide relief from quotas imposed under section 232 on steel from South Korea, Argentina, and Brazil, and aluminum from Argentina. Companies can apply for product exclusions on the same basis as product exclusions are available from tariffs, namely lack of sufficient quantity or quality available from U.S. steel or aluminum producers, or for national security reasons. In such cases, an exclusion from the quota may be granted and no tariff would apply to the excluded steel or aluminum product.

In addition, the President has proclaimed that exclusion from the quota be provided in certain limited cases where steel articles from a quota country are being imported for use in a facility construction project in the United States under a contract signed prior to the President's decision to adjust imports under section 232, and that cannot enter into the United States because the applicable quota has already been reached. In such cases, the steel articles excluded from the quota may only be imported upon payment of the 25-percent tariff.

*Question.* During the June 20th hearing, I asked you what the national security justification is for refusing to grant exclusions from the section 232 quotas where, in the same circumstances, the same product would be excluded from the section 232 tariffs. You responded that "the President's proclamation does not authorize us to grant exclusions from quotas," and that the Commerce Department "is giving real consideration to requesting the President to consider whether the similar [product] exclusion [process] should be granted to those countries subject to quota."

What steps have you taken to obtain authority to grant American businesses product exclusions from the section 232 quotas?

*Answer.* Please see the answer to the question above.

*Question.* If authority for the Commerce Department to grant American businesses product exclusions from the section 232 quotas is not imminent, what is the national security justification for the delay in obtaining such authority?

As chairman of the Senate committee charged with oversight of U.S. international trade policy, I view the Commerce Department as responsible for procuring this authority, absent an urgent and compelling national security justification.

*Answer.* Please see the answer to the question above.

*Question.* According to the interim final rule that the Commerce Department published in the Federal Register on March 19, 2018 (83 Fed. Reg. 12,106), "follow-on requesters of exclusion requests are not required to reference a previously approved exclusion, but Commerce may take that into account when reviewing a subsequent exclusion request."

Has the Commerce Department organized the adjudicated product exclusion requests and determinations into a searchable format to allow American businesses to identify efficiently whether or not the Commerce Department has issued any precedent in respect of a particular steel or aluminum product?

If not, will American businesses need to canvass each one of the tens of thousands of requests and determinations to identify whether a precedent exists for each steel or aluminum product?

*Answer.* We are posting responses on *regulations.gov* to each steel and aluminum exclusion request submitted. The file names include the requester's name, a product description, and the HTSUS classification associated with each exclusion request to assist U.S. industry in determining whether any precedent exists for each steel or aluminum product. The *regulations.gov* website includes search features.

## QUESTIONS SUBMITTED BY HON. RON WYDEN

*Question.* Public reports and filings from the Office of Government Ethics (OGE) raise new questions regarding trades you made pertaining to your stake in Navigator Holdings, a publicly traded shipping firm which does substantial business with Sibur, a Russian energy company owned by oligarchs sanctioned for their close ties to President Vladimir Putin. On October 26, 2017, *New York Times* investigative reporter Mike McIntire sent you a letter requesting comment on a story he was working on that would reveal your investment in Navigator and the company's dealings with Sibur. Subsequently on October 31st, OGE filings show that you took out a short position in your shares of Navigator Holdings worth up to \$250,000, allowing you to exit the position with a profit if the stock price dropped in response to the potentially damaging story. *The New York Times* piece was then published, and the Navigator Stock declined four percent in the 11 days before you exited your position.

Accordingly, please provide answers to the following questions regarding your trading activity.

Did you personally direct the opening of a position on your shares of Navigator Holdings on October 31, 2017?

*Answer.* I directed the sale of my remaining shares of Navigator Holdings Ltd. (Navigator) that occurred on October 31, 2017. This transaction completed the disposition of my direct and indirect interests in Navigator, which I initiated in May 2017. The facts and context of these divestments should allay any concern about the sale.

In my new entrant OGE Form 278, completed in January 2017, I reported my prior service as a director of Navigator from January 2012 . November 2014. I further disclosed holding interests in Navigator indirectly through three investment funds, specifically noting that Navigator is in the transoceanic shipping sector. Unfortunately, I inadvertently omitted from the report Navigator shares that Navigator's stock transfer agent held on my behalf in book entry form. Many years ago, when I served as a director, Navigator awarded those shares to me as part of the company's compensation plan for directors. I did not keep a personal record of this holding and I simply did not recall it when I prepared my OGE Form 278.

In my Ethics Agreement, dated January 15, 2017, I agreed to divest nearly all investments that I held in specific companies and in the investment funds managed by my former firm. The Ethics Agreement authorized me to retain investments in funds that held transoceanic shipping company stocks, including Navigator. The Department's ethics office explained that the likelihood that I would need to participate, in the words of the Agreement, in "any particular matter affecting these entities is remote."

Nevertheless, to eliminate any remaining concerns about my retention of financial interests in Navigator, in May 2017 I decided to divest those interests. As I reviewed my records, I found a record of the directors shares that I had previously forgotten. I sold those shares on May 31st, as disclosed in an OGE Form 278-T transaction report that I filed on June 1, 2017. At that time, I believed that I had sold all of my directly held Navigator stock.

Subsequently, however, as I was finalizing the sale in late October 2017 of various investment fund interests, including interests in funds that owned Navigator stock, I learned that I still owned some Navigator shares in book entry form. I immediately directed the stock transfer agent to transfer those shares to a personal stock brokerage account so that I could sell them. Because I could not be sure how long that transfer process would take, I executed with the broker a short sale against the "box" of Navigator shares on October 31, 2017, with the intent of closing the position when the broker received my Navigator stock from the company's stock transfer agent. Weeks later, the broker received those shares and closed the position in November 2017.

In a normal short sale, a person sells shares he does not own and hopes to buy them back at a lower price so that he can make a profit. In my case, I already owned the shares I sold and therefore had no profit motive in the transaction. The SEC rules require that you deliver shares sold within a 2-day period, but I knew from experience that a much longer period would be likely here. Therefore, I executed what is called a short against the box, meaning that I would temporarily borrow shares until I received mine from the agent. Since I was long and short the same number of shares, my net interest was zero. There was no potential for gain or loss

as the long and short positions exactly canceled each other out. My purpose was simply to meet the required delivery date and weeks later when the broker finally received the shares from the agent, he turned those shares over to the person who initially had lent me his shares, completing the transaction. The fact that it did take weeks for my shares to be delivered to the broker proves that my decision was correct.

I, therefore, sold the shares short against the box on October 31st as the only way to exit my position in Navigator immediately, prior to the delivery of the shares from the stock transfer agent. Selling the Navigator shares in this way neutralized my financial position and effectively terminated my direct financial interest in Navigator on the date of sale. In essence, the sale simply extended the time for me to deliver the shares to close the position.

The October 31st sale of Navigator occurred in conjunction with my effort to complete the divestments of most of my investment fund holdings. Because those investments were illiquid, my Ethics Agreement provided an initial 180-day period to accomplish the divestments, with the possibility of an extension (an extension to October 25, 2017 was granted). Consistent with this commitment and timeline, I completed those divestments on October 25, 2017. I sold the previously overlooked Navigator book entry shares on October 31st, after I verified the holding. On the same day, I also sold short a small number of shares of Sun Bancorp, with the same intent of immediately eliminating the value of shares I already owned.

In sum, (1) the sale of Navigator shares on October 31, 2017 was simply the last of several transactions, dating to May 2017, through which I disposed of my interests in the company, and (2) my purpose in executing a short against the “box” sale was solely to accelerate my separation from any financial interest in the company. I followed the same approach to divest Sun Bancorp holdings. The structure of the short sale—covering the open position with shares that I already owned—also demonstrates that the transaction had neither the purpose nor effect of seeking to profit from market trading.

*Question.* Did your knowledge that the *Times* was working on a story detailing your investment in Navigator Holdings and its connections to Vladimir Putin’s inner circle influence your decision to take a short position in the company?

*Answer.* No. As I explain in the response to question 1, I sold my indirect Navigator interests on October 25th at the conclusion of a months’ long divestment process, followed by my sale of the remaining direct holdings on October 31st. I also sold Sun Bancorp. on October 31st. The timing of these and other divestments completed in late October resulted from the finalization of the fund divestments within the deadline required by my Ethics Agreement, as extended, and my concomitant review of my investment records, which revealed the remaining book entry Navigator shares and raised in my mind a question about my prior sale of Sun Bancorp. It is noteworthy that my investment interests involving Navigator were already a matter of public record, as was the fact that Sibur was a customer of Navigator, as was the identity of Russians owning Sibur. Therefore, there was no new information in the article.

*Question.* *Times* reporter Mike McIntire recently stated that: “Days after I sought comment from Wilbur Ross about his investment in a Kremlin-linked shipping firm, he shorted stock in the company, then sold it after my story with @sashachavkin came out.” Is it true that after the *Times* sought comment, you shorted your stock in Navigator Holdings and then sold it after the story came out?

*Answer.* The suggestion that I engaged in “insider trading” in executing the sale of Navigator Holdings stock on October 31, 2017, is utterly false. As you know, “insider trading” under Federal securities laws occurs when a person, in breach of a fiduciary duty, purchases or sells securities on the basis of material non-public information. That simply did not occur in respect of my sale of Navigator Holdings stock. Nothing in the article was not already in the public domain.

*Question.* Did you profit off of the short position you took in Navigator Holdings days before the *New York Times* story was published?

*Answer.* No. Because I already owned the stock used to close the short against the “box” position, I neither profited nor lost on the transaction.

*Question.* You previously served on the board of Navigator Holdings and your private equity firm WL Ross Group had long been its largest shareholder. Did you communicate with any executives or board members at Navigator in advance of your decision to take a short position?

Answer. Yes, I communicated with Navigator executives as I sought to pinpoint whether there remained any book entries of Navigator stock held in my name, and to arrange for the transfer.

*Question.* Please identify each of your initial holdings in Navigator at the time of your nomination including the vehicle in which they were held, *e.g.*, in the specific trust, partnership, etc.

Answer. I held indirect interests in Navigator through my investments in three investment funds:

- (1) WLR Recovery Associates IV DSS AIV, L.P.
- (2) WLR Recovery Associates V DSS AIV, L.P.
- (3) WLR Select Associates DSS GP Ltd. (Cayman).

In addition, I held Navigator stock in book entry form in records maintained by Navigator's stock transfer agent.

*Question.* Please describe the extent to which you were required to divest each of these Navigator holdings by your ethics agreement? Please identify each related divestiture required by the agreement, *e.g.*, the specific trust, partnership, etc.

Answer. My ethics agreement did not require me to divest my Navigator holdings. I voluntarily chose to divest my interests in Navigator. As described in the response to Question 1 and reported in OGE Form 278-T transaction reports, I sold Navigator shares on May 31, 2017 and October 31, 2017, and I sold my interests in the three funds listed in response to Question 6 on October 25, 2017.

*Question.* Did you continue to hold any shares of Navigator at the time of the October 31, 2017 short sale? If so, how many shares and in what related holding, *e.g.*, trust, partnership, etc.? On November 16, 2017, you closed this short position. How many shares of Navigator did you hold at that time, if any, and in what related holding?

Answer. Yes, Navigator's stock transfer agent maintained a book entry record of 14,093 shares in my name, which I discovered in late October 2017. I instructed the agent to transfer those shares to my account with a stock brokerage firm, which recorded receipt on November 16, 2017. I sold 14,093 shares of Navigator in a trade executed as a short against the box on October 31st. The broker closed the short position after receiving the transferred shares weeks later.

*Question.* To the extent you retained Navigator shares in October 2017 or November 2017, wouldn't such holdings have violated your ethics agreement divestiture requirements?

Answer. No. The Ethics Agreement did not require me to divest Navigator. To the contrary, the agreement specifically authorized me to retain my interests in funds that held Navigator, because of the Department of Commerce's judgment that owning interests in such transoceanic shipping companies would present only a remote likelihood of a conflict with any particular matter coming before me as Secretary. In fact, so far as I am aware, no particular matter involving Navigator has come before me since I became Secretary. I voluntarily chose to divest my direct and indirect Navigator interests, and did so.

*Question.* As noted above, the Navigator Holdings short sale was listed on the OGE Form 278-T periodic transaction report you certified and filed on December 21, 2017. This filing was then certified by the Designated Agency Ethics Official, David Maggi, on January 18, 2018, and automatically sent to OGE. However, the form was never reviewed, certified, or posted on the OGE website within the required 60-day period. Did OGE contact you regarding the contents of this report? Did OGE return the form to you or Mr. Maggi stating that they were refusing to certify the report? If so, why?

Answer. The Office of Government Ethics (OGE) did not contact me directly nor did it ever state that it refused to certify the report. OGE contacted Commerce ethics officials for clarifications and when they were provided OGE certified the report.

*Question.* According to an OGE certification of ethics agreement compliance form that you signed on three separate occasions including June 2nd, September 5th, and November 1, 2017, you claimed:

I complied with my interim recusal obligations pending the divestitures required by my ethics agreement.

I am recusing from particular matters in which I know I have a personal or imputed financial interest directly and predictably affected by the matter, unless I have received a waiver or qualify for a regulatory exemption.

I am recusing from particular matters in which any former employer or client I served in the past year is a party or represents a party, unless I have been authorized under 5 CFR §2635.502(d).

I am recusing from particular matters in which any former employer or client I served in the 2 years prior to my appointment is a party or represents a party, unless I have received a waiver under Exec. Order 13770.

You also confirmed on each date that you had received no waivers pursuant to 18 U.S.C. §208, Executive Order 13770, 5 CFR §2635.502(d), or 5 CFR §2635.503(c). For each instance in which you have recused yourself please provide copies of all recusal determinations and supporting documentation beginning on February 28, 2017.

Please also confirm that you have in fact received no waivers pursuant to the above statutes and executive order.

Answer. I confirm that I received no such waivers.

#### SECTION 232 TARIFFS: INCONSISTENCY AND CHAOS IN PRODUCT EXCLUSIONS

*Question.* On June 20th, *The Washington Post* quoted a senior Department of Commerce official as saying that the process for companies seeking exclusion from the section 232 tariffs on steel and aluminum “is going to be so unbelievably random, and some companies are going to get screwed.” According to that official, “These people are making multibillion-dollar, unbelievably uninformed decisions.” The number of companies caught up in this chaos is staggering. You planned on receiving 6,000 applications for exclusion. So far you have gotten 21,000. You stated at the hearing that you have made decisions on less than 1 percent of those applications.

Manufacturers all over the country are facing rising costs that make it impossible for them to compete. I am hearing complaints from across Oregon about this process and these hard-working Americans deserve answers.

What was the basis for the Department’s initial estimate of product exclusion applications? Did the Department prepare any analysis to support this estimate? If so, please provide a copy or, if that is not possible, summarize the key findings. If not, please explain why the Department did not prepare such analysis.

Answer. The Department’s estimates on the number of product exclusion requests were based on the number of exclusion requests submitted in response to President Bush’s March 5, 2002 imposition of safeguard measures on certain steel products under section 201 of the Trade Act of 1974. The 2002 action was the most relevant prior experience upon which the Department could draw. However, the 2002 action was not an exact analog. For example, under the 2002 action there was a limited window for exclusion requests to be submitted. In contrast, the exclusion process in the present action is ongoing.

*Question.* Why in your view did the number of applications end up vastly exceeding the estimate that was the basis for the Commerce Department’s interim final rule?

Answer. Please see the answer to questions above. In addition, it appears that many companies are submitting exclusion requests for every steel and aluminum product they import, even if the product is available in the U.S. market.

*Question.* The Department has requested additional funds to manage the product exclusions process. Did the Department prepare an estimate of budgetary requirements of the section 232 product exclusions process as part of its development of the interim final rule? If so, what were the Department’s expected expenditures and have they been exceeded? If not, why not?

Answer. As discussed in response to question 12 and noted in the interim final rule, the Department estimated 6,000 requests based on the most relevant prior experience and assessed resource needs accordingly.

*Question.* Not only is the current exclusion request decision-making process both delayed in implementation and slower than the pace of incoming requests, but it is also defined by opaque and seemingly incoherent criteria by which requests are judged. To an outsider, the process appears to lack consistent standards by which

exclusion requests are processed, assessed, and decided. Of the 98 requests that have been adjudicated to date, 48 were denied, all because according to the Department the companies provided “insufficient information to verify the product description and/or HTSUS code.” In other words, each of the denials were made on a technical basis and were not decided based on the actual merits of the requests.

What does the Department do to verify the product description in an exclusion request?

Answer. The Department of Homeland Security’s Customs and Border Protection (CBP) provides a determination on whether the product description is consistent with the claimed Harmonized Tariff Schedule of the United States (HTSUS) classification.

*Question.* Please provide examples of the types of information that were not contained in the rejected requests such that the request did not allow the Department to verify the product description in the application.

Answer. There have been many cases in which CBP determined that requesters have provided incorrect HTSUS classification for their products or a product description that does not align with the identified HTSUS classification.

*Question.* Prior to denying these business’ requests, did the Department make any effort to give these companies an opportunity to correct their submission and provide sufficient information?

Answer. CBP only reviews requests for which no objection has been filed. Thus, CBP’s determinations come after the end of the comment period. If CBP advises that an exclusion is not administrable, for example due to a product description inconsistent with the claimed HTSUS classification, a denial is issued without prejudice, and the applicant is given contact information at CBP for questions and assistance in determining which HTSUS classification applies to their products. The applicant may then submit a new exclusion request. The Frequently Asked Questions note that in those circumstances, the applicant should note the resubmission and include CBP’s HTSUS determination to expedite review.

*Question.* Of the 48 rejected requests, how many were rejected for failing to comply with procedural filing requirements established by the Department in its interim final rule? Which specific requirements?

Answer. Exclusion requests returned without posting include those that list multiple products and those missing information. Denials occur after posting and public comment, and can be based on meritorious objections, national security concerns, failure to meet the criteria for an exclusion, or CBP informing Commerce that an exclusion could not be administered—typically due to a product description inconsistent with the claimed HTSUS classification.

*Question.* At the hearing I asked you to commit to providing within a week a list of specific fixes that the Commerce Department will implement to improve the exclusion application process, along with a timeline for the implementation of those improvements. We have not yet received a response from you or the Department.

Please list the specific improvements to the product exclusions process the Commerce Department has implemented since the date of the hearing, and the date it took effect. In addition, please list any other improvements the Commerce Department intends to implement and, for each improvement, the date on which the Department intends to implement it.

Answer. Based on several months of experience, to streamline the exclusion review process, the Department has:

- Modified internal procedures to expedite decisions on requests that have no corresponding objections. After CBP determines that the exclusion is administrable, meaning the product description in the exclusion request is consistent with the claimed HTSUS classification, the request will promptly be granted if it presents no national security concerns and otherwise meets the criteria for an exclusion. As of October 22nd, the Department has granted more than 12,000 exclusion requests.
- Worked with CBP to enhance the speed and accuracy of its review of exclusion requests. CBP no longer reviews requests for which objections have been filed. CBP has automated its review process and is expected to return the 5,000 steel and aluminum requests sent to it on Friday, October 12th, along with the 1,000 aluminum requests in its queue, within weeks.

- Provided language that was included in subsequent Presidential Proclamations that allows successful exclusion requesters to obtain refunds of duties paid as of the date their original exclusion request was accepted.
- Developed a rebuttal process to allow exclusion requestors to provide evidence refuting objectors' claims of domestic capacity, which was published in the Federal Register on September 11th and is also available on the BIS website.
- Increased and organized staff to most efficiently process exclusion requests. As a result of Congress's authorization of the reprogramming of funds to the Department's Bureau of Industry and Security (BIS), BIS has hired 15 contractors. In addition, the Department's International Trade Administration (ITA) has used existing funds to bring on 41 contractors, with 11 more in the hiring queue, to review objections and provide recommendations to BIS. Moreover, over a dozen non-BIS Commerce Department staff have been detailed to BIS to assist in its administration of the steel and aluminum exclusion process.
- In addition to these measures, the Secretary has directed Commerce Department economists to regularly review the impacts of the steel and aluminum tariffs, including on downstream sectors. The Secretary will present this information to the President for his consideration.

#### SECTION 232 TARIFFS: OBJECTIONS TO EXCLUSION REQUESTS

*Question.* I have been hearing concerns from companies seeking product exclusions that some of the objections filed in response to their requests contain misleading or inaccurate information. I have been told that in some cases, domestic producers are objecting with claims that they could make the products in question, even though they do not currently manufacture the needed goods.

What is the Department's process for verifying that the information contained in filed objections is accurate?

*Answer.* The Department reviews objections the same way it reviews requests and has rejected 2,874 objections as of October 22nd. In addition, the Department has developed a rebuttal process to allow exclusion requestors to provide evidence refuting objectors' claims of domestic capacity, which was published in the Federal Register on September 11th and is also available on the BIS website.

*Question.* When a company seeking an exclusion considers that information in an objection filed on its request is inaccurate or misleading, what process is available for it to advise the Department of its concerns?

*Answer.* Please see the answer to the question above.

*Question.* Does the Department take such concerns into account in evaluating requests for exclusion and objections to those requests?

*Answer.* Yes.

*Question.* If the Department does take these concerns into account, how does it ensure that all interested parties are aware of the identified concerns?

*Answer.* Rebuttals to objections and surrebuttals to rebuttals will be posted on *regulations.gov* as set forth in the September 11th Federal Register notice.

*Question.* What recourse does a company have if it considers that its exclusion request was wrongfully denied or if its objection was wrongfully overruled?

*Answer.* A party may submit another request for exclusion and should provide additional details or information to support the request. If a resubmission is granted, duties paid will be refunded from the date the original exclusion request was accepted by the Department of Commerce. Exclusions are typically granted for 1 year, so requesters will have to submit renewal requests to extend an exclusion. Objectors can then submit comments regarding the renewal request.

*Question.* If there is no objection to a request, within how many days after the expiration of the objection period will the Department issue its determination on the request?

*Answer.* The timing will primarily depend on when Customs and Border Protection (CBP) determines whether the product described in the request is consistent with the claimed classification under the HTSUS. CBP has recently automated its process and expects to return tranches of requests within 2 weeks of receipt. Once it receives CBP's determination, BIS will assess the request for any national security concerns and to ensure it otherwise meets the criteria for an exclusion. If BIS



identifies no national security concerns and the request meets the exclusion criteria, it will expeditiously post a decision on *regulations.gov* granting the exclusion request.

#### SECTION 232 TARIFFS: EXCLUSION REQUEST BURDEN ON SMALL BUSINESS

*Question.* The exclusion process, as it is currently structured, places a tremendous regulatory burden on American small business. Because companies are required to submit exceedingly specific exclusion requests for each marginally different product, many small businesses are being made to file dozens of separate exclusion requests. America's small businesses can rarely afford to retain a small army of corporate lawyers to help them navigate this bureaucracy. Rather than spending their valuable time, money and energy expanding their businesses, these companies are instead forced to expend their resources to process mountains of paperwork.

You have suggested that the reason the Department does not allow industry representatives to submit exclusion requests on behalf of companies is that the amount of detailed information required in the application necessitates a request from the company itself. However, an industry representative could work with companies to compile the detailed information required and submit it on an individual company's behalf. In some cases, this type of assistance could prove valuable to small businesses. Would the Department still refuse to accept such applications, and if so, why?

*Answer.* The Department has sought to minimize the burden on requesters while ensuring that the objectives of the President's proclamations are met. Allowing trade associations to file requests will not make the process more efficient. While industry representatives could serve as a resource to small businesses seeking guidance in compiling such requests, exclusions are granted to importers of record. This, plus the accurate HTSUS code, allow CBP to determine which specific imports are excluded from the tariffs or applicable quota. To evaluate an Exclusion Request, and to allow potential objectors to evaluate the request, parties applying for exclusions are required to identify the source products for the single product for which the exclusion is requested, the annual quantity to be supplied, the name of the current manufacturer(s)/supplier(s), and the country of the manufacturer(s)/supplier(s). The exclusion request, if granted, will only pertain to the identified supplier(s) listed in the exclusion request form and the specific country of origin identified by the requester. The Department has also posted online tips and a guide for submitting exclusion requests on *regulations.gov*. The Department is also always available to answer questions at our dedicated phone and email accounts.

*Question.* What specific procedures has the Department of Commerce adopted to streamline the product exclusions process and ease the regulatory burden on small companies?

*Answer.* Please see the answers to questions above.

#### SECTION 232 TARIFFS: IMPACT ON U.S. MANUFACTURERS/LACK OF ANALYSIS

*Question.* I am in favor of tough enforcement, but it needs to be targeted and effective enforcement that will help and not harm U.S. companies and workers. Secretary Ross, back in January you issued a report recommending to the President that tariffs be imposed on imported steel and aluminum. Now some American manufacturers have said they can no longer compete with a company across the border in Canada, where there are no similar tariffs on inputs. Others simply cannot absorb the higher costs and worry that customers will delay purchases if they try to force them to pay more.

What economic studies did the Commerce Department do before the tariffs were announced to understand how the tariffs would affect downstream producers, including producers of products important to the national defense? If studies were done, please provide a copy of the studies to the Senate Finance Committee and indicate whether they have been made available to the public.

*Answer.* The steel and aluminum reports dated January 11th and January 18, 2018, respectively, addressed the statutory requirements Congress directed the Secretary and the President to consider in executing section 232. Those congressional requirements do not include consideration of the potential effects of section 232 actions on downstream industries. Nonetheless, the Department did analyze the downstream economic impact of potential steel tariffs using the standard version of the Global Trade Analysis Product (GTAP) Computable General Equilibrium (CGE) model of global trade. The GTAP model uses the "metals" sector, of which steel is

a major portion. Because aluminum accounts for a much smaller portion of the sector, the Department determined that use of the GTAP model was inappropriate for the aluminum investigation. Accordingly, the Department used a partial equilibrium analysis to estimate the impact of an adjustment on aluminum imports, with no modeled effects on domestic demand or price, and an assumption that domestic production would replace all imports removed due to a tariff or quota.

The GTAP model results indicate that real GDP, a commonly used measure of welfare, will be mostly unchanged from its baseline level, declining by less than 0.008 percent. Aggregate imports will decline by 0.444 percent by volume while the average price of steel in the US market will rise by approximately 4.5 percent.

At the sector level, downstream sectors such as metal products, motor vehicles and parts, and construction that use steel relatively intensively (either directly or indirectly), see their output contract slightly because of higher steel prices.

#### Sector Level Import and Output Changes

232 Model Sector	Change in U.S. Import Volume (%)	Change in U.S. Output (%)
Crops	-0.05	0.05
Extraction and Natural Resources	0.09	0.01
Animal Products	-0.19	0.03
Processed Foods	-0.11	0.01
Textiles	-0.22	0.04
Wearing apparel	-0.15	0.09
Leather products	-0.10	0.20
Wood products	-0.18	-0.15
Paper products, publishing	-0.21	0.02
Petroleum, coal products	0.04	0.02
Chemical, rubber, plastic products	-0.13	0.07
Mineral products	-0.10	0.03
Iron and steel	-21.90	6.36
Non-ferrous metals	0.21	-0.26
Metal products	1.22	-0.41
Motor vehicles and parts	-0.07	-0.25
Other transportation equipment	-0.12	-0.13
Electronic equipment	-0.15	-0.08
Machinery and equipment	0.13	-0.24
Other manufactured products	-0.04	-0.16
Construction	-0.26	-0.19
Utilities	-0.11	0.09
Transportation and Communication	-0.11	0.00
Financial Services	-0.22	-0.01

## Sector Level Import and Output Changes—Continued

232 Model Sector	Change in U.S. Import Volume (%)	Change in U.S. Output (%)
Insurance	-0.16	0.01
Other Business Services	-0.14	0.01
Other Services	-0.14	-0.01

The full report is non-public as part of the deliberative process.

*Question.* If no studies were done, why didn't the Commerce Department take a look at the specific effects the tariffs would have on downstream manufacturers? If the economic well-being of the steel industry is important to the national security, isn't the economic well-being of other manufacturers—including other manufacturers that supply our military—important?

*Answer.* Again, the statute crafted in Congress does not consider downstream impacts; however, the studies that were done are described in the answer to question 28.

## SECTION 232 TARIFFS: IMPACT ON EXPORTERS

*Question.* I have long believed that we need to grow things here, make them here, innovate here, and then ship them somewhere. Secretary Ross, you said in *The Wall Street Journal* back in March that the steel and aluminum tariffs "shouldn't" start a trade war. Your op-ed suggested that you did not think the United States was in a trade war at the time and that the tariffs would not start one. Yet as of today, China, the EU, Mexico, Canada, India, and Turkey have announced retaliatory tariffs on U.S. exports.

Based on what has happened since the tariffs were announced—U.S. tariffs followed by retaliation from our trading partners, followed by the President escalating with additional tariffs—is the United States now in a trade war?

*Answer.* The actions taken by the President under section 232 are wholly legitimate and fully justified as a matter of U.S. law and international trade rules. Where other countries respond to these actions with unjustified and illegitimate retaliatory measures, the administration will take all necessary actions to protect U.S. interests. The United States has launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO Members have imposed in response to our section 232 actions.

*Question.* For my State of Oregon alone, those retaliatory tariffs apply to products accounting for roughly over \$400 million in exports in 2017. Adding in the retaliation from the President's latest salvo with China, over roughly \$800 million in exports from Oregon alone now face tariffs.

What specific action does the administration intend to take to address these harms to U.S. exporters?

*Answer.* Please see the answer to question above. In addition, on July 24th, President Trump directed the Secretary of Agriculture to craft a short-term relief strategy to protect agricultural producers while the administration works on free, fair, and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, the Department of Agriculture has authorized up to \$12 billion in programs, which is in line with the estimated \$11 billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

*Question.* U.S. cheese companies have been hit with Mexican tariffs ranging between 10 to 15 percent on their products. These tariffs are set to increase on July 5 to 20 to 25 percent. Mexico is a critical market for U.S. cheese exports, accounting for over \$390 million in sales last year, which is a sizable share of total U.S. dairy exports that amounted to \$1.3 billion in sales in 2017. Under NAFTA, U.S. dairy exports enjoy duty-free access that allows U.S. manufacturers to capture 75 percent of the Mexican market.

What steps is the administration taking to prevent U.S. dairy farmers and cheese companies from losing access to this market? For example, would it consider suspending the section 232 steel and aluminum tariffs on Mexican products until the NAFTA renegotiation is completed?

Answer. U.S. agriculture plays a critical role in the U.S. economy and foreign markets. As noted in the answers to questions above, the administration is taking actions to challenge the imposition of tariffs on U.S. exports and to ameliorate the impact on our farmers. To the extent any retaliatory measures are imposed that are inconsistent with international trade obligations, the United States is prepared to address them under U.S. and international law.

*Question.* Some U.S. manufacturers, such as Tube Forgings America in Portland, may have to consider buying a semi-finished product offshore because the increased raw material costs from the tariffs could make the company's product less competitive against other products sourced overseas. If TFA were to make the difficult decision to outsource semi-finished product production, it would most likely cause a reduction in their workforce in Oregon.

What steps are the administration taking to address the adverse impacts on the competitiveness of manufacturers such as TFA resulting from the tariffs?

Answer. In addition to the exclusion process, the Department will be monitoring the domestic aluminum and steel industries, including the industries consuming aluminum and steel, and be conducting future assessments as necessary to evaluate the health and competitiveness of U.S. industry.

#### SECTION 232 TARIFFS: IMPACT ON ALLIES AND NATIONAL SECURITY

*Question.* Secretary Ross, two weeks ago when the President announced tariffs on imports from Canada, Mexico, and the EU, you said that this was just a "blip on the radar screen" and that "everybody will get over this in due course." But as of today, six countries have announced retaliation against the United States, covering billions of dollars of U.S. exports. The EU has stated that this has resulted in an "unfortunate . . . weakening of trans-Atlantic relations." Canada's Prime Minister said these tariffs are "quite frankly insulting and unacceptable," and represented "a turning point in the Canada-U.S. relationship." It seems to me that you may have misjudged the reaction of our allies to the President's decision. In fact, the Secretary of Defense seemed to more accurately predict the likely fallout when he expressed concern in March about the negative impact on our relationships with key allies that could result from Commerce's recommended options and voiced a preference for targeted, rather than global, tariffs.

In your view, who is better positioned to make recommendations about national security measures: the Secretary of Commerce or the Secretary of Defense?

Answer. Section 232 of the Trade Expansion Act of 1962, as amended, directs the Secretary of Commerce, in consultation with the Secretary of Defense, to investigate the effects on national security of imports of articles.

*Question.* Section 232 mandates that the Secretary of Commerce shall consult with the Secretary of Defense regarding the methodological and policy questions raised in any section 232 investigation. While the Defense Department may have supported the overall assessment that unfair steel and aluminum trading practices impair national security, the Defense Department also informed Commerce that it, "continues to be concerned about the negative impact on our key allies," and posited that, "targeted tariffs are more preferable than a global quota or global tariff."

What was the basis for the administration's decision to reject these recommendations?

Answer. The President's section 232 decisions are the result of a robust and thorough interagency review coordinated by the White House.

#### SECTION 232 TARIFFS: STEEL AND ALUMINUM COMPANY MANAGEMENT

*Question.* Secretary Ross, in your prepared statement, you said that the tariffs on steel and aluminum are anticipated to reduce imports and that combined with "good management" will achieve "long term viability" for the steel and aluminum industry.

Does the Department of Commerce intend to review the management performance of companies in determining whether the tariffs should continue? Will the Depart-

ment require that U.S. steel and aluminum companies reinvest a specific percentage of increased profits from tariffs into new equipment, jobs, or other similar activities?

Answer. The presidential proclamations direct the Secretary of Commerce to monitor imports of steel and aluminum, and from time to time, review the status of such imports with respect to the national security, in consultation with other senior Executive Branch officials. The proclamations also direct the Secretary to inform the President of any circumstances that might indicate the need for further action under section 232, as well as any circumstance that might indicate that the increases in duty rates provided in the proclamations are no longer needed. The Department will carry out the President's direction.

#### SECTION 232 TARIFFS: DOMESTIC ECONOMY AS NATIONAL SECURITY

*Question.* Secretary Ross, in your prepared testimony you say that the administration concluded that steel import levels were "weakening our domestic economy and therefore threaten to impair our national security."

In making its determination that import levels threaten to impair U.S. national security, and recommending tariffs as a response, did the administration take into account the likely effect of retaliatory tariffs on U.S. national security—in particular, retaliatory tariffs on U.S. exports of steel and aluminum products?

Answer. The criteria that Congress directed the President and Secretary to consider when assessing the impact of imports on national security does not include retaliatory actions by other countries. As a result, the Department did not assess the impact of potential retaliatory actions as part of the section 232 investigations. Further, as noted in answers to previous questions, the administration will take all necessary action to protect U.S. interests in the face of unjustified retaliation against the President's wholly legitimate actions under section 232.

#### SECTION 232 TARIFFS: COUNTRY EXEMPTION PROCESS/CONSULTATION

*Question.* Mr. Secretary, I understand that you have been the point person in negotiations with the European Union for a possible exemption from the tariffs on steel and aluminum. When the tariffs were first announced in March, the President postponed imposing duties on the EU and tasked you with negotiating it. As the ranking member of the Senate Finance Committee, the only information I received about these discussions with a major trading partner was from press reports.

Do you think the Commerce Department should consult with the Senate Finance Committee regarding your negotiations with trading partners for exemptions from steel and aluminum tariffs before positions, let alone decisions, are made? If not, why not?

Answer. The Department has had extensive engagement with the Congress throughout the section 232 investigations and now during the implementation of the 232 tariff/quotas. This engagement will continue.

*Question.* The presidential proclamations regarding the tariffs have acknowledged the important security relationship that the United States has with the EU, including a shared commitment to support each other in national security concerns, the strong economic and strategic partnership between the United States and the EU, and a shared commitment to addressing global excess capacity in steel and aluminum. As you noted in your hearing, the EU is also conducting a safeguard investigation into steel products.

What did you tell the E.U. it would need to do to avert the tariffs? Please identify any specific criteria you advised the EU it must meet in order to receive a country exemption from the steel and aluminum tariffs. Please identify which of those criteria were met by the EU and which were not.

Answer. The President's proclamations describe the factors he is assessing in determining whether the United States and other countries have arrived at satisfactory alternative means to address the threatened impairment of U.S. national security caused by imports of steel and aluminum. The proclamations also describe the measures agreed between the United States and countries that the President has exempted from the tariffs.

#### TRADE NEGOTIATIONS WITH CHINA

*Question.* Mr. Secretary, you stated at the hearing that you have been the point person for recent trade negotiations with China. Recent reports indicate that China has announced that any deals you have made have been put in jeopardy by the re-

cent announcement of the tariffs to be imposed pursuant to USTR's section 301 investigation. By way of example, senior Chinese officials referenced deals on soybeans, natural gas, and other exports.

Please specifically identify any agreements, deals, or understandings that you have concluded with the Government of China, any Chinese companies, or any Chinese industry associations, list the terms of each such deal, or if the terms have been made publicly available, please identify the official government website on which the terms have been published.

Answer. In the Spring of 2017, the U.S. Government negotiated several market openings with the Chinese government under the 100 Day Plan framework that was initiated during the April 2017 Presidential Summit at Mar-A-Lago. Details of the agreement are available to the public and can be found on the Commerce Department website (<https://www.commerce.gov/news/press-releases/2017/05/joint-release-initial-results-100-day-action-plan-us-china-comprehensive>). In summary, the Chinese Government agreed to: allow imports of certain U.S. beef products; a more transparent and expeditious review of eight pending U.S. agricultural biotechnology product applications; allow U.S. electronic payment services suppliers to begin the licensing process, which should lead to full and prompt market access; allow wholly foreign-owned financial services firms in China to provide credit rating services and to begin the licensing process for credit investigation; and issue both bond underwriting and settlement licenses to two qualified U.S. financial institutions by July 2017. On the U.S. side, the administration agreed to: publish a proposed rule relating to the importation of Chinese cooked poultry; send a delegation to the Belt and Road Forum in May 2017; and extend, through the U.S. Commodity Futures Trading Commission (CFTC), the current no-action relief to Shanghai Clearing House for six months, with further extensions up to 3 years if appropriate. The U.S. side also confirmed that Chinese companies have the same access to U.S. liquefied natural gas as companies from other non-FTA partners and that the United States applies the same bank prudential supervisory and regulatory standards to Chinese banking institutions as to other foreign banking institutions, in like circumstances and in accordance with U.S. law.

In November 2017, I led a trade mission to China as part of President Trump's official visit. While there were no government-to-government agreements during the visit, there were over \$250 billion in U.S. company signings witnessed by U.S. and Chinese government officials. A summary of the agreements is publicly available on the Commerce Department website (<https://www.commerce.gov/news/press-releases/2017/11/us-secretary-commerce-wilbur-ross-announces-hundreds-billions-deals>). The details of the signings can be obtained from the companies themselves and State trade offices.

#### ZTE/NATIONAL SECURITY

*Question.* Mr. Secretary, I was shocked when the President cut a deal with China to put Chinese telecom company ZTE back in business, despite flagrant violations of U.S. sanctions law. At the hearing I let you know that William Evanina, the administration's nominee for National Counterintelligence and Security Center Director, stated in his confirmation hearing that he believes ZTE presents an espionage threat.

Why does the administration regard steel and aluminum imports from Canada, Mexico, and the EU to constitute a national security threat sufficient to require tariffs, but sees no national security threat from allowing a repeat sanctions violator to operate and engage in transactions with the United States? Especially when U.S. security experts have found that Chinese telecommunications equipment is used to spy on Americans?

Answer. The penalty and superseding settlement agreement addressed ZTE's failure to fully comply with the initial settlement agreement. ZTE has already paid a \$1 billion penalty, put an additional \$400 million into an escrow account in a US bank, and agreed to a Special Compliance Coordinator (SCC) who will have unprecedented access to drive and monitor compliance. In addition, the suspended Denial Order can be reinstated if ZTE commits further violations of the agreement. These unprecedented requirements enhance the Department's ability to protect U.S. national security from unauthorized exports and reexports of telecommunications equipment.

In addition, the administration is taking other steps to mitigate the threat from Chinese telecommunications providers, including implementation of a provision from

the 2019 NDAA that prohibits U.S. government agencies from purchasing telecommunications equipment from Chinese suppliers or contracting with entities who use such equipment and recommending to the Federal Communications Commission that it deny China Mobile's section 214 license request to offer telecommunications services within the United States.

*Question.* Do you agree with Mr. Evanina's assessment of ZTE as an espionage threat? If not, please explain why. If so, please explain how such a view is consistent with the administration's goal to put ZTE back in business.

*Answer.* These requirements are the harshest penalties and strictest compliance measures ever imposed in such a case and will protect US national security from unauthorized exports and reexports of telecommunications equipment. In the event that ZTE fails to comply with the new requirements during the next 10 years, BIS can re-impose the suspended denial order and terminate ZTE's access to US technology.

#### SECTION 232 TARIFFS: AUTOS INVESTIGATION

*Question.* The Commerce Department recently self-initiated an investigation into whether foreign auto imports are harming our national security. When asked how such imports could possibly threaten our country in this way, you responded by stating, "National security is broadly defined to include the economy, to include the impact on employment, to include a very big variety of things."

Are there any sectors of the economy that in your view would not merit a section 232 investigation?

*Answer.* Detailed analyses would need to be conducted in order to determine what industries have weakened to such a degree that their current State would pose a national security threat.

*Question.* Before launching this investigation, did you consult with Congress and if so, with whom?

*Answer.* The Department conducted its own independent assessment of the merits of initiating a section 232 investigation on imports of automobiles and automotive parts.

*Question.* Before launching this investigation, did you consult with the Big Three auto producers?

*Answer.* No. The Department conducted its own independent assessment of the merits of initiating a section 232 investigation on imports of automobiles and automotive parts.

*Question.* Before launching this investigation, did you consult with the United Auto Workers?

*Answer.* No. The Department of Commerce conducted its own independent assessment of the merits of initiating a section 232 investigation on imports of automobiles and automotive parts.

*Question.* To what extent is this investigation linked to NAFTA negotiations?

*Answer.* The Department's investigation under section 232 is being conducted independent of the NAFTA negotiations.

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#### QUESTIONS SUBMITTED BY HON. PAT ROBERTS

*Question.* Over the last 4 years, farm prices are down 40 percent and farm income is down 50 percent. During an already challenging time for farmers and ranchers, drastic trade policy measures have a compounding effect on producers in rural America. What agricultural producers need right now is certainty and predictability. U.S. industries currently face approximately \$143 billion in retaliatory tariffs, due to the section 232 steel and aluminum investigation and USTR's action under section 301.

What is the plan to resolve U.S. concern on steel and aluminum overcapacity so that other countries will end retaliatory tariffs on \$9.2 billion of U.S. agriculture exports?

*Answer.* The aluminum and steel proclamations signed by the President on March 8, 2018 state that the objective of each action is to help our domestic and steel in-

dustries to revive idled facilities, open closed mills and smelters, preserve necessary skills by hiring new workers, and maintain or increase production. These actions will reduce our Nation's need to rely on foreign producers of aluminum and steel and ensure that domestic producers can continue to supply all of the aluminum and steel necessary for critical industries and national defense. It will take time for U.S. aluminum and steel producers to fully restart idled capacity and regain long-term economic health. It is likely that the import adjustments will need to be in place for some time to enable aluminum and steel producers to achieve sustained economic viability.

U.S. agriculture plays a critical role in the economic growth of our country and the administration is actively working to ensure fair and reciprocal access to foreign markets for your constituents. The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO Members have imposed in response to our section 232 actions.

On July 24th, President Trump directed Secretary Perdue to craft a short-term relief strategy to protect agricultural producers while the administration works on free, fair, and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, USDA will authorize up to \$12 billion in programs, which is in line with the estimated \$11 billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

*Question.* As we have seen numerous times, agriculture is often the first industry impacted when retaliatory measures are enacted. Earlier this month, USTR released their list of tariffs on Chinese goods, totaling \$50 billion. Almost immediately, China released their own list of retaliatory tariffs that will hit many agriculture commodities on July 6th. While I respect the administration's intentions to address bad actors in China, I do not believe tariffs are the solution, especially when looking at the short-term consequences on American businesses. While the Department of Commerce was not the agency responsible for proposing and enacting this specific trade policy and strategy, it is vital that we remember trade policy decisions are intertwined and agencies cannot act in a silo.

As we watch farmers and ranchers bear the brunt of section 232 and section 301 retaliation, what coordination and communication is ongoing between the Department of Commerce, USTR, and other agencies within the administration to minimize the damage being continuously imposed on certain industries, such as agriculture?

*Answer.* The administration has extensive, ongoing discussions on trade policy to ensure that the different departments and agencies are working in unison to execute the President's initiatives to restore fair and reciprocal trade with our global partners and protect our national security.

*Question.* The disruption in the trade of softwood lumber with Canada is increasing lumber prices, and, as a result, is affecting housing affordability. The homebuilders and housing industry is also facing tariffs on other critical building materials, including steel and aluminum.

I have heard from homebuilders in Kansas who are feeling the pinch from higher lumber prices, due to tariffs on imports on softwood lumber from Canada.

Realistically, how soon can we expect to see a new deal on the lumber issue?

*Answer.* I have met with representatives of the homebuilders industry and appreciate their concerns about a possible rise of softwood lumber prices. I am aware that the U.S. price of softwood lumber for framing increased by more than 60 percent from November 2016 to June 2018. There have been a number of demand-side factors that have contributed to this trend, including an increase in new home construction and growth in remodeling and home repair activity. However, since the first week of June 2018, the price has steadily decreased for 9 straight weeks. The weekly price of softwood lumber has decreased by 24.4 percent over those 9 weeks. Lastly, with respect to changes in the price, there have been modest price increases, amounting to a three percent change, in the last two weeks of August and the first week of September 2018. Although the United States and Canada, and their respective softwood lumber industries, made significant efforts to reach a long-term settlement to this ongoing trade dispute, the parties were unable to agree upon terms



that were mutually acceptable. As a result, the Department completed its anti-dumping (AD) and countervailing duty (CVD) investigations, finding that producers/exporters of softwood lumber from Canada dumped softwood lumber at rates ranging from 5.57 percent to 8.89 percent and received countervailable subsidies at rates ranging from 3.34 percent to 18.19 percent. Following the Department's affirmative determinations, the U.S. International Trade Commission determined that the dumped and subsidized imports of softwood lumber from Canada materially injured the U.S. softwood lumber industry. As a result of these findings, the Department issued AD/CVD orders on imports of softwood lumber from Canada. The Department's determinations were made following a comprehensive review of factual evidence and arguments from all interested parties in the proceedings. Please know that the Department is committed to administering the trade remedies adopted by Congress in a fair and balanced fashion in accordance with U.S. law, regulations, and international obligations. Because the AD and CVD investigations are completed, any future negotiations involving a long-term agreement related to bilateral trade of softwood lumber would be led by the United States Trade Representative.

*Question.* Can you give an explanation as to why Ukraine was placed on the list of countries included in the section 232 Tariffs given their minimal importation of steel products into the United States?

*Answer.* The President's actions under section 232 are global in nature—that is, they apply to imports from all countries. Imports of steel products are either subject to a 25 percent tariff or are exempt from the tariff on the basis of alternative measures the United States has agreed individually with specific countries.

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QUESTIONS SUBMITTED BY HON. MICHAEL B. ENZI

*Question.* Secretary Ross, one of the unfortunate casualties of the steel and aluminum tariffs is the U.S. agriculture industry. Canada has responded to our steel and aluminum tariffs by targeting U.S. agriculture exports like beef. In fact, Canadian tariffs on some U.S. beef products will be implemented on July 1st. Canada is a \$1-billion market for U.S. beef, and producers in my home State of Wyoming will feel these market consequences.

Will the administration commit to resolving this tariff issue immediately so that farmer and ranchers in Wyoming will not be negatively impacted by Canadian tariffs on beef and other agricultural products?

*Answer.* U.S. agriculture plays a critical role in the economic growth of our country and foreign markets are important to your constituents. The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariff these WTO Members have imposed in response to our section 232 actions.

On July 24th, President Trump directed Secretary Perdue to craft a relief strategy to protect agricultural producers while the administration works on free, fair, and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, USDA will authorize up to \$12 billion in programs, which is in line with the estimated \$11-billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

*Question.* China has indicated that it is preparing to retaliate on U.S. oil imports—a U.S. export market that represents more than \$1 billion per month. Last year, Wyoming produced 1.8 billion MCF of natural gas and 75.6 million barrels of crude oil. In 2016, the petroleum industry employed over 8,000 people in the State and contributed over \$1.5 billion to Wyoming's economy.

Has the Commerce Department considered implications that retaliatory tariffs could have our domestic oil and gas industry and the communities that depend on it?

*Answer.* The criteria that Congress directed the President and Secretary to consider when assessing the impact of imports on national security does not include retaliatory actions by other countries. As a result, the Department did not assess the impact of potential retaliatory actions as part of the section 232 investigations. Further, as noted in answers to previous questions, the administration will take all nec-

essary action to protect U.S. interests in the face of unjustified retaliation against the President's wholly legitimate actions under section 232.

*Question.* Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862) requires that “[u]pon request . . . of an interested party . . . the Secretary of Commerce . . . shall immediately initiate an appropriate investigation to determine the effects on the national security of imports of the article which is the subject of such request.”

It has been more than 5 months since the two largest U.S. uranium miners submitted their request for Commerce to initiate an investigation into imports of uranium products that threaten national security. Despite this unambiguous legal requirement for an immediate investigation when an interested party files a section 232 petition, the uranium investigation has not yet been initiated. At the Finance Committee hearing, Secretary Ross stated that a decision would be made soon as to whether Commerce will conduct an investigation and that prior agreements were complicating the issue. In section 232 of the Trade Expansion Act, Congress did not give the Secretary discretion to decide whether or not to initiate an investigation.

Why has Commerce delayed investigating the impact of these damaging imports on the national, economic, and energy security of the U.S.? Please explain in detail what issues, including prior agreements, have prevented the Department from initiating the investigation, and why such issues cannot be resolved during the investigation or through the final recommended remedies. Furthermore, please provide a specific date by which the Department will initiate this investigation.

*Answer.* The Department initiated investigation of uranium imports under section 232 on July 18, 2018.

*Question.* Many of my constituents have expressed concern regarding the usually high prices of aluminum, specifically the Midwest Premium. You stated during the hearing that Commerce is starting an investigation into whether there are people who are illegitimately profiteering off the tariffs given that prices of steel and aluminum have risen much higher than justified by the tariffs.

When can we expect this report and what will Commerce do to remedy this situation?

*Answer.* The Midwest Premium (MWP) is determined by S&P Global Platts (Platts). In May, I requested and received from both Platts and the Aluminum Association information regarding the MWP and how it is determined. I understand that Platts has taken steps to address concerns about non-tariff pricing. The Department also received public comments on this issue in response to the Department's March 19 interim final rule implementing the submission of exclusion requests and objections to submitted requests for steel and aluminum. Department staff have provided the Department of Justice and the Federal Trade Commission with the public comments regarding the MWP and other information provided by industry.

*Question.* The beer industry buys a significant amount of barley from my State. The recent retaliatory tariff imposed by Canada on exported aluminum cansheet and finished cans is another cost imposed on the U.S. beer industry, which will ultimately impact the bottom line of Wyoming's barley producers.

What is the administration's plan to end this new trade restriction?

*Answer.* The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. On July 16th, the United States launched a dispute at the World Trade Organization (WTO) challenging the retaliatory tariffs Canada imposed in response to our section 232 actions.

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QUESTIONS SUBMITTED BY HON. JOHN CORNYN

*Question.* Energy infrastructure projects are a critical component of our economy, and the State of Texas is ground zero for the energy resurgence that our Nation is experiencing. Much of that production is centered around the Permian Basin. Unfortunately, energy companies in my State are extremely worried that this growth will be halted by the steel tariffs. In 2017 alone, the oil and gas industry accounted for 10 percent of steel demand. Many of the producers are importing and sourcing steel products that are only available abroad from a country that is not currently excluded.

Will Commerce be prioritizing energy projects for disposition of the tariffs under product exclusions?

*Answer.* Review of exclusion requests and related objections are being conducted on a case-by-case basis managed by the Department's Bureau of Industry and Security (BIS). As part of this process, BIS is also working closely with enforcement and compliance specialists within Commerce's International Trade administration (ITA). We have modified our procedures to expedite decisions on requests that have no corresponding objections.

*Question.* Because energy infrastructure developers typically can only seek foreign sources of materials due to no domestic supply, will you consider a categorical exclusion?

*Answer.* The Department does have the discretion to make broader exclusions available to all importers if we find the circumstances warrant and will exercise this discretion as appropriate.

*Question.* Will you give all due consideration to Texas's energy projects in their review of exemption requests, especially those whereby a domestic steel alternative is not available?

*Answer.* Yes.

*Question.* Is Commerce taking any action to ensure contracts that were entered in to force prior to the tariff announcement will be excluded from enforcement?

*Answer.* The President's proclamations provide that product exclusions from the tariffs and quotas imposed under section 232 may be granted if an article is not produced in the United States in sufficient quantity or of satisfactory quality, or for a specific national security consideration. In addition, the President has proclaimed that exclusion from the quota be provided in certain limited cases where steel articles from a quota country are being imported for use in a facility construction project in the United States under a contract concluded prior to the President's decision to adjust imports under section 232, and that cannot enter into the United States because the applicable quota has already been reached. In such a cases, the steel articles excluded from the quota may be imported upon payment of the 25-percent tariff.

*Question.* I am proud to say that both domestic and international automakers have established deep roots in the State of Texas. In fact, Toyota and General Motors both have a significant manufacturing presence in my State. In total, there are nearly half a million auto related jobs in Texas and I am very concerned about the potential impact the recently initiated section 232 investigation on imported autos and auto parts will have on auto workers both in my State and throughout the Nation. A recent analysis conducted by the Peterson Institute shows that a 25-percent tariff on imported autos and parts would cause 195,000 U.S. workers to lose jobs and, if other countries retaliate with their own tariffs, then American job losses would likely increase to 624,000.

Can you please elaborate on why the administration is concerned that imports of automobiles and auto parts may be a national security threat, and not just an economic competitor?

*Answer.* The administration considers core industries such as automobiles and automotive parts as critical to our strength as a Nation. Data reviewed prior to initiating the investigation revealed a decline in automobile production by U.S.-owned automobile producers, an increasing reliance on imported auto parts for U.S. automobile assembly, and a decline in employment in the automotive industry. Our investigation will look at all the statutory factors under section 232 to determine the effects on the national security of imports of automobiles and automotive parts. The investigation will take into account all relevant facts and input from stakeholders compiled during a transparent process before reaching a final determination, which will be based on the facts and the statutory requirements.

*Question.* What does the Commerce Department estimate annual car sales to look like under a 25-percent tariff?

*Answer.* The investigation is still ongoing, and we have not yet made a national security determination. Consideration of specific remedies or potential tariff levels is not necessary until we conclude our national security analysis.

*Question.* Will you pledge to provide members of this committee with any data on what job losses and reduction in car sales may look like if there is a 25-percent car tariff imposed?

*Answer.* The investigation is still ongoing, and we have not yet made a national security determination. Consideration of specific remedies or potential tariff levels is not necessary until we conclude our national security analysis.

*Question.* Many manufacturers tell me that aluminum has gotten more expensive as a result of the 232 investigation and tariffs. If a company importing aluminum gets an exclusion from the tariff, that 10 percent cost savings doesn't automatically change the price of aluminum in the U.S. due to the Midwest premium and U.S. aluminum pricing mechanism. The downstream U.S. manufacturer must seek an agreement from the exporting company and the importer of record case-by-case. Otherwise those upstream companies just get to pocket greater profits. This is also true in the case of country exemptions. For example, when Canada received a temporary exemption, it just had a windfall of greater profit while the cost to U.S. manufacturers for aluminum was ticking up with the increasing Midwest premium.

How do we make sure the product exclusion process benefits American manufacturers, OEMs, and end-users?

*Answer.* We are monitoring the domestic aluminum and steel industries, as well as industries consuming aluminum and steel, and will be conducting future assessments as necessary to evaluate the health and competitiveness of U.S. industry.

*Question.* As we have discussed before previously, I am very concerned about the current AD/CVD case petitioned by a single U.S. supplier on uncoated groundwood paper. My rural constituent newspapers—the very industry these tariffs are meant to protect—may see a spike in prices they cannot afford as a result of this petition by a single supplier.

Will you commit to using full discretion when rendering a final decision on duties, taking in to account the impact this may have on the newsprint industry?

*Answer.* I have heard from the newsprint industry and appreciate the concerns that they have with the AD/CVD investigations of uncoated groundwood paper. The United States' trade remedy laws require the Department to initiate an AD and/or CVD investigation if a petition filed by producers or workers in the United States meets the statutory criteria for initiation, as was the case in these proceedings. While the Department issued final affirmative determinations in the AD and CVD investigations, the U.S. International Trade Commission (ITC) reached a negative determination on August 29, 2018, finding that imports of uncoated groundwood paper from Canada did not materially injure the domestic industry. As a result of the ITC's determination, the investigations have been terminated, and all duties collected will be returned.

*Question.* Tariffs on imports of Canadian softwood lumber have highlighted a real fundamental issue with trade disputes.

In your opinion, how do we strike the appropriate balance between helping U.S. producers of, in this case, lumber products and protecting the consumers of those products, home builders and home buyers in this case, from unnecessary price increases? Do you believe that we are doing that here? If not, how can we do better?

*Answer.* As Secretary of Commerce, I have a duty to conduct our trade remedy proceedings pursuant to the law as written by Congress. When the Department finds that dumping or subsidization is occurring, and the U.S. International Trade Commission (ITC) determines that dumping and/or subsidization is causing injury to the domestic industry, the statute requires that the Department impose duties to offset that unfair trade.

In this instance, the Department determined that imports of softwood lumber are being dumped and unfairly subsidized and the ITC determined that the U.S. industry is being injured by imports of softwood lumber. The Department's determinations were made following a comprehensive review of factual evidence and arguments from all interested parties in the proceedings. U.S. law allows an opportunity for consumers and industrial users who do not otherwise satisfy the definition of "interested party" to submit relevant information concerning dumping or countervailable subsidies. See 19 U.S.C. 1677f(h). The Department reviews all record information when determining the level of dumping and countervailable subsidization, in accordance with 19 U.S.C. 1671 and 1673. Under U.S. law, the Department does not have the authority to consider additional factors when making our determina-

tions in such instances. Please know that the Department is committed to administering the trade remedies laws in a fair and balanced fashion in accordance with U.S. law, regulations, and international obligations.

*Question.* What actions is the administration taking to avoid jeopardizing the future viability of this important and valuable program to the U.S. economy?

*Answer.* Although the United States and Canada, and their respective softwood lumber industries, made significant efforts to reach a long-term, negotiated settlement to this ongoing trade dispute, the parties were unable to agree upon terms that were mutually acceptable. Any future negotiations involving a long-term agreement related to bilateral trade of softwood lumber would be led by the United States Trade Representative.

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QUESTIONS SUBMITTED BY HON. JOHN THUNE

*Question.* In your testimony before the Finance Committee, you said that the Commerce Department would be accelerating the processing of exclusions to the section 232 steel and aluminum tariffs by immediately granting those that are correctly submitted and for which you receive no objections during the public comment period.

Does that mean that exclusion applications will be granted “immediately” after the 30-day comment period if there are no objections or do the applications still have to go through the rest of the 90-day review process?

The business community needs a better understanding about how quickly they could see relief from these tariffs if they’ve requested an exemption and how fast you might be able to work through the thousands of applications currently in the backlog.

*Answer.* The posting of granted exclusion requests depends primarily on when Customs and Border Protection (CBP) determines whether the product description in the request cites the correct HTSUS classification. Once CBP determines that they can implement the exclusion request, BIS will assess the request for any national security concerns and to ensure it otherwise meets the criteria for an exclusion. If BIS identifies no national security concerns and the request meets the exclusion criteria, BIS will expeditiously post a decision on *regulations.gov* granting the exclusion request. The Commerce Department and CBP have both assigned additional staff to work expeditiously through the backlog.

*Question.* As a key member of President Trump’s trade team, you are aware of the retaliatory effects of the tariffs that have been implemented, as well as the tariffs that are being proposed, will have on U.S. agriculture. China is our number one export market for soybeans, with approximately \$14 billion exported to China last year. Chinese retaliatory tariffs on U.S. soybeans and other ag commodities will be a devastating blow to farmers and ranchers in my State of South Dakota and other States, especially given today’s low commodity prices and an overall sluggish agriculture economy.

How does the administration plan to address the consequences of these tariffs on U.S. agriculture, which is so critical to the U.S. economy, especially in terms of U.S. exports?

I’d also note that I, along with many of my colleagues—and frankly most farmers and ranchers—oppose ad hoc price-loss payments (which would be just a stopgap approach, costing billions of dollars, and not a long-term solution) for farmers and ranchers who suffer economic loss due to trade sanctions, tariffs and loss of export markets as a result of U.S. trade policies. These producers want to sell their products, not have to look to a government subsidy program to offset an unrelated trade war.

*Answer.* U.S. agriculture plays a critical role in the economic growth of our country and foreign markets are important to your constituents. The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia, challenging the retaliatory tariffs these WTO Members have imposed in response to our section 232 actions.

On July 24th, President Trump directed Secretary Perdue to craft a relief strategy to protect agricultural producers while the administration works on free, fair, and

reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, USDA will authorize up to \$12 billion in programs, which is in line with the estimated \$11 billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

*Question.* We appreciate the President's efforts to take on abusive trade practices and stand up to long-standing offenders like China. At the same time, I'm sure you are aware that the steel and aluminum tariffs aimed at Chinese over-production are already having a direct effect on U.S. businesses. I have heard from several small fabricators and manufacturers in South Dakota that are already seeing steel and aluminum commodity prices rise significantly. With their thin profit margins, they really cannot absorb these cost increases, and some are having to consider lay-offs.

While most of these businesses would like nothing more than to buy only U.S. steel and aluminum, the increased supply is not going to materialize overnight nor avoid the commodity price increase. In addition, many of these businesses rely on particular products that have been created specifically for them by producers in Europe, Canada, or other countries. For many smaller firms, they may not survive the time it will take for them to identify a U.S. provider and work through the certification process to ensure that the new product meets the necessary specifications.

Has the administration factored these effects into its impact analysis, and what steps are you taking to help these smaller companies survive the direct effects of this trade battle?

*Answer.* The steel and aluminum reports dated January 11th and January 18, 2018, respectively, addressed the statutory requirements Congress directed the Secretary and the President to consider in executing section 232. Those congressional requirements do not include consideration of the potential effects of section 232 actions on downstream industries. Nonetheless, the Department did analyze the downstream economic impact of potential steel tariffs using the standard version of the Global Trade Analysis Product (GTAP) Computable General Equilibrium (CGE) model of global trade. The GTAP model uses the "metals" sector, of which steel is a major portion. Because aluminum accounts for a much smaller portion of the sector, the Department determined that use of the GTAP model was inappropriate for the aluminum investigation. Accordingly, the Department used a partial equilibrium analysis to estimate the impact of an adjustment on aluminum imports, with no modeled effects on domestic demand or price, and an assumption that domestic production would replace all imports removed due to a tariff or quota. The results were considered as part of the administration's deliberations but are non-public as part of the deliberative process.

*Question.* Congress enacted the trade remedy laws, such as the anti-dumping and countervailing duty remedies, in an effort to protect domestic industries. However, we now have at least one example, with the Canadian newsprint case, where the law is being applied to protect one portion of a domestic industry but also is resulting in significant harm of another portion of the same domestic industry. Obviously, Congress did not enact the trade remedy laws in order to harm the overall economy.

I have two questions: First, how should the Commerce Department and the International Trade Commission approach this kind of case and ensure that Congress's intent is achieved?

*Answer.* I have heard from the newsprint industry and appreciate the concerns that they have with the AD/CVD investigations of uncoated groundwood paper. The United States' trade remedy laws require the Department to initiate an AD and/or CVD investigation if a petition filed by producers or workers in the United States meets the statutory criteria for initiation, as was the case in these proceedings. While the Department issued final affirmative determinations in the AD and CVD investigations, the U.S. International Trade Commission (ITC) reached a negative determination on August 29, 2018, finding that imports of uncoated groundwood paper from Canada did not materially injure the domestic industry. As a result of the ITC's determination, the investigations have been terminated, and all duties collected will be returned.

*Question.* Second, more than two dozen Senators, including myself, have expressed concern with the unintended consequences of these tariffs in the Canadian newsprint case by cosponsoring the Collins/King PRINT Act (S. 2835). Will you take our concerns into account as the Commerce Department moves to the final-determination phase for these tariffs?

Answer. Please see the prior answer regarding the outcome of the newsprint case. Regarding the legislation you and your colleagues have introduced, I can assure you that if the law is changed, consistent with my duty, I will implement those changes as well.

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QUESTIONS SUBMITTED BY HON. JOHNNY ISAKSON

*Question.* Secretary Ross, the recent imposition of retroactive quotas capping tinplate steel imports from countries like South Korea and Brazil is exacerbating the supply shortage caused by the lack of availability of this product from U.S. steel producers. This has resulted in U.S. container manufacturers importing steel from countries not subject to the quotas, such as China. Unfortunately, this shift in behavior defeats the stated purpose of the steel tariffs. Still other companies are contemplating moving production and jobs to other countries, eventually selling the finished good into the American market to avoid the tariffs.

These outcomes are harming Georgia's manufacturers and have the potential to do harm to the broader U.S. economy. Will you consider excluding tinplate steel from the 232 tariffs?

Answer. On August 29th, the President signed proclamations allowing the Secretary to provide relief from quotas imposed under section 232 on steel from South Korea, Argentina, and Brazil, and aluminum from Argentina. Companies can apply for product exclusions on the same basis as product exclusions are available from tariffs, namely lack of sufficient quantity or quality available from U.S. steel or aluminum producers, or for national security reasons. In such cases, an exclusion from the quota may be granted and no tariff would apply to the excluded steel or aluminum product. The process for quota exclusions has been implemented in the revised exclusion process rule, which was published in the Federal Register on September 11th and is also available on the BIS website.

*Question.* On July 6th, the recently announced 25 percent tariffs on a slate of \$34 billion of goods imported from China will go into effect. In its June announcement, USTR reiterated its desire to minimize the impact of tariffs on American consumers, stating that the final list of products would not include products like televisions or mobile phones that are "commonly purchased by American consumers." However, USTR has placed a 25-percent tariff on an item found in nearly all American households: thermostats. American consumers purchase 17 million new thermostats every year to help bring down their household energy costs.

Through a product exclusion process, USTR has provided an opportunity to reconsider whether tariffs are warranted for goods on the current list. In light of the administration's goal of avoiding tariffs on consumer goods, what is your role in the exclusion process for this set of tariffs? What actions are you going to take as Commerce Secretary to ensure that these tariffs do not have a negative impact on American consumers, retailers, and homebuyers?

Answer. The Office of the United States Trade Representative (USTR) controls the exclusion process for the section 301 tariffs. The Department of Commerce will remain in contact with USTR to share our input regarding these and other future tariff lists. The administration remains committed to minimizing consumer harm, and the exclusion process is in part designed to help us do so.

*Question.* Further, what are you going to do as Commerce Secretary to mitigate the negative impact of this tariff regime on small businesses that are suppliers of specialized components to major manufacturers?

Answer. Helping small businesses is at the core of my Department's mission, and many of our initiatives improve the competitiveness of small businesses in the U.S. Our daily work, such as the export promotion and counseling work in U.S. Export Assistance Centers, will continue. At the same time, the exclusion process run by USTR, where appropriate, will provide some relief to small businesses that are importing products from China that are covered by the additional duties.

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QUESTIONS SUBMITTED BY HON. ROB PORTMAN

*Question.* In your testimony you cited the automotive trade deficit as "something you are very concerned about" in terms of a possible threat to our national security

for purposes of the section 232 investigation. You also shared unease with the declining automobile production as a percentage of U.S. sales over the past 3 decades.

Can you elaborate? What about these economic factors suggests a *national security* threat to the U.S. automobile industry under the statute?

Answer. The administration considers core industries such as automobiles and automotive parts as critical to our strength as a Nation. Data reviewed prior to initiating the investigation revealed a decline in automobile production by U.S.-owned automobile producers, an increasing reliance on imported auto parts for U.S. automobile assembly, and a decline in employment in the automotive industry. Our investigation will look at all the statutory factors under section 232 to determine the effects on the national security of imports of automobiles and automotive parts. The investigation will take into account all relevant facts and input from stakeholders compiled during a transparent process before reaching a final determination, which will be based on the facts and the statutory requirements.

*Question.* Although section 232 makes reference to the relationship between economic welfare and national security, the statute's administrative regulations (15 CFR § 705.4) connect three "economic welfare" factors with an "and," indicating that all three factors must be satisfied. The first factor for consideration is "The impact of foreign competition on the economic welfare of any domestic industry essential to our national security."

Do you believe that there is an industry that *cannot* meet that criteria? If so, what would that industry look like? Or do you understand the language in the regulation to be broad enough to encompass all, or most, industries in the United States? Specifically, do you believe that automobiles, trucks, and auto parts are an industry "essential to our national security"? If so, why and how?

Answer. Detailed analyses would need to be conducted in order to determine what other industries have weakened to such a degree that their current State would pose a national security threat under section 232. The administration considers core industries such as automobiles and automotive parts as critical to our strength as a Nation. The investigation will take into account all relevant facts and input from stakeholders compiled during a transparent process before reaching a final determination, which will be based on the facts and the statutory requirements.

*Question.* Last Congress Senator Brown and I worked together to secure enactment of the Leveling the Playing Field Act, which clarified the material injury standard to make it easier for American companies—particularly in the steel sector—to seek and win trade cases. The benefits of this law have been predominantly seen in antidumping cases, but countervailing duty cases are also a very import tool in our trade remedy kit.

Do you believe that improper and nonmarket subsidization of foreign steel industries by relevant governments—mainly, but not exclusively China—contributes to overcapacity? Do you believe that our countervailing duty laws should be improved to make it easier for industries facing overcapacity to secure relief when challenging subsidies that contribute to overcapacity?

Answer. Since the beginning of the Trump administration, the Department has been vigorously enforcing the trade laws Congress has entrusted to it, including the additional authorities Congress provided in the Trade Preferences Extension Act of 2015 (title V of Public Law 114–27) to which you refer. In its countervailing duty proceedings involving steel imports from China and other countries, the Department has investigated and countervailed dozens of subsidies determined to benefit those imported steel products. More broadly, in various fora, including the Global Forum on Steel Excess Capacity and the World Trade Organization (WTO) Committee on Subsidies and Countervailing Measures, the U.S. government has made clear its view that subsidies are an important contributing factor behind the overcapacity that currently characterizes many industries, such as steel, aluminum, and fisheries. We have made clear that the current subsidies rules do not adequately address the problem of excess capacity and, in the WTO context, we have pressed other major trading nations in these industries to consider whether the rules need to be changed. Meanwhile, the Department continues to investigate and address, to the fullest extent under U.S. laws, imports that benefit from countervailable subsidies and that cause injury to our domestic industries. And we stand ready to fully implement any new legislation that provides additional tools to more effectively remedy injury from unfairly traded imports.



*Question.* During your testimony, you said that “the price of steel, and for a while the price of aluminum, went up far more than is justified by the tariffs.” As a result of the price of steel increasing by a percentage greater than the tariff, you said that the Commerce Department is beginning an investigation into this unexpected phenomenon.

Can you elaborate on this investigation? What do you believe is driving this extra price increase? Specifically, were you referring to the Midwest Premium, and is your investigation into the Midwest Premium and related indices?

*Answer.* The Midwest Premium (MWP) is determined by S&P Global Platts (Platts). In May, I requested and received from both Platts and the Aluminum Association information regarding the MWP and how it is determined. I understand that Platts has taken steps to address concerns about non-tariff pricing. The Department also received public comments on this issue in response to the Department’s March 19th interim final rule implementing the submission of exclusion requests and objections to submitted requests for steel and aluminum. Department staff have provided the Department of Justice and the Federal Trade Commission with the public comments regarding the MWP and other information provided by industry.

*Question.* Ohio is home to American Fence Posts, which is the last domestic manufacturer of the iconic green u-shaped steel fence post common to many road signs and fences. Unfortunately, the tariffs on steel have dramatically increased the price of their inputs and yet has not slowed the surge of finished fence post imports from China. This is just one example of American manufacturers being squeezed between unfair trade practices abroad and higher metal prices at home.

Is the Commerce Department aware of these types of situation? And is the Department considering options to help—and in comes cases even save—these U.S. businesses?

*Answer.* The Department is aware of these types of situations. As I testified, we developed a list of downstream products that have been hurt by imports and have worked with the interagency to incorporate many of these downstream products on the section 301 tariff lists.

*Question.* Ohio is also home to AK Steel, which is the last domestic producer of grain-oriented electrical steel (GOES). Used in power transformers, GOES is an important part of our Nation’s critical infrastructure. Unfortunately, the section 232 remedy does not cover downstream products that are really just minimally transformed GOES, such as cores, core parts, and laminations. Without coverage of these products, the remedy is not completely effective, as production of these parts will move offshore. In your testimony, you mentioned that you were considering additions for products like this. Unfortunately, it was unclear if you were referring to product additions to the current section 232 remedy or additions to the section 301 retaliation lists crafted by the U.S. Trade Representative.

Will you commit to adding products, like the minimally transformed GOES as core, core parts, and laminations, to the section 232 remedy? Adding products like these to the section 301 remedy is incomplete because it only applies to China and falls short of the global solution needed to the global problem of steel overcapacity.

*Answer.* The presidential proclamations direct the Secretary of Commerce to monitor imports of steel and aluminum, and from time to time, review the status of such imports with respect to the national security, in consultation with other senior executive branch officials. The proclamations also direct the Secretary to inform the President of any circumstances that might indicate the need for further action under section 232. The Department will carry out the President’s direction.

*Question.* In your testimony, you noted that the Commerce Department is seeking input from newspapers on three factors that assess the economic health of the industry. As you know downstream industries are not a consideration in the Commerce Department’s antidumping/countervailing duty analysis.

From how many newspapers have you received input? How does the collection, and use, of this information comport with the Commerce Department’s obligations to just determine the existence and extent of dumping or subsidization, rather than be an arbiter of the economic impacts duties may have on different industries who may have a stake in a trade remedy investigation?

*Answer.* As Secretary of Commerce, I have a duty to conduct our trade remedy proceedings in a manner consistent with current U.S. law. When dumping or sub-

sidization is found to cause injury the domestic industry, the statute requires that the Department impose duties to offset that unfair trade.

As you note, at my last hearing, I invited the input from newspapers that you reference. The Department has received numerous comments on behalf of the newsprint industry relating to the impact of potential antidumping and countervailing duties on uncoated groundwood paper from Canada. With respect to your question on how the collection, and use, of this information comports with the Department's obligations, the statute allows an opportunity for consumers and industrial users who do not otherwise satisfy the definition of "interested party" to submit relevant information concerning dumping or countervailable subsidies. See 19 U.S.C. 1677f(h). The Department reviews all record information when determining the level of dumping and countervailable subsidization, in accordance with 19 U.S.C. 1671 and 1673. Under U.S. AD and CVD law, the Department does not have the authority to consider additional factors when making our determinations in such instances. Please know that the Department is committed to administering the trade remedies laws in a fair and balanced fashion in accordance with U.S. law, regulations and international obligations.

It is important to note that any affirmative finding made by the Department in the context of an antidumping duty or countervailing duty investigation must be transmitted to the U.S. International Trade Commission (ITC), which as required by law has the authority to examine whether dumping or subsidization is injuring the domestic industry. On August 29, 2018, the ITC reached a negative determination finding that imports of uncoated groundwood paper from Canada did not materially injure the domestic industry. As a result of the ITC's determination, the investigations will be terminated, and all duties collected will be returned.

*Question.* As you know, there is a growing international campaign to coerce and delegitimize Israel by imposing boycotts, divestment and sanction actions. In fact, the United States recently withdrew from the UN Human Rights Council due, in part, to its relentlessly anti-Israel bias, including its decision to in 2016 to create a database of companies—including U.S. companies—that do business in Israeli-controlled territories. It is virtually impossible to target businesses that operate in Israeli-controlled territories without also hurting Israel economy, so this database essentially amounts to a "blacklist," designed to help coerce Israel into resolving issues that should only be addressed through direct talks between Israelis and Palestinians.

I have introduced legislation with my colleague, Ben Cardin of Maryland, that would prohibit U.S. entities from responding to requests from the UN Human Rights Council or other international governmental organizations designed to blacklist and boycott companies engaged in legal commerce with Israel. The legislation is based on the 40-year-old Export Administration Act (EAA), which has been repeatedly upheld by Federal courts and protects the rights of individual Americans who want to criticize Israeli or American policies.

What are your views on the global boycott, divest, and sanctions (BDS) movement? Will you commit to fighting efforts led by organizations like the UN Human Rights Council's to pressure U.S. companies not to do business in Israel or Israeli-controlled territories? Will you commit to working with my team and me to ensure our legislation is a complement to your ongoing enforcement efforts?

*Answer.* The Department of Commerce's Office of Antiboycott Compliance (OAC) administers and enforces the antiboycott provisions of the Export Administration Act. These provisions discourage and in specific circumstances prohibit United States persons to refuse to take certain actions, including furnishing information or entering into agreements which have the effect of furthering or supporting a restrictive trade practice or boycott against a country friendly to the United States. The Department, through OAC, vigorously scrutinizes information and practices which may constitute boycott-based activity and, as appropriate, initiates enforcement actions under relevant regulatory authority.

OAC recognizes the boycott, divestment and sanctions movement as a "grassroots boycott" and continues to monitor its influence and its activities. The Department opposes restrictive trade practices or boycotts against any country friendly to the U.S. and does not support the imposition of any artificial barrier to trade that would pressure U.S. companies to refuse to do business in order to achieve political outcomes. To this end, I am committed to continue the robust support of OAC's program and related enforcement activities and to ensure that all Bureau of Industry and Security's authorities are utilized to carry out its mission.

## QUESTIONS SUBMITTED BY HON. BILL CASSIDY

*Question.* Louisiana is home to two LNG export projects which are either operating or under construction, five that are fully permitted, and five more that are awaiting their Federal permits. Unfortunately, the section 232 steel tariffs could not come at a less opportune time. As the second wave of U.S. LNG projects approach final investment decisions, multiple billion-dollar projects are on hold due to project financing issues related to the section 232 tariffs.

Given the enormous economic potential of these projects and geopolitical benefits of expanding our energy exports, what are your thoughts on exempting the entire LNG industry from 232 tariffs?

What is your opinion on an industry wide exemption for the U.S. oil and gas industry and their domestic suppliers in order to achieve the administration's objective of American energy dominance?

*Answer.* The purpose of the exclusion process is to protect downstream manufacturers that rely on products not produced by domestic industry. The guiding principle is that if domestic industry does not or will not produce a given steel or aluminum product, companies that rely on those products should not pay tariffs on them. The review of exclusion requests and related objections are being conducted on a case-by-case basis managed by Commerce's Bureau of Industry and Security (BIS). As part of this process, BIS is also working closely with enforcement and compliance specialists within Commerce's International Trade Administration (ITA). We have modified our procedures to expedite decisions on requests that have no corresponding objections. We do have the discretion to make broader exclusions available to all importers if we find the circumstances warrant and will exercise this discretion as appropriate.

*Question.* Downstream steel fabricators are facing a tenuous situation due to dumped and subsidized imports of finished Process Industry Components primarily from Asia. This situation has been exacerbated as a result of the 232 tariffs, doubling the price of carbon and alloy plate.

Considering section 232 is intended to improve our national security, what do we gain from a more robust steel and aluminum sector if the sectors that manufacture goods from those products are no longer competitive in the United States?

*Answer.* The aluminum and steel proclamations signed by the President on March 8, 2018 state that the objective of each action is to help our domestic aluminum and steel industries to revive idled facilities, open closed mills and smelters, preserve necessary skills by hiring new workers, and maintain or increase production. These actions will reduce our Nation's need to rely on foreign producers of aluminum and steel and ensure that domestic producers can continue to supply all of the aluminum and steel necessary for critical industries and national defense. It will take time for U.S. aluminum and steel producers to fully restart idled capacity and regain long-term economic health. It is likely that the import adjustments will need to be in place for some time to enable aluminum and steel producers to achieve sustained economic viability. The Department, working with other agencies, will continue to monitor the impact of the tariffs and the health and competitiveness of U.S. industry, and the Department will conduct a comprehensive analysis of the impact of the section 232 tariffs after they have been in effect long enough to make the results of that analysis useful.

*Question.* I have yet to meet anyone who has had a good experience with the Commerce Department's 232 tariff exclusion process. Some sectors such as steel fabrication or machinery for oil and gas production rely on similar steel products.

What is the Commerce Department doing to streamline the process so that industries vital to national security, such as steel fabrication and oil and gas, are not negatively affected by the 232 tariffs?

*Answer.* Based on several months of experience, to streamline the exclusion review process, the Department has taken several steps:

- Modified internal procedures to expedite decisions on requests that have no corresponding objections. After CBP determines that the exclusion is administrable, meaning the product description in the exclusion request is consistent with the claimed HTSUS classification, the request will promptly be granted if it presents no national security concerns and otherwise meets the criteria for an exclusion. As of October 22nd, the Department has granted more than 12,000 exclusion requests.

- Working with CBP to enhance the speed and accuracy of its review of exclusion requests. CBP no longer reviews requests for which objections have been filed. CBP has automated its review process and is expected to return the 5,000 steel and aluminum requests sent to it on Friday, October 12th, along with the 1,000 aluminum requests in its queue, within weeks. Provided language that was included in subsequent Presidential Proclamations that allows successful exclusion requesters to obtain refunds of duties paid as of the date their original exclusion request was accepted by the Department of Commerce.
- Developed a rebuttal process to allow exclusion requestors to provide evidence refuting objectors' claims of domestic capacity, which was published in the Federal Register on September 11th and is also available on the BIS website.
- Increased and organized staff to most efficiently process exclusion requests. As a result of Congress authorizing a reprogramming of funds to the Department's Bureau of Industry and Security (BIS), BIS has hired 15 contractors. In addition, the Department's International Trade Administration (ITA) has used existing funds to bring on 41 contractors, with 11 more in the hiring queue, to review objections and provide recommendations to BIS. Moreover, over a dozen non-BIS Commerce Department staff have been detailed to BIS to assist in its administration of the steel and aluminum exclusion process review.

In addition to these measures, the Secretary has directed Commerce Department economists to regularly review the impacts of the steel and aluminum tariffs, including on downstream sectors. The Secretary will present this information to the President for his consideration.

*Question.* Canada and Mexico are longtime allies. Given their geographic position and the vast infrastructure connecting our countries, one would think we would like to depend on their industrial capacity if the United States ever faced a significant national security crisis.

Given these facts, how is it in our national security to lessen the competitiveness of allies, via tariffs, that we may need to call on in the case of a national crisis?

Would a reduced tariff on American's allies still allow for U.S. steel and aluminum industry to be competitive, while ensuring the industrial capacity of those allies is available in a time of crisis?

*Answer.* The President's section 232 decisions are the result of a robust and thorough interagency review coordinated by the White House. Decisions about country exemptions are made by the President, based on his assessment of the factors described in the proclamations he has issued.

*Question.* I appreciate your interest and efforts to help curb our seafood deficit. Louisiana has the one of the largest commercial seafood industries in the country, employing thousands and contributing billions each year to the economy. Shrimping is the largest industry and my constituents tell me they continue to be hit hard by increased imports from India, lowering dock side prices for wild caught Gulf shrimp.

We have to find ways to maximize our domestic resources but also look at how we can curb the practices of bad actors dumping product such as shrimp in to the U.S. market because places such as the EU won't accept it. What are your thoughts on specific measures the Department can take to address our current seafood deficit?

*Answer.* To address unfair import of shrimp, the Department currently maintains four antidumping duty (AD) orders on imports of frozen warm water shrimp from China, India, Thailand and Vietnam. As directed by Congress, the Department's National Oceanic and Atmospheric Administration (NOAA) recently lifted its stay on shrimp and abalone in the U.S. Seafood Import Monitoring Program (SIMP). Effective December 31, 2018, it will be mandatory for foreign shrimp products to be accompanied by production or harvest and landing data and for importers to maintain chain of custody records for shrimp and abalone imports entering the United States. The inclusion of shrimp—the largest U.S. seafood import—and abalone in SIMP nearly doubles the volume and value of imported fish and fish products subject to its requirements, further leveling the playing field for U.S. fishermen, aquaculture producers, and seafood producers around the world who play by the rules.

In addition, the Department has been clear about its goal of reducing the seafood trade deficit. That said, many of the dynamics that drive our seafood trade balance such as U.S. consumer preferences, the volume and composition of U.S. seafood pro-

duction, and global seafood demand lie outside of the Department's control. In any case, the Department intends to shift the balance of trade and increase the value and volume of U.S. seafood production by supporting increased investment in, and productivity of, the Nation's aquaculture industry, by ensuring that fisheries regulations promote optimal yield while adhering to science-based conservation mandates, and by promoting access to export markets and maintaining a level-playing field for U.S. seafood producers within the global seafood marketplace.

*Question.* I'm concerned with the health and safety of the consumer and the conditions under which farmed seafood is raised by importers. According to this GAO report, FDA inspects only a fraction of foreign processors but does not inspect the farms or the labs. And this decision from the EU says they have increased inspections of farmed shrimp from India due to unsatisfactory controls to mitigate use of veterinary products in shrimp.

What are your thoughts on interagency collaborations outside of Commerce such as with FDA and USTR to ensure there is a unified approach to maximize domestic seafood resources and protect the consumer?

*Answer.* Expanded interagency collaborations on seafood trade will be needed to promote access to export markets and maintain a level-playing field for U.S. seafood producers within the global seafood marketplace. Currently, the Department of Commerce (DOC), through NOAA and the International Trade Administration (ITA) and in coordination with USTR support a range of activities that increase U.S. seafood market access and competitiveness. This includes NOAA advising USTR on fisheries and seafood issues in the development of WTO engagement and positions on technical barriers to trade and sanitary issues concerns. ITA works to address seafood market access issues on behalf of U.S. seafood exporters.

NOAA does not have authorities at the border with regard to the safety or quality of imported seafood. The National Marine Fisheries Service's Seafood Inspection Program (SIP) can assist other Federal agencies with information and expertise with regard to imported seafood. Any work performed by SIP on imported seafood would be to assist FDA in meeting their mandates and would be at their request. Such work is accomplished through a Memorandum of Understanding (MOU) between the agencies to ensure a strong working relationship; both take advantage of the benefits of each agency's mechanisms and authorities to deliver a full and complete set of inspection services. This MOU also permits the FDA and SIP to cooperate on inspection of aquaculture facilities producing any seafood destined for export to the United States. SIP also has the capability to permit establishments outside of the United States to become approved establishments within the Program. This voluntary activity is utilized by buyers in the United States to assure products purchased from suppliers meet U.S. regulations and the particular buyer's specifications. The reports are available for use by the FDA as part of the MOU between the agencies.

*Question.* At the end of March 2017, President Trump signed an executive order requesting an omnibus report on significant trade deficits to, among other things, identify foreign trading partners with which the United States had a significant trade deficit in goods in 2016. I'm told the Department and USTR have not yet released the findings.

Can you please provide an update on the status of this report?

*Answer.* In 2017, Commerce and other agencies collected relevant government reports such as the National Trade Estimates and Special 301 reports, solicited public input, and compiled information responsive to the Executive Order. That information was provided to the White House and served as background information for administration officials. The Executive Order did not call for release of the findings.

*Question.* I am a strong supporter of the policies this administration has implemented to incentivize a return of manufacturing jobs to the United States. However, I have recently heard from constituents in industries that are growing the economy—such as chemicals and oil and gas—and how they are being negatively impacted by tariffs and quotas. One company in southwest Louisiana mentioned a \$15 million per year increase in maintenance costs alone as a result of the tariffs.

How does this administration weigh the impacts of retaliatory tariffs to industries for which it has emphasized support when considering the imposition of trade restrictions?

*Answer.* The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has

launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO Members have imposed in response to our section 232 actions.

*Question.* The United States is sending Javelin anti-tank weapons and small arms support to Ukraine following the Russian incursion in Crimea and its industrial heartland in Donetsk and Luhansk.

From a national security standpoint, what benefits are realized by imposing tariffs under section 232 on Ukraine's minimal importation of steel products to the United States?

*Answer.* The President's actions under section 232 are global in nature—that is, they apply to imports from all countries. Imports of steel products are either subject to a 25 percent tariffs or are exempt from the tariff on the basis of alternative measures the United States has agreed individually with specific countries.

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QUESTIONS SUBMITTED BY HON. DEBBIE STABENOW

*Question.* I have heard from Michigan companies about the steel and aluminum product exclusion process that the Commerce Department is overseeing. Many of them are small businesses that do not have the necessary resources or the capacity to navigate this process.

How does Commerce field questions by these small businesses as they relate to the exclusion process? What tools are you using to assist small businesses in this process? Please specify all the resources available.

How many inquiries do you receive on average each day on your telephone hotline? How have you advertised this hotline to companies in States that are affected by the tariffs?

How many people are staffed to help or respond to small businesses seeking clarification or assistance on the exclusions process? Do you think this number is adequate?

Have you consulted with the Small Business Administration on tools that may be available to assist small business in navigating this process or letting them know where to access information?

Please specify all the criteria that you are using to determine product exclusion approvals and denials.

*Answer.* The Department is very cognizant of the importance of providing resources to help small and medium-sized businesses navigate the exclusion process. The Department published the initial procedures for the product exclusion requests in the Federal Register on March 19, 2018 and updated those procedures in the Federal Register on September 11, 2018. The regulations setting forth procedures are available on the Department's Bureau of Industry and Security (BIS) web site. In addition, the BIS established dedicated phone numbers and email addresses for U.S. industry to seek assistance or ask questions about the process. These receive approximately 20 inquiries each day. These phone numbers and email addresses were included in the press releases announcing the exclusion process and the coinciding Federal Register notices. BIS has also posted guidance with a step-by-step visual guide to assist industry, including small and medium-sized businesses, through the process and with tips on how to properly complete the exclusion request forms based on issues identified during BIS's initial review of submissions (the most common issues being incomplete forms or bundling numerous requests in a single submission).

*Question.* As you know, I am very concerned about retaliation by other countries as a result of the President's trade actions, particularly in our agriculture sector in Michigan.

Has the administration prepared, or is the administration preparing an economic analysis on the impact of retaliatory tariffs on the agriculture sector?

*Answer.* U.S. agriculture plays a critical role in the economic growth of our country and the administration is actively working to ensure fair and reciprocal access to foreign markets for your constituents. The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has launched separate disputes at the World Trade Or-

ganization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO Members have imposed in response to our section 232 actions.

On July 24th, President Trump directed Secretary Perdue to craft a relief strategy to protect agricultural producers while the administration works on free, fair, and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, USDA will authorize up to \$12 billion in programs, which is in line with the estimated \$11 billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

*Question.* On April 18, 2017, President Trump signed the “Buy American Hire American” executive order to ensure that the maximum amount of Federal procurement funds are being used to purchase American-made products and to limit the use of waivers to the Buy American Act. The executive order also tasked the Secretary of Commerce with developing a Buy American report that contains a government-wide assessment on Buy American compliance. Furthermore, the executive order required the report contain recommendations to strengthen Federal implementation of Buy American laws. I understand the Buy American report was completed several months ago, but is not accessible to Members of Congress and the public.

Will the Department of Commerce commit to publicly posting on its website the contents of the Buy American report? If so, can you provide the exact date the Buy American report will be posted?

Is the Buy American report available to members of Congress and their respective staffs upon request?

*Answer.* As required by the executive order, I submitted the report with findings and recommendations to the President on March 20, 2018. The report is being used to assist the administration’s deliberations on Buy American issues and the President has not yet decided whether to publicly release the report.

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QUESTIONS SUBMITTED BY HON. BILL NELSON

*Question.* What would you say to the workers who are negatively impacted by the section 232 tariffs on steel and aluminum or the ensuing fallout abroad?

*Answer.* This President is enforcing U.S. trade laws by taking action to address a threat to our national security. The President’s section 232 decisions are the result of a robust and thorough interagency review coordinated by the White House. It will take time for U.S. aluminum and steel producers to fully restart idled capacity and regain long-term economic health. It is likely that the import adjustments will need to be in place for some time to enable aluminum and steel producers to achieve sustained economic viability. The Department, working with other agencies, will continue to monitor the impact of the tariffs and the health and competitiveness of U.S. industry, and the Department will conduct a comprehensive analysis of the impact of the section 232 tariffs after they have been in effect long enough to make the results of that analysis useful.

The potential loss of any jobs concerns me. The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO Members have imposed in response to our section 232 actions.

*Question.* How many years should we expect the steel and aluminum tariffs to be in effect?

*Answer.* It will take time for U.S. aluminum and steel producers to fully restart idled capacity and regain long-term economic health. It is likely that the import adjustments will need to be in place for some time to enable aluminum and steel producers to achieve sustained economic viability. The Department, working with other agencies, will continue to monitor the impact of the tariffs and the health and competitiveness of U.S. industry, and the Department will conduct a comprehensive analysis of the impact of the section 232 tariffs after they have been in effect long enough to make the results of that analysis useful.

*Question.* What does the administration plan to do if years from now the domestic steel and aluminum industries are still having problems competing without the section 232 tariffs? Would you recommend making the tariffs permanent?

*Answer.* The Presidential proclamations direct the Secretary of Commerce to monitor imports of steel and aluminum, and from time to time, review the status of such imports with respect to the national security, in consultation with other senior executive branch officials. The proclamations also direct the Secretary of Commerce to inform the President of any circumstances that might indicate the need for further action under section 232, as well as any circumstance that might indicate that the increases in duty rates provided in the proclamations are no longer needed. The Department will carry out the President's direction.

*Question.* How are the section 232 tariffs specifically affecting steel and aluminum production in China?

*Answer.* These actions have been in force for a relatively short period of time, and it would be too soon to assess any impact from the imposed tariffs with currently available data.

*Question.* In response to the section 232 steel and aluminum tariffs, the EU, Mexico, Canada, and others filed trade cases against the United States in the World Trade Organization (WTO). What would you recommend the President do if the WTO rules against the U.S. on these tariffs?

*Answer.* Our actions under section 232 are fully consistent with our WTO obligations.

*Question.* As I understand it, South Korea, Brazil, and Argentina worked out a deal to get exempted from the steel and aluminum tariffs, agreeing to quotas (or caps) on the amount of steel or aluminum products they import into the United States.

What happens to shipments that exceed the quotas?

What should businesses do if they have shipments already on the way here that will exceed the quotas?

*Answer.* The Department of Homeland Security's Customs and Border Protection (CBP) is responsible for administering the quotas and has published guidance on available options, should above quota shipments arrive in a U.S. port (including warehouses, foreign trade zones, exportation, or destruction).

On August 29th, the President signed proclamations allowing the Department of Commerce to provide relief from quotas imposed under section 232 on steel from South Korea, Argentina, and Brazil, and aluminum from Argentina. Companies can apply for product exclusions on the same basis as product exclusions are available from for tariffs, namely lack of sufficient quantity or quality available from U.S. steel or aluminum producers, or for national security reasons. In such cases, an exclusion from the quota may be granted and no tariff would apply to the excluded steel or aluminum product.

In addition, the President has proclaimed that exclusion from the quota be provided in certain limited cases where steel articles from a quota country are being imported for use in a facility construction project in the United States under a contract signed prior to the President's decision to adjust imports, and that cannot enter into the United States because the applicable quota has already been reached. In such cases, the steel articles excluded from the quota may be imported upon payment of the 25-percent tariff.

*Question.* Currently, the administration does not allow businesses to get product exclusions if they're importing steel and aluminum products from countries agreeing to import quotas, in exchange for an exemption from the section 232 tariffs. However, product exclusions are allowed from other countries that fall under the section 232 tariffs if the product is needed for national security purposes or a comparable product is not available from a domestic supplier. I have heard from businesses in Florida that believe this situation will force them to close their business, as they import highly specialized components that no one makes domestically, or could make profitably because of economies of scale.

Could you explain why product exclusions were not allowed for imports from countries agreeing to import quotas?

Will you discuss this issue with the President and ask for product exclusions to be allowed for businesses that import products from countries that agreed to import



quotas, but the imported product is needed for national security reasons or not available from domestic suppliers?

Answer. As noted above, on August 29th the President signed proclamations allowing the Department to provide product exclusions from the applicable steel or aluminum quotas.

*Question.* I've heard that in the past when a shipment came in over an import quota, it was stored. But if it was subsequently abandoned by the importer while in storage, it was later dumped in a lake somewhere—which seems to pose serious health and environmental hazards.

Can you guarantee that no such action will be taken by the government if a shipment comes in over the import quota and is stored, but later abandoned by the importer?

Answer. The Department of Homeland Security's Customs and Border Protection (CBP) is responsible for administering the quota. I have deferred this question to CBP, and their response appears below.

*CBP Response:* Absolute Quota strictly limits the quantity of goods that may enter the commerce of the United States for a specific period. Once the quantity permitted under an absolute quota is filled, no further importation entries or withdrawals from warehouse are allowed into the U.S. for consumption for the remainder of the quota period. Quantities entered in excess of the absolute quota must either be entered into a bonded warehouse (type 21 entry), admitted into a Foreign Trade Zone to await a quota re-opening; be re-exported from the arrival port; or be destroyed under CBP supervision. Any of these four options can be completed with a permit to transfer or an in-bond.

For any trade commodity shipments entered into a bonded warehouse and stored at that facility, that are subsequently abandoned by the importer while in storage, the responsibility for disposal or destruction, and compliance with environmental and health protection standards and regulations, falls to the operator and proprietor of the specific warehouse. CBP and the U.S. government do not operate any bonded warehouses. For shipments of goods that are stored on CBP premises, the disposal or destruction of such shipments is conducted in accordance with CBP facilities management and environmental stewardship policy, as well as an Federal, State, and local laws and regulations.

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#### QUESTIONS SUBMITTED BY HON. ROBERT MENENDEZ

##### CONFLICTS OF INTEREST

*Question.* Secretary Ross, a recent article in *Forbes* alleges that you shorted stock in Navigator Holdings five days before the Paradise Papers revealed that you, while serving as Secretary of Commerce, still held a stake in the firm that did millions of dollars of business with a Russian petrochemical company that is allegedly linked with Vladimir Putin and partially owned by U.S.-sanctioned oligarchs.

Did you at any point while serving as Secretary short Navigator Holdings?

Answer. On October 31, 2017, I sold shares of Navigator Holdings in a transaction structured as a "short against the box," a well-known type of sale in which I sold shares that I already owned. This structure neutralized my financial position and effectively terminated my direct financial interest in Navigator Holdings on the date of sale.

Incidentally, it was not the Paradise Papers that revealed I held interests in Navigator. I revealed this information in my initial financial disclosure form. I believe you may be referring to *The New York Times* article mentioned in Senator Wyden's questions. As I responded to Senator Wyden, the fact that I held ownership interests in Navigator, that Sibur was a customer of Navigator, and that two oligarchs were investors in Sibur all had been publicly disclosed long before this article and certainly did not constitute material non-public information.

*Question.* Were you at any point while serving as Secretary aware of any non-public information that could affect Navigator's stock price?

Answer. I can State categorically that at no time during my tenure as Secretary have I ever taken any particular action regarding Navigator based on non-public in-

formation. And so far as I am aware, no particular matter involving Navigator has come before me since I became Secretary.

The suggestion that I engaged in “insider trading” in executing the sale of Navigator Holdings stock on October 31, 2017, is utterly false. As you know, “insider trading” under Federal securities laws occurs when a person, in breach of a fiduciary duty purchases or sells securities on the basis of material non-public information. That simply did not occur in respect of my sale of Navigator Holdings stock. Nothing in the article was not already in the public domain.

My investment interests in Navigator, the fact that Sibur was a customer of Navigator, and the fact that Russians owned Sibur were already a matter of public record.

At all times since becoming Secretary, I have sought to comply scrupulously with Federal ethics laws. I continue to rely on the Department’s ethics officials for advice on compliance with those laws, including my recusals and the avoidance of any conflict of interest in my work as Secretary. I am confident that my actions with regard to divestments of my financial interests in Navigator Holdings were entirely proper.

*Question.* Do you or any of your family members still hold an interest in Navigator?

*Answer.* Neither my wife nor I have any financial interest in Navigator. A trust established for the benefit of my adult children holds, among other assets, interests in Navigator. Neither my wife nor I have any financial interest in that trust. I have been advised by Department ethics officials that this is fully compliant with applicable ethics rules and guidance provided by the Office of Government Ethics.

#### CHINA VS. ALLIES

*Question.* Secretary Ross, in your testimony, you pointed out that China’s excess capacity is the largest threat to our steel and aluminum industry. But instead of leading our allies in a coordinated response to China’s unfair trade practices, the President earlier this month used his appearance at the G7 to insult Canadian Prime Minister Trudeau and accuse our allies of ripping us off on trade. Then on Monday, the Senate overwhelmingly passed the NDAA, which included a bipartisan amendment to undo the sweetheart deal this administration gave to ZTE, a Chinese company that violated U.S. sanctions law.

Do you think Canada presents a greater national security threat than China?

Do you believe our allies are going to be more or less likely to join us in coordinated action against China when they see this administration being tougher on allies like Canada than on China?

*Answer.* Section 232 requires the Secretary of Commerce to advise the President if any article “is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.” Our investigation concluded that the present quantities and circumstances of steel imports are “weakening our internal economy” and threaten to impair the national security as defined in section 232. In light of this conclusion, I determined the only effective means of removing the threat of impairment is to reduce imports to a level that should, in combination with good management, enable U.S. steel mills to operate at 80 percent or more of their rated capacity. The President’s proclamation directed tariffs at 25 percent for steel and 10 percent for aluminum, with certain countries, including Canada, initially exempted pending bilateral negotiations. Several countries subsequently negotiated quotas in lieu of tariffs.

Regarding Canada, the issue is the impact of the cumulative imports from many countries on domestic industry, resulting from global overproduction, which threatens to impair U.S. national security by putting at risk the remaining steel and aluminum production in the United States. The tariffs on steel and aluminum from allies are not higher than those on Chinese steel and aluminum. Multilateral efforts to address the global overproduction issue have heretofore not reduced excess production in the countries that export their steel and aluminum to the U.S.

*Question.* We all know that we’ve had trade disputes with our allies before, but this time is different. In the past, we’ve found ways to negotiate settlements or take action at the WTO or similar institutions, but we’ve generally shied away from claiming that trade with our allies presents a national security threat to the United States.

Has the U.S. government ever before made a determination that trade with our allies represents a national security threat?

Answer. The President's section 232 actions on aluminum and steel are the result of a robust and thorough interagency review coordinated by the White House.

#### STEEL IMPORTS FROM COUNTRIES WITH QUOTA

*Question.* Secretary Ross, I have been contacted by dozens of companies in New Jersey that have been negatively impacted by the administration's tariff and quota policies. One such company uses a Korean specialty steel product to manufacture life-saving medical devices. But the section 232 quota on Korean steel could put this third generation family-owned company out of business. New Jersey could lose over 400 good paying manufacturing jobs, and hospital and surgery rooms could shut down for certain endoscopic procedures if the supply chain for these medical devices is disrupted. Ultimately, the lives and health of hundreds of thousands of patients nationwide could be put at risk. There is no U.S. source for this steel, and even if there were, it could take up to 3 years to gain FDA approval for its use in medical devices. I know your goal in instituting these tariffs was not to undercut U.S. manufacturing, but I'm concerned about the unintended consequences for high-tech manufacturing jobs that we all want to encourage.

In cases where imports of steel are subject to the 232 tariff, American companies can obtain relief through exclusion requests when there is little or no U.S. production. But as you noted, there is not currently a similar opportunity for U.S. companies importing steel from countries, such as Korea, that have entered into quota arrangements.

In cases where the imported products are essential components for domestic manufacturers of high-tech medical devices essential to improving the care and well-being of Americans, why has the Department not established an exclusion process?

Will you commit to working with me to ensure that these kinds of supply chains are not disrupted by the 232 tariffs?

Answer. On August 29th the President signed proclamations allowing the Department to provide targeted relief from quotas imposed under section 232 on steel from South Korea, Argentina, and Brazil, and aluminum from Argentina. Companies can apply for product exclusions on the same basis as product exclusions are available from tariffs, namely lack of sufficient quantity or quality available from U.S. steel or aluminum producers, or for national security reasons. In such cases, an exclusion from the quota may be granted and no tariff would apply to the excluded steel or aluminum product.

In addition, the President has proclaimed that exclusion from the quotas be provided in certain limited cases where steel articles from a quota country are being imported for use in a facility construction project in the United States under a contract signed prior to the President's decision to adjust imports under section 232, and that cannot presently enter into the United States because the applicable quota has already been reached. In such cases, the excluded steel article may be imported upon payment of the 25-percent tariff.

#### LONG-TERM STRATEGY

*Question.* Secretary Ross, in your testimony you rightly pointed out that China is the largest source of excess steel capacity. And while the 232 investigation was going on last year, the administration suggested that it would use the threat of tariffs as a way to force China and other countries to the negotiating table so we could get an agreement to stop countries from unfairly subsidizing their operations and undercutting American producers. But when you finally released the section 232 reports in February, you said that the goal of the tariffs and quotas would be to raise domestic steel capacity utilization rate to 80 percent instead of seeking a more systemic change that would shut down unfairly subsidized foreign production.

Will you recommend to the President that he roll back the 232 tariffs and quotas once U.S. industry reaches 80 percent utilization, or will you recommend he keep them in place until we get more systemic change?

Answer. The Presidential proclamations direct the Secretary of Commerce to monitor imports of steel and aluminum, and from time to time, review the status of such imports with respect to the national security, in consultation with other senior executive branch officials. The proclamations also direct the Secretary of Commerce to inform the President of any circumstances that might indicate the need for further

action under section 232, as well as any circumstance that might indicate that the increases in duty rates provided in the proclamations are no longer needed. The Department will carry out the President's direction.

#### RETALIATION

*Question.* Secretary Ross, retaliatory tariffs from the EU and Canada specifically are putting New Jersey companies in the crossfire of this dispute.

Do you really expect foreign countries not to retaliate when we impose tariffs on their exports to the United States?

*Answer.* The actions taken by the President under section 232 are wholly legitimate and fully justified as a matter of U.S. law and international trade rules. Where other countries respond to these actions with unjustified retaliatory measures, the administration will take all necessary actions to protect U.S. interests.

*Question.* If they do, what is the second step in your approach? More tariffs?

*Answer.* The administration will take all necessary action to protect U.S. interests in the face of unjustified retaliation against the President's wholly legitimate actions under section 232. The United States launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO members have imposed in response to our section 232 actions.

#### IMPACT OF LUMBER TARIFFS ON HOUSING

*Question.* Secretary Ross, homebuilders back in New Jersey tell me that the cost of lumber has increased far more than the 20-percent tariffs would have predicted. American home buyers are bearing the brunt of these tariffs, and some estimates show that the tariffs have driven up the average price of a new home by nearly \$9,000. This is materially affecting housing affordability.

What do you believe is going on in the lumber market?

If the price increases are not attributable to the tariffs, what explains these astronomically high lumber prices?

Additionally, do you believe the tariffs are having the intended outcome? In other words, are you seeing the domestic industry rebound with the record high prices? How many new jobs have been created in the sector?

*Answer.* I have met with representatives of the home builders industry and appreciate their concerns about the rise of softwood lumber prices. I am aware that the U.S. price of softwood lumber for framing increased by more than 60 percent from November 2016 to June 2018. There have been a number of demand-side factors that have contributed to this trend, including an increase in new home construction and growth in remodeling and repair construction activity. However, since the first week of June 2018 the price has steadily decreased for 9 straight weeks. The weekly price of softwood lumber has decreased by 24.4 percent over those 9 weeks. Lastly, with respect to changes in the price, there have been modest price increases, amounting to a three percent change, in the last two weeks of August and the first week of September 2018. Although the United States and Canada, and their respective softwood lumber industries, made significant efforts to reach a long-term, negotiated settlement to this ongoing trade dispute, the parties were unable to agree upon terms that were mutually acceptable. As a result, the Department of Commerce (Department) completed its antidumping duty (AD) and countervailing duty (CVD) investigations, and following affirmative determinations by the Department and the International Trade Commission, issued AD/CVD orders on imports of softwood lumber from Canada. The Department's determinations were made following a comprehensive review of factual evidence and arguments from all interested parties in the proceedings. Please know that the Department is committed to administering the trade remedies laws in a fair and balanced fashion in accordance with U.S. law, regulations and international obligations. That said, any future negotiations involving a long-term agreement related to bilateral trade of softwood lumber would be led by the United States Trade Representative.

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#### QUESTIONS SUBMITTED BY HON. THOMAS R. CARPER

*Question.* Last week, I heard from a manufacturing company in Delaware that relies on foreign steel for its business. The steel they require is not available from do-

mestic suppliers so they, like so many other small manufacturing companies, must look outside the United States.

They recently applied for an exclusion from the tariffs. An objection to their request for exclusion, which they believe contains inaccurate information, was filed. The Department's process, however, doesn't give my constituent company any clear way to respond to the filed objection.

What is your Department doing to ensure that domestic manufacturers, the very businesses you claim to be protecting with these tariffs, are able to respond to inaccurate objections?

Answer. The Department has developed a rebuttal process to allow exclusion requestors to provide evidence refuting objectors' claims of domestic capacity. This process has been implemented in the revised exclusion process rule, which was published in the Federal Register on September 11th and is also available on the BIS website.

*Question.* In your testimony, you note that the Department has received over 20,000 steel and aluminum tariff exclusion requests from US companies and that the Department had announced determinations on 98 of those requests. At that rate, it will take your department decades to process all of the pending requests.

Do you believe that the progress your Department has made thus far is acceptable?

What is your Department doing to expedite consideration of these requests?

What do you believe is a reasonable timeline for Commerce to complete its consideration of all outstanding requests?

Answer. Based on several months of experience, to streamline the exclusion review process, the Department has:

- Modified our internal procedures to expedite decisions on requests that have no corresponding objections. After CBP determines that the exclusion is administrable, meaning the product described in the exclusion request is consistent with the claimed HTSUS classification, the request will promptly be granted if it presents no national security concerns and otherwise meets the criteria for an exclusion. As of October 22nd, the Department has granted more than 12,000 exclusion requests.
- Worked with CBP to enhance the speed and accuracy of its review of exclusion requests. CBP no longer reviews requests for which objections have been filed. CBP has automated its review process and is expected to return the 5,000 steel and aluminum requests sent to it on Friday, October 12th, along with the 1,000 aluminum requests in its queue, within weeks. Provided language that was included in subsequent presidential proclamations that allows successful exclusion requestors to obtain refunds of duties paid as of the date their original exclusion request was accepted.
- Developed a rebuttal process to allow exclusion requestors to provide evidence refuting objectors' claims of domestic capacity, which was published in the Federal Register on September 11th and is also available on the BIS website.
- Increased and organized staff to most efficiently process exclusion requests. As a result of Congress authorizing a reprogramming of funds to the Department's Bureau of Industry and Security (BIS), BIS has hired 15 contractors. In addition, the Department's International Trade Administration (ITA) has used existing funds to bring on 41 contractors, with 11 more in the hiring queue, to review objections and provide recommendations to BIS. Moreover, over a dozen non-BIS Commerce Department staff have been detailed to BIS to assist in its administration of the steel and aluminum exclusion process review.

In addition, the Secretary has directed the Commerce Department's economists to regularly review the impacts of the steel and aluminum tariffs, including on downstream sectors. The Secretary will present this information to the President for his consideration.

*Question.* Earlier this year, my office got a draft of an administration proposal to freeze fuel economy standards in the name of American consumers, saying that the Obama administration's rules were going to make new cars unaffordable. Yet, the President has also directed you and your Department to explore imposing tariffs on imported cars and car parts.

What analysis will the Commerce Department on the impact these potential tariffs could have on the price of new vehicles and American consumers before making recommendations to the President?

Answer. The Department's investigation under section 232 is still ongoing and we have not yet made a national security determination. Consideration of specific remedies or potential tariff levels is not necessary until we conclude our national security analysis.

*Question.* Early studies suggest that a 25-percent tariff on imported cars would increase the cost of a \$30,000 imported car by over \$6,000. Car producers in the United States, which rely on global supply chains, would also see increased prices.

Do you agree with the conclusion that if tariffs are imposed, the costs of a new car will go up significantly?

Answer. The Department's investigation under section 232 is still ongoing and we have not yet made a national security determination. Consideration of specific remedies or potential tariff levels is not necessary until we conclude our national security analysis.

*Question.* Do you agree that any cost savings that might be realized if fuel economy standards are rolled back are likely to be completely eliminated by imposing these tariffs?

Answer. The Department's investigation under section 232 is still ongoing and we have not yet made a national security determination. Consideration of specific remedies or potential tariff levels is not necessary until we conclude our national security analysis.

*Question.* In response to this administration's steel and aluminum tariffs, Canada and Mexico are imposing retaliatory tariffs on U.S. goods. I've heard serious concerns from manufacturers in my State on the impact this retaliation could have.

Many of these manufacturers have developed highly integrated supply chains over the past 20 years and are unable to immediately adapt to these retaliatory tariffs.

I appreciate the administration's interest in cracking down on China but by applying these tariffs to some of our closest allies you are putting American jobs at risk.

What is your message to those American manufacturers who will be forced to lay off employees or possibly move their facilities overseas due to the President's decision to impose tariffs on Canada and Mexico?

Answer. The potential loss of any jobs concerns me. The President's section 232 decisions are the result of a robust and thorough interagency review coordinated by the White House. It will take time for U.S. aluminum and steel producers to fully restart idled capacity and regain long-term economic health. It is likely that the import adjustments will need to be in place for some time to enable aluminum and steel producers to achieve sustained economic viability. The Department, working with other agencies, will continue to monitor the impact of the tariffs and the health and competitiveness of U.S. industry, and the Department will conduct a comprehensive analysis of the impact of the section 232 tariffs after they have been in effect long enough to make the results of that analysis useful. The administration will take all necessary action to protect U.S. interests in the face of unjustified retaliation against the President's wholly legitimate actions under section 232. The United States has launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO member have imposed in response to our section 232 actions.

*Question.* The Paperwork Reduction Act requires the Department of Commerce to review and approve Federal collections of information before they are conducted.

This includes the addition of a question on citizenship to the full 2020 Decennial Census.

Last month, I led a letter with over 30 of my colleagues from the House and Senate asking for clarification on how the untested citizenship question will comply with the requirements of that act.

Can you please provide us with an update on the response to this letter?

Answer. A response to your letter will be provided as soon as possible.

*Question.* I've inquired with the administration on a number of occasions about leadership at the Census Bureau.

I believe that we are well served by the leadership shown by Dr. Ron Jarmin and Dr. Enrique Lomas as Acting Director and Acting Deputy Director respectively.

However, it is imperative that the Census Bureau has the Senate confirmed leadership it needs to ensure accurate and cost-effective enumeration in 2020.

Can you provide us with an update on the appointment of a Director and Deputy Director?

Have you considered nominating Dr. Jarmin and Dr. Lomas for these roles?

*Answer.* The President has nominated Dr. Steven Dillingham to serve as the Director of the Census Bureau. As I announced in July, Dr. Jarmin will be named Deputy Director, and is performing the non-exclusive functions and duties of the Director pending Dr. Dillingham's confirmation.

*Question.* I recently met with home builders in my State and they raised serious concerns with tariffs on Canadian softwood and its impact on housing affordability. According to a recent study, Buyers are paying nearly \$9,000 more for an average new home because of their lumber costs than they were in late 2016.

How does the administration plan to address the increased cost of homes caused by these tariffs?

*Answer.* I have met with representatives of the home builders industry and appreciate their concerns about the rise of softwood lumber prices. I am aware that the U.S. price of softwood lumber for framing increased by more than 60 percent from November 2016 to June 2018. There have been a number of demand-side factors that have contributed to this trend, including an increase in new home construction and growth in remodeling and home repair activity. However, since the first week of June 2018 the price has steadily decreased for 9 straight weeks. The weekly price of softwood lumber has decreased by 24.4 percent over those 9 weeks. Lastly, with respect to changes in the price, there have been modest price increases, amounting to a three percent change, in the last two weeks of August and the first week of September 2018. Although the United States and Canada, and their respective softwood lumber industries, made significant efforts to reach a long-term, negotiated settlement to this ongoing trade dispute, the parties were unable to agree upon terms that were mutually acceptable. As a result, the Department completed its antidumping (AD) and countervailing duty (CVD) investigations and, following affirmative determinations by the Department and the International Trade Commission, issued AD/CVD orders on imports of softwood lumber from Canada. The Department's determinations were made following a comprehensive review of factual evidence and arguments from all interested parties in the proceedings. Please know that the Department is committed to administering the trade remedies laws in a fair and balanced fashion in accordance with U.S. law, regulations and international obligations. That said, any future negotiations involving a long-term agreement related to bilateral trade of softwood lumber would be led by the United States Trade Representative.

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QUESTION SUBMITTED BY HON. SHERROD BROWN

*Question.* As you know, AK Steel is the last domestic producer of electrical steel. Although electrical steel was included on the list of products covered by the steel 232 remedies, downstream products such as laminations, cores, and transformers were not. This loophole will invite a surge of imports of these products into the U.S. Any increase in imports of laminations, cores and transformers will decrease demand for AK's electrical steel, which is critical for our national security interests.

Will you commit to addressing this loophole by ensuring the steel 232 remedies apply to laminations, cores, and transformers by issuing an updated proclamation adding them to the covered products list?

*Answer.* The Presidential proclamations direct the Secretary of Commerce to monitor imports of steel and aluminum, and from time to time, review the status of such imports with respect to the national security, in consultation with other senior executive branch officials. The proclamations also direct the Secretary to inform the President of any circumstances that might indicate the need for further action under section 232. The Department will carry out the President's direction.

## QUESTIONS SUBMITTED BY HON. ROBERT P. CASEY, JR.

*Question.* Secretary Ross, this question asks you clarify your hearing response to me regarding electrical steel. As you know, we only have one electrical steel manufacturer left in the United States, which is threatened by the continued import of dumped electrical steel and minimally transformed downstream products from numerous countries. This not only endangers Pennsylvania jobs, but also puts at risk the last domestic producer of electrical steel, which is of significant national security importance.

Will you update the 232 to include downstream electrical steel products including transformer cores and laminates?

If so, please provide an update on when you expect to announce their inclusion.

If not, please describe how you intend to ensure that imports of minimally transformed downstream electrical steel products, including cores and laminates, cannot be used to circumvent your current order on electrical steel.

*Answer.* As I testified, we developed a list of downstream products that have been hurt by imports and have worked with the interagency to incorporate as many of these to the section 301 tariff list. As regards the actions taken under section 232, the Department will continue to monitor imports as called for in the President's proclamations.

*Question.* Secretary Ross, during the hearing you said in response to Senator Bennett that we need to have all our allies work with us to address China overcapacity—I agree.

Please discuss the steps you took in the year the 232 was under investigation to work with our allies on a coordinated response to China's overcapacity.

*Answer.* Working with the United States Trade Representative, the Department participates in the Global Forum on Steel Excess Capacity (Global Forum), an initiative commenced under the G20 Leaders' call for a forum to address steel excess capacity worldwide. The Global Forum's membership represents 97 percent of the world's steel production, and it has met on a consistent basis since its establishment in December 2016. In the Global Forum, we have emphasized that resolving the ongoing steel excess capacity situation will require immediate and sustained concrete action, which includes allowing markets to function and removing market-distorting subsidies and other forms of State support. While we welcome some of the initial steps in this forum, such as the establishment of a platform for information and data exchange and specific policy recommendations, real progress in addressing the root causes of excess capacity has been disappointing. The administration continues our ongoing work with like-minded trading partners to emphasize the importance of allowing market principles to work in the industry, particularly in China. At the same time, we have made clear that talking about the problem is not enough and that the United States will not hesitate to use the tools available under U.S. law to firmly respond to the causes and consequences of steel excess capacity.

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 QUESTIONS SUBMITTED BY HON. MARK R. WARNER

ZTE

*Question.* In March 2017, the United States entered into a settlement agreement with ZTE finding them guilty of violating sanctions on Iran and North Korea hundreds of times, and as recently as April 2018, this administration said ZTE failed to make the necessary changes to solve the problem and, moreover, had lied to the United States about its efforts. Furthermore, the defense and intelligence community—and many members on this panel—have long expressed our concern that the use of ZTE's equipment could pose significant threats to our national security. And this administration at times seems to agree—you can no longer buy Huawei or ZTE devices at military bases.

Do you believe a national security threat should be essentially ignored in exchange for trade concessions?

*Answer.* These requirements are the harshest penalties and strictest compliance measures ever imposed in such a case and will protect U.S. national security from unauthorized exports and reexports of telecommunications equipment. In the event that ZTE fails to comply with the new requirements during the next 10 years, BIS



can re-impose the suspended denial order and terminate ZTE's access to U.S. technology.

*Question.* Were you aware of the national security threat posed by ZTE when trading the resolution of the sanctions action for unspecified Chinese action on trade?

*Answer.* I was and am aware of the national security threat posed by ZTE, and do not agree with your characterization. There was no "trade" involved in the Department's decision to adopt the penalty and superseding settlement agreement that addressed ZTE's failure to fully comply with the initial settlement agreement. ZTE has already paid a \$1 billion penalty, put an additional \$400 million into an escrow account in a U.S. bank, and agreed to a Special Compliance Coordinator (SCC) who will have unprecedented access to drive and monitor compliance. In addition, the suspended Denial Order can be reinstated if ZTE commits further violations of the agreement. These unprecedented requirements enhance the Department's ability to protect U.S. national security from unauthorized exports and reexports of telecommunications equipment.

In addition, the administration is taking other steps to mitigate the threat from Chinese telecommunications providers, including implementation of a provision from the 2019 NDAA that prohibits U.S. government agencies from purchasing telecommunications equipment from Chinese suppliers or contracting with entities who use such equipment and recommending to the Federal Communications Commission that it deny China Mobile's section 214 license request to offer telecommunications services within the United States.

*Question.* What were the views of the Department of Defense and the intelligence community regarding the administration's decision to give ZTE a pass?

*Answer.* As described in the responses to your earlier questions, the superseding settlement agreement applied even tougher sanctions than the original agreement, and the Department can reinstate the suspended denial order if ZTE violates the new agreement. ZTE was not given a "pass" as you allege.

*Question.* Part of the deal is to put a compliance team at ZTE to help prevent future sanctions evasion.

Does the compliance team have any responsibility to monitor privacy practices of ZTE or communications between ZTE and the Chinese government or to monitor ZTE from a national security perspective, to include its equipment for technical security?

*Answer.* The Special Compliance Coordinator (SCC) will have unprecedented access to drive and monitor compliance with U.S. export controls.

*Question.* How does the deal with ZTE demonstrate to third parties our country's seriousness about enforcing sanctions?

*Answer.* The penalty and superseding settlement agreement addressed ZTE's failure to fully comply with the initial settlement agreement. ZTE has already paid a \$1 billion penalty, put an additional \$400 million into an escrow account in a U.S. bank, and agreed to a Special Compliance Coordinator (SCC) who will have unprecedented access to drive and monitor compliance with U.S. export controls. In addition, the suspended Denial Order can be reinstated if ZTE commits further violations of the agreement. These unprecedented requirements enhance the Department's ability to protect U.S. national security from unauthorized exports and reexports of telecommunications equipment.

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*Question.* We exported \$130 billion to China last year. So if China matches this administration tit for tat, as they have pledged, what nontariff measures do you expect they will take when they run out of U.S. goods to target?

*Answer.* The President has made clear that the United States will respond to any and all retaliation by China.

## PORK/SECTION 232 TARIFFS

*Question.* Recently, the President imposed tariffs on steel and aluminum imports from several of our closest allies—including Canada and Mexico. In response, several of our allies decided to impose retaliatory tariffs on a wide range of U.S. exports, including many agricultural products. I've heard from a number of my constituents who are concerned these tariffs will affect their bottom lines. In particular, I'm concerned Mexico's decision to impose tariffs on U.S. pork exports will negatively impact hog producers in my State. Last year, Virginia exported nearly \$70 million worth of pork to Mexico. These tariffs endanger a critical export market for our farmers and could have negative repercussions for the entire agricultural economy.

What is this administration's plan to protect my constituents and others from harmful retaliation measures?

*Answer.* Any potential job loss concerns me. U.S. agriculture plays a critical role in the economic growth of our country and the administration is actively working to ensure fair and reciprocal access to foreign markets for your constituents. The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has launched separate disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs these WTO Members have imposed in response to our section 232 actions.

On July 24th, President Trump directed Secretary Perdue to craft a short-term relief strategy to protect agricultural producers while the administration works on fair and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, USDA will authorize up to \$12 billion in programs, which is in line with the estimated \$11 billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

*Question.* What would you say to a farmer in Virginia who is facing the loss of their livelihood as a result of these tariffs?

*Answer.* Please see the answer above.

## SOYBEANS/TARIFFS

*Question.* Currently, China is the number one export market for U.S. soybeans, accounting for almost half of all U.S. soybean exports. Soybeans are the number one row crop produced in my home State of Virginia, and my constituents depend on the availability of overseas markets to stay in business. China and other nations have targeted U.S. soybean exports in retaliation to the section 232 tariffs on steel and aluminum and the recent tariffs on China.

As the Secretary of Commerce, what actions are you prepared to take to protect my constituents from tariff retaliation?

*Answer.* The administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. On July 16th, the United States launched a dispute at the World Trade Organization (WTO) challenging the retaliatory tariffs China imposed in response to our section 232 actions.

*Question.* Are there plans for Commerce to study the effects retaliatory measures will have on U.S. exporters?

*Answer.* As noted above, the administration will take all necessary actions to protect U.S. interests against unjustified retaliatory actions by other countries. The United States has launched disputes at the World Trade Organization (WTO) against China, the European Union, Canada, Mexico, Turkey, and Russia challenging the retaliatory tariffs the WTO members have imposed in response to our section 232 actions.

*Question.* What would you say to a farmer in Virginia who is facing the loss of their livelihood as a result of these tariffs?

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On July 24th, President Trump directed Secretary Perdue to craft a short-term relief strategy to protect agricultural producers while the administration works on free, fair, and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, USDA will authorize up to \$12 billion in programs, which is in line with the estimated \$11 billion impact of the unjustified retaliatory tariffs on U.S. agricultural goods. These programs will assist agricultural producers to meet the costs of disrupted markets.

#### CHINA

*Question.* The administration put out a new National Security Strategy that has informed other strategies and policies that relate to China and the Indo-Pacific, to include the Free and Open Indo-Pacific Strategy.

Have these initiatives changed the way you strategically resource, manage, and oversee Department operations in response to the Chinese tech transfer problem the administration has identified?

*Answer.* The Department has been utilizing its relevant authorities to address this issue in a number of ways. Restricting exports and reexports to Chinese parties engaged in activities contrary to our national security interests, such as the recent addition of 44 Chinese entities to the Department's Entity List, is one such action. Reviewing export license applications in light of these initiatives is another way the Department is addressing this issue. Initiating the process to identify emerging technologies to review for national security sensitivity is yet another way the Department is responding to this issue. The Department's Fiscal Year 2019 appropriations request, with additional funds requested for review of potential foreign investments in U.S. companies and section 232 investigations and defense industrial base studies, reflects the need for additional resources for the Department to respond to China's technology transfer objectives.

*Question.* China's current 5-year plan identifies technology, aerospace, telecommunications, energy, transportation, engineering services, and high-tech electronics as the country's strategic sectors on which China's future growth, prosperity, and economic strength hinge.

How do you balance the concern over China's ambitions that present a national security threat versus the economic opportunity it presents?

*Answer.* Many of China's industrial policies pose challenges for the United States. For instance, China's policy of civil-military integration and State owned enterprises require constant vigilance by the Department as it administers export controls. These policies are among the considerations that the agencies involved in our export control system take into consideration when reviewing exports of controlled items to China.

*Question.* Given the role that commercial vehicles such as venture capital investment and joint ventures play in China's acquisition of sensitive U.S. technologies, what comparable alternatives to Chinese investment capital exist to U.S. tech start-ups? How credible are those alternatives?

*Answer.* The United States is the largest capital market in the world and there are many creditable comparable alternatives to Chinese capital investment for U.S. tech start-ups.

*Question.* I've heard from business leaders that American companies with offices in China are subject to pressure by the Chinese government to include not only periodic physical searches by security officials, but also through coercion, cyber intrusion, and insider threat risks.

How aware do you think American businesses are of the commercial and corporate coercion and espionage risks attached to doing business in China before deciding to go there?

*Answer.* U.S. firms have become increasingly more sophisticated in understanding the risks associated with doing business in China. Not only have there been substantial news reports about corporate coercion and espionage risks in China, there are also publicly available materials from the U.S. Government and numerous private-sector entities, such as the U.S. Chamber of Commerce and the American Chamber of Commerce in China, that help to educate potential investors and exporters. Companies working with trade specialists at the Department's Inter-

national Trade Administration—at local Export Assistance Centers throughout the country, at the Department’s headquarters in Washington DC, and at Commercial Services offices at U.S. Embassies and Consulates around the globe—are given one-on-one counseling before entering new markets. For companies looking to export to China, the counseling usually includes a briefing on intellectual property rights protection, as well as how to navigate regulatory hurdles and non-tariff barriers. When non-tariff barriers do manifest themselves, ITA works to remove them in a commercially-meaningful timeframe and monitors and seeks Chinese compliance with its obligations under the WTO, all in service of ensuring that American businesses are treated fairly in this important market.

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QUESTIONS SUBMITTED BY HON. SHELDON WHITEHOUSE

*Question.* Prior to the President’s decision to impose new tariffs, the administration must consider not only the proposed tariff actions, but also (a) the expected retaliatory measures U.S. exports will face from trading partners that are affected, and (b) the expected effect on downstream products that are affected by the higher cost of raw materials imports.

Please explain the process that the Commerce Department used to evaluate the direct impact of section 232 tariffs on various segments of the U.S. economy, including price impacts for manufacturers of downstream products.

Please provide copies for the record of any studies the Department has performed to identify the price impact data you referred to in your testimony.

*Answer.* The steel and aluminum reports dated January 11th and January 18, 2018, respectively, addressed the requirements of section 232, which do not require the Department to consider the potential effects of steel and aluminum tariffs on downstream industries. Nonetheless, the Department did analyze the downstream economic impact of potential steel tariffs using the standard version of the Global Trade Analysis Product (GTAP) Computable General Equilibrium (CGE) model of global trade. The GTAP model uses the “metals” sector, of which steel is a major portion. Because aluminum accounts for a much smaller portion of the metals sector, the Department determined that use of the GTAP model was inappropriate for the aluminum investigation. Accordingly, the Department used a partial equilibrium analysis to estimate the impact of an adjustment on aluminum imports, with no modeled effects on domestic demand or price, and an assumption that domestic production would replace all imports removed due to a tariff or quota. The results were considered as part of the administration’s deliberations but as part of the deliberative process, are not public.

*Question.* The President has made a number of threats to retaliate against China’s retaliatory measures by imposing tariffs on imports of Chinese goods totaling up to \$200 billion.

Has the Commerce Department, the office of the U.S. Trade Representative, or any other department or agency performed any planning or made any projections to understand the potential economic impacts of such retaliation? If so, please provide detailed information about these projections and/or planning. If not, why not?

*Answer.* The administration has a robust interagency process for advising the President on the potential impacts of actions he may undertake. The United States Trade Representative is responsible for actions pursuant to section 301 and is the agency to which this question should be directed.

*Question.* In his memorandum to you providing the consolidated Defense Department position on the 232 investigation, Secretary Mattis noted that “the U.S. military requirements for steel and aluminum each only represent about three percent of U.S. production. Therefore, DoD does not believe that the findings in the reports impact the ability of DoD programs to acquire the steel or aluminum necessary to meet national defense requirements.” Secretary Mattis also wrote that the Department “continues to be concerned about the negative impact on our key allies regarding the recommended options within the reports.” He further noted that “[i]t is critical that we reinforce to our key allies that these actions are focused on correcting Chinese overproduction and countering their attempts to circumvent existing anti-dumping tariffs—not the bilateral U.S. relationship” with those allies.

How does the Commerce Department quantify the national security risk that is a consequence of alienating allies and partners with bellicose rhetoric and adversarial trade actions?

What steps has the administration taken to manage the risk of a negative impact on key allies identified by Secretary Mattis?

Answer. The President's section 232 decisions are the result of a robust and thorough interagency review coordinated by the White House.

*Question.* The Save Our Seas Act, which passed the Senate last August, urges the administration to pursue a number of activities aimed at reducing the influx of plastic waste into the oceans, including investing in research into ocean biodegradable plastic alternatives, pursuing new international agreements focused on land-based plastic pollution, providing technical assistance to improve waste management in developing countries, and considering marine debris in future trade agreements.

What role can or does NOAA play in achieving these goals?

Answer. To support these goals, NOAA can:

- Convene international dialogues, such as the International Marine Debris Conference, to highlight innovative research and waste management initiatives;
- Work with partner agencies, such as EPA, Department of State and USAID, to ensure coordination of U.S. agencies' international efforts through the Interagency Marine Debris Coordinating Committee;
- Provide technical assistance to national and/or local governments to promote more strategic approaches to marine debris actions on various scales;
- Develop emergency response guidelines that enhance the effectiveness of foreign governments' efforts to prepare for, respond to and recover from severe weather events that significantly increase marine debris outflows;
- Assist in creating and improving public awareness campaigns and outreach programs to induce behavioral change to reduce, reuse and recycle;
- Promote methodologies and guidelines for more accurate assessment and monitoring of marine debris;
- Offer expertise on administering prevention initiatives such as small grant programs; and
- Upon ratification, support efforts to implement a first-of-its kind provision in the USMCA for parties to take measures to prevent and reduce marine litter.

*Question.* Is marine debris a priority in discussions with your counterparts in other countries, especially the rapidly developing economies in Asia that are currently contributing the most plastic waste from land into the oceans?

Answer. Yes, marine debris is a significant priority of the global marine conservation community and is a topic discussed with foreign counterparts frequently and with much urgency. Many foreign governments and entities have approached NOAA for assistance on this issue in recent years; for example, in the past 2 years NOAA has advised the Government of Indonesia on how to design and implement a national marine debris program. NOAA views U.S. Government engagement with the rapidly developing economies in Asia as critical to our international efforts to combat marine debris.

*Question.* Are you pursuing any opportunities for U.S. waste management experts to export their knowledge, technology, and other opportunities to assist other countries while creating business opportunities for domestic companies?

Answer. While NOAA's Marine Debris Program has not historically worked with waste management experts, we recognize that building capacity in this area is critical to reducing marine debris at its sources, especially in the developing world. NOAA has had some initial informal discussions with the International Trade Administration about the potential export of U.S. private sector knowledge, technology, etc. We are continuing to advance that collaboration as well as bringing other relevant Federal agencies into the conversation.

*Question.* Climate change is driving shifts in marine species distributions, including commercially valuable species that span across State and fishery management council jurisdictions, as well international boundaries.

Is NOAA prioritizing research and funding for species that are seeing climate change-driven shifts in population hubs and distribution?

Answer. Shifts in the distribution of commercially and recreationally valuable fish species have been observed in several regions concurrent with changes in ocean conditions and, in some cases, fishing pressure. These shifts can have important implications for fisheries management and for the people, businesses and communities that depend on the resource. NOAA has developed a NOAA Fisheries Climate

Science Strategy (NCSS) that calls for better tracking, understanding and responding to shifting species distributions. To implement the NCSS, regional action plans were developed and the agency has focused research and funding on this issue over the last few years. NOAA's National Marine Fisheries Service (NMFS) has directed research on species with shifting distributions in the northeast, west coast and Bering Sea marine ecosystems. In addition, NMFS (in partnership with Rutgers University) created the OCEANADAPT website to provide annual information on the distribution of over 650 commercially valuable marine species to help fisheries managers and the fishing sector better track and respond to shifting distributions. NMFS has also worked with international partners to promote understanding and responses to shifting distributions across international boundaries.

*Question.* How can the current council structure be strengthened to better handle and quickly respond to shifting stocks?

*Answer.* In general, the current council structure is well-suited to handle and quickly respond to shifting stocks as well as other management challenges. Section 304 of the Magnuson-Stevens Act provides authority for the Secretary of Commerce to determine how to manage fisheries that span the geographical authority of more than one Council. The Secretary can designate a single Council to manage a stock throughout its range, or he can require that management be shared by the relevant Councils. Currently, there are a number of joint management plans for stocks that extend beyond a single Council's jurisdiction. Additionally, Councils and the States are increasingly discussing the changing distributions of several stocks; adjacent Councils will need to work together even more to ensure the goals of the Magnuson-Stevens Act—both ecological and economic—are achieved as fish stock distributions change. NMFS will continue to work with the Councils to base decisions on best information available and in a fair and equitable manner.

*Question.* How is NOAA coordinating with Coast Guard, Navy, State Department, and other relevant agencies to identify and combat IUU fishing?

*Answer.* Combating IUU fishing, both within the United States and abroad, is one of NOAA's core missions that is achieved through strong Federal partnerships and is carried out on an interagency level. NOAA is proactively engaging to detect and prevent IUU fishing and will continue to leverage these partnerships to maximize our ability to maintain a level playing field for law abiding fishers.

Fourteen Federal agencies have a role in implementing U.S. actions to combat IUU fishing and seafood fraud, both domestically and internationally. Recent interagency coordination on these efforts has been managed through an interagency working group on IUU Fishing and Seafood Fraud, co-chaired by NOAA and the Department of State. The working group coordinates the implementation of a suite of recommendations to improve international tools to combat IUU fishing, strengthen enforcement cooperation both domestically and internationally, enhance partnerships with industry and other stakeholders, and create a risk-based traceability program for seafood entering U.S. commerce.

*Question.* NOAA is currently implementing the Seafood Import Monitoring Program (SIMP), a program that will help level the playing field for U.S. fishermen by improving traceability and transparency requirements for imported seafoods that meet domestic seafoods standards. So far, NOAA has only applied SIMP requirements to a handful of high-risk species. Given NOAA currently estimates that the U.S. imports over 80 percent of the seafood consumed domestically, this program should be expanded to capture all imported species.

Has NOAA identified what species will next be added into the SIMP?

*Answer.* NOAA has applied SIMP requirements to specified high-risk species. NOAA is currently focused on continued success in implementing SIMP and on the work required to include shrimp and abalone by December 31, 2018, as directed in the 2018 Appropriations Act.

Edible seafood imports to the U.S. in 2014 were valued at \$20 billion; \$9.34 billion of which are commodities subject to documentation requirements under SIMP (including shrimp and abalone). Shrimp imports alone comprise approximately 23 percent by volume and 29 percent by value of all U.S. seafood imports.

*Question.* What specific steps have been taken, or will be taken, to expand the SIMP to more species?

Answer. Any future expansion of the program will be based on the risk of importing product vulnerable to IUU fishing and seafood fraud and would require additional public comment and rulemaking.

*Question.* What is the anticipated timeline for when the SIMP program will expand to cover all seafood species imported into the U.S.?

Answer. NOAA does not intend to cover species that are not at risk of IUU fishing and seafood fraud in the SIMP.

*Question.* When SIMP is expanded to additional species, will it similarly consider aquaculture and wild-caught seafoods?

Answer. The scope of imports covered under SIMP is defined by species and tariff codes, which include both wild-caught and aquaculture seafood products. If SIMP is expanded to include new species for which there is U.S. aquaculture, NOAA will require congressional authorization to collect comparable reporting and record-keeping requirements to those of SIMP. Section 539 of the 2018 Appropriations Act limits comparable domestic data collection and reporting to shrimp and abalone species. NOAA is working on the implementing regulations for these species.

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PREPARED STATEMENT OF HON. RON WYDEN,  
A U.S. SENATOR FROM OREGON

If you follow the news on trade, you know that Secretary Ross is a key Trump trade official negotiating with China, determining who gets tariff exemptions, and potentially reshaping the automobile industry in America for decades to come.

In the last few days, news reports about Secretary Ross uncovered a short sale of stock in a Kremlin-tied shipping firm. New developments show that while Secretary Ross was negotiating on trade with China, he may have maintained financial ties with firms connected to the Chinese government. A fund controlled by the Ross family reportedly owns a major international manufacturer of auto parts.

And let's be clear, this isn't a one-off story. Virtually every day reading the newspaper you get whacked over the head with a new report about Trump officials violating ethics rules or coming into questionable windfalls. You don't need a thick government rulebook to recognize flagrant conflicts of interest when they're brought into public view. When it comes to trade, Americans have a right to know that it's *their* best interests Trump administration officials are looking out for at the negotiating table. These stories call that into question.

Here's why I raise these issues. I'm on board with several of the administration's top trade priorities. Tougher enforcement of our trade laws, cracking down on China ripping off our technology and jobs, updating NAFTA. Those are challenges that demand action, but taking action gets harder when you're surrounded by the specter of conflict. It undermines the credibility of our negotiators, it makes it harder to work in a bipartisan way in Congress, and it makes it a lot less likely the American people are going to accept the end results.

It's also frustrating to watch as the administration's trade moves tend to seem more like knee-jerk impulses than any kind of carefully thought-out strategy. Its most obvious accomplishment on trade is sowing economic chaos that's united our allies and China against us—unless you rank that behind the rescue of ZTE, an action that sold out American security and got nothing in return.

Chaos has consequences, but you don't have to take it from me. Tariffs on steel and aluminum imports are in place, but the process of determining what imports will be excluded is in a state of disarray. American businesses filing for those exclusions are waiting for the Commerce Department to do its job.

I've heard from potato farmers in my home State of Oregon who export nearly a third of what they grow and will now face tariffs in key markets like Mexico. I've heard from Pacific Northwest cherry growers who've got nearly 1.5 million boxes of cherries ready to ship to China. They're worried those cherries are going to end up stuck on the dock or rotting in a warehouse due to China's retaliation. Small brewers find their costs skyrocketing when they need new can lines and holding tanks, which are largely made from steel and aluminum.

A strong, well-planned strategy on trade would bring the full economic might of the United States and our allies to bear on China's trade cheating. It would give confidence to American farmers, manufacturers, and service firms, rather than cre-

ating chaos. And there would be bipartisan interest here on Capitol Hill in fresh policies that would strengthen trade enforcement and protect American workers.

Enough of the chaos—that's what I hope to see more of from the administration in the weeks and months ahead. I thank Secretary Ross for joining us here today, and I look forward to questions.

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## COMMUNICATIONS

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ACUITY BRANDS  
One Lithonia Way  
Conyers, GA 30012

July 2, 2018

The Honorable Orrin Hatch  
Chairman  
U.S. Senate  
Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
U.S. Senate  
Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden,

We write to express Acuity Brands' concerns about the economic effects of recent trade actions undertaken by the Trump Administration. Specifically, we are concerned that the steel and aluminum tariffs, along with the tariffs on Chinese goods, are harming American businesses in a variety of ways—making it harder for them to affordably acquire necessary materials, utilize existing supply chains, and compete in both domestic and international markets.

While we very much appreciate the Committee's focus on the Administration's section 232 trade actions, those developments are only part of the story regarding the impact of recent trade actions on U.S. businesses. In particular, U.S. businesses must consider the impact of *all* tariffs on materials and components, as well as the potential for foreign countries to shift production or import processed goods that create increased competition for domestic products. For that reason, we have also provided the Committee with information on how the section 301 tariffs, in addition to the 232 tariffs, are negatively affecting the landscape for businesses.

Overall, Acuity Brands urges Congress to continue working to evaluate both the 232 tariffs and the 301 tariffs, carefully consider the full scope of the economic impact they may have on many American businesses and industries (*e.g.*, cost increases for component parts and materials while finished goods imports are unaffected, supply chain disruptions, loss of technological advancement and efficiency improvements, etc.), and take steps to minimize the harms the tariffs inflict on American companies.

### **I. Company Background**

Acuity Brands, Inc. (NYSE: AYI) is a North American market leader and one of the world's leading providers of lighting and building management solutions for commercial, institutional, industrial, infrastructure, and residential applications throughout North America and select international markets. With fiscal year 2017 net sales of \$3.5 billion, Acuity Brands currently employs approximately 13,000 associates. We are headquartered in Atlanta, Georgia and have operations throughout North America and in Europe and Asia.

The Company's lighting and building management solutions vary from individual manufactured products to intelligent network systems. Individual products include luminaries, lighting controls, emergency lighting, lighting components, controllers for various building systems (including HVAC, lighting, shades, and access control), power supplies, and prismatic skylights. Networked systems, meanwhile, allow the infrastructure in buildings, roadways, and properties to communicate data regarding operations and activities; this can optimize energy efficiency and enhance building occupants' experiences—all while reducing operating costs.

## **II. The Steel and Aluminum Tariffs Affect Supply Chains and Costs, Harming American Businesses**

With regard to the 232 tariffs on steel and aluminum, we remain concerned that they unfairly penalize a number of U.S. businesses across a variety of industries. Notably, Acuity Brands' efforts to continue innovating and striving for even greater energy efficiency and smart functionality within all aspects of building management are substantially impacted by the price and availability of steel. We are a strong supporter and business partner of domestic metals suppliers, working with U.S. mills to source steel and manufacturing a significant volume of our products at various locations across the country. We have worked closely with our steel suppliers to project usage trends and develop contracts that provide us with the financial certainty needed to promote cost-effective lighting and high-quality network solutions.

Despite Acuity's relationships with domestic steel mills, however, our business still runs the risk of being significantly harmed by the tariffs. With the recent decision to end a number of country exclusions, as well as the already-significant strain placed on the limited supply of domestic steel—as domestic capacity, even with new U.S. mills, cannot be ramped up for at least another year and may be constrained by other economic and workforce factors—businesses seeking to purchase steel continue to face uncertainty in the marketplace. Not only can uncertainty regarding the price of steel affect the end cost of consumer goods, but the confusion created by ever-changing country exemptions only adds more uncertainty to businesses' sourcing strategies.

In addition to the impacts on Acuity and the lighting/building solutions industry, we would note that the impacts of the tariffs will have ramifications for a much broader swath of industries. For example, pricing uncertainty resulting from the tariffs could negatively impact any construction projects—including school and hospital projects, commercial renovations, and so on—that use Acuity products. Furthermore, the energy efficiency sector, which employs more than 2 million Americans and is growing, could take a hit as energy-efficient lighting products will become more expensive and less available for use. This will harm Acuity's sales, as well as the ability of these related industries to expand their economic impacts. It also will decrease the long-term environmental benefits and monetary savings for businesses that result from construction of energy-efficient buildings.

In sum, while we appreciate the intended goal of supporting the domestic aluminum and steel industries—as noted, Acuity is a strong supporter of U.S. steel, purchasing much of our steel from U.S. mills—we are concerned that the tariffs are ultimately operating as a de facto tax on domestic manufacturers of finished products across the nation, harming not only Acuity, but a multitude of other businesses across a variety of industries.

## **III. Tariffs on Chinese Goods Threaten to Increase Costs of Energy-Efficient Goods and Smart Technologies**

As an initial matter, Acuity takes pride in being a U.S.-headquartered manufacturer that provides more than 4,000 good-paying domestic jobs to hard-working Americans. However, we are concerned that the tariffs on Chinese goods—particularly those that target electrical component parts—scheduled to go into effect on July 6, 2018, will affect Acuity's ability to maintain its competitive business standing. Moreover, beyond the potential direct impacts on Acuity, the tariffs also threaten to harm the U.S.'s status as an innovation leader in emerging areas such as energy efficiency and smart technologies.

We do understand—through direct experience in our industry—the desire to attempt to curtail China's less-than-favorable trade behaviors. We are concerned, however, that inclusion of certain products on the list of goods that will face additional tariffs will harm Acuity's business, the broader lighting industry, and related industries.

In particular, we are concerned about the list's inclusion of electronic components and LED chips that are vital parts of a number of energy-efficient products and smart technologies that Acuity produces. These parts are not easily sourced, as they are not generally available from domestic suppliers and it would be incredibly difficult to adjust Acuity's supply chains. Ultimately, Acuity will have to bear an increased cost for these products. Preliminary estimates show that the tariffs on these products will end up costing Acuity as much as \$10 million annually, as long as the tariffs are in place.

In addition to the immediate effect of increased costs for products, Acuity will also be likely to face longer-term supply chain disruptions as a result of the tariffs. Many vendors who manufacture impacted components or materials in China are already developing plans to shift production to other low-cost countries. As such, we are concerned that U.S. manufacturers will be faced with significant business disruptions without an offsetting benefit for U.S. labor. Moreover, the tariffs could simply shift the trade deficit to different country.

The tariffs will also put Acuity and other domestic manufacturers at a competitive disadvantage by exposing them to additional costs on necessary components and materials, while finished goods may still be imported from foreign countries at a rate much lower than the component tariffs. This creates a compounded burden on domestic manufacturers who will be exposed to both increased costs for components and lost sales or reduced profit margins resulting from imported, low-cost finished goods. Customers are aware of these issues and will likely be driven to shift their purchases to vendors outside the U.S., further harming Acuity's business prospects.

Ultimately, therefore, Acuity will face increased cost burdens associated with the tariffs on vital component parts, as well as supply chain disruptions, both of which will affect Acuity's ability to competitively price its products. Meanwhile, Acuity is already facing increased competition from foreign companies that do not have to contend with the tariffs, as well as an increasing competitive disadvantage from companies that are importing finished goods. This only compounds the uncertainty businesses such as Acuity are facing due to the 232 actions.

#### **IV. Conclusion**

Again, Acuity urges Congress to work with the Administration to evaluate both the 232 tariffs and the proposed 301 tariffs and consider the full scope of the potential economic harm that could impact a variety of industries across the country. Addressing unfair trade practices by other countries should not come at the expense of American businesses. Instead, policies should be implemented to, among other things, avoid disruptions in global supply chain strategies and minimize uncertainty for domestic manufacturers. In particular, we strongly urge Congress and the Administration to consider the compounded burden of increased material and component costs, which further harm U.S. manufacturers of light fixtures who are already facing increased competition from finished goods importers, who are unaffected by the tariffs. The trade deficit in the lighting industry will be best addressed by imposing tariffs on finished goods imports, rather than electrical and electronic components.

If properly designed and implemented, tariffs can help address trade imbalances and unfair trade practices without harming the ability of American businesses to succeed and grow. Moreover, appropriate trade actions will not harm the ability of the U.S. to lead in areas such as energy efficiency and smart technologies. We appreciate the focus Congress has placed thus far on the larger real-world impacts of the Administration's recent trade actions, and we ask that you continue to work to minimize harm to U.S. businesses.

Sincerely,

Cheryl English  
VP, Government and Industry Relations  
Cheryl.English@AcuityBrands.com  
770-860-2660

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FLEXIBLE PACKAGING ASSOCIATION  
185 Admiral Cochrane Drive, Suite 105  
Annapolis, MD 21401  
Tel (410) 694-0800  
Fax (410) 694-0900  
[www.flexpack.org](http://www.flexpack.org)

#### **Statement for the Record**

My name is Alison Keane, and I am President and CEO of the Flexible Packaging Association (FPA). FPA is the voice of U.S. manufacturers of flexible packaging and their suppliers. The association's mission is connecting, advancing, and leading the flexible packaging industry. Flexible packaging represents over \$30 billion in annual sales in the U.S. and is the second largest and one of the fastest growing segments

of the packaging industry. The industry employs over 80,000 workers in the United States. Flexible packaging is produced from paper, plastic, film, aluminum foil, or any combination of these materials, and includes bags, pouches, labels, liners, wraps, rollstock, and other flexible products. With respect to tariff impacts, the industry uses aluminum foil, and it is used for everyday food and beverage products such as candy, salty snacks, yogurt, and beverages; as well as health and beauty items and pharmaceuticals, such as aspirin, shampoo and shaving cream. Aluminum foil provides the barrier protection from oxygen, light, and bacteria that these products need to ensure stable shelf-life and freshness. Aluminum foil is also used by the flexible packaging industry to ensure sterility for medical device packaging enabling the products packaged, such as absorbable sutures, human tissue, and artificial joints, to maintain their efficacy at the time of use.

The Section 232 investigation, which resulted in the 10% tariff on aluminum, which includes foils produced from that aluminum, was initiated under the Trade Expansion Act of 1962, and was to determine what, if any, effects imports of aluminum have on national security. FPA is not aware of any impacts aluminum foil imports for use in the packaging industry has on U.S. national security, and the Department of Commerce Report entitled “Effects of Aluminum Imports on the National Security” (Report) did not specify any. FPA supports efforts to protect domestic manufacturing and ensure national security, however, these efforts must consider the impact and consequences on all U.S. manufacturing industries, and the recently imposed 10% tariff on aluminum imports does not. Aluminum foil imports necessary for the packaging industry, and without application for national defense, should have been excluded from the tariffs. In its investigation, the Administration was to consider a range of factors related to national security, including the economy and the effects of foreign competition on the economic welfare of domestic industries, including impacts on employment. However, this does not appear to have been the case. These import restrictions on aluminum will have a significant negative impact on the flexible packaging industry and its employment in the U.S. with regard to aluminum foil converting.

FPA was pleased to see that one aspect of the Report was adopted in the Administration’s proclamation instituting the aluminum tariffs—the process for exclusions from the tariffs “upon request of affected parties if the steel or aluminum articles are determined not to be produced in the U.S. in a sufficient and reasonably available amount or of a satisfactory quality or based upon specific national security considerations.” However, according to the direct-final regulations implementing the exclusionary process (83 FR 12106, March 19, 2018), trade organizations, such as FPA, cannot petition on behalf of their respective members, even though our members would all be making the same request—that aluminum foil is exempted as it is not made domestically in the quantities and quality needed for the packaging industry. Many manufacturers, particularly small businesses, rely on their trade associations to assist them in responding and negotiating solutions to government regulations. By not allowing trade associations to file on behalf of their industries, this rule is encouraging excessive and duplicative filings and will disproportionately impact small businesses. And, the tariffs went into effect on March 23, 2018, when the earliest possible date Commerce could grant an exclusion would be May 18, 2018, when the exclusions will “generally” be approved. So, there is no guaranteed time frame in which petitioners will know whether or not their petition has been approved and they will have already been paying the tariff for at least 90 days. The damage to U.S. flexible packaging jobs may very well already be done after 90 days of this tariff, and once again, this process will certainly disproportionately disadvantage small converting businesses that cannot afford to front these costs.

Further, there is little to no clarity on the petition process from the rule. Commerce must supply FAQ’s answering such questions as how confidential business information (CBI) can be submitted. Right now, there is simply a check box on the form where businesses can state that they have CBI information and there is no indication of the process for submitting such; whether or not the petition is incomplete without the information and if so, what the timeline for completion would be; nor if the arbitrary 25-page limit of the petition includes or does not include this CBI. Similarly, the rule states that Commerce may approve a broader exclusion request to apply to multiple similarly situated importers but gives absolutely no information on how groups of companies can apply for this broader exclusion. Again, as trade associations such as FPA, do not “use aluminum in business,” we cannot file on behalf of multiple companies. If a product exclusion is granted because it is not manufactured domestically in quantities and quality necessary for the industry—why wouldn’t that exclusion be granted to all users of the product? Lastly, the exclu-

sion process, if granted, would only be applicable for one-year. Will companies have to petition for the exclusion every year? If the product is not available domestically now, why does Commerce believe it will be available next year, or the year after, or ever? It should not be up to individual companies to prove to the Administration that these products do not exist domestically, this should have been part of Commerce's analysis before instituting the overly broad tariff in the first place. Even if the domestic aluminum foil suppliers guaranteed to start making the aluminum foil gauges flexible packaging manufacturers need tomorrow—it would take several years for the mills to produce the quantity and quality of the foil our companies need. Further, under Federal Food and Drug Administration regulations, substitution of the foil substrate could take two to ten years for approval, depending on use in packaging for food or medical devices.

FPA is also concerned about the lack of transparency with regard to the Section 232 remedy and the process Commerce will use to monitor and report on its effects. As stated above, while the investigation was supposed to take into consideration the effects of foreign competition on the economic welfare of domestic industries, including impacts on employment; the Report failed to address downstream industries dependent on aluminum or steel. How will Commerce monitor and report on the effect of this tariff on the primary manufacturers of aluminum in the U.S.; let alone downstream industries, which were ignored in the Report? A recent report by the Trade Partnership Worldwide, LLC/The Trade Partnership estimates the job loss for downstream users of aluminum and steel under the Section 232 tariffs would be 18 for every one job created in those sectors. Commerce must be accountable to show the impacts to all affected industries and ultimately work towards alleviating the devastating impacts of these tariffs on downstream users of aluminum products and mitigating the burdensome and unnecessary paperwork this exclusionary process would apparently mandate on an annual basis.

The Section 232 investigation and proposed remedy is paralleling an International Trade Commission (ITC) investigation and remedies for Chinese aluminum foil imports. Thus, FPA members are being penalized twice—first with the ITC anti-dumping and countervailing duties that in some cases exceed 140%, and then with the new 10% tariffs on other imports of aluminum foil, which are applied on top of the duties already in place. The consequences of the tariff under this investigation, combined with the duties from the ITC probe, is the loss of flexible packaging jobs in the U.S. The negative impact on American jobs by cutting off the supply of aluminum foil for flexible packaging manufacturing will far outweigh any job benefits that are envisioned by the ITC and Section 232 taxes. These duties and tariffs are leading to U.S. companies sourcing aluminum foil from other non-U.S. manufacturers at a much higher cost; Chinese suppliers of printed or otherwise converted aluminum foil products entering the U.S. market, since this bypasses the duties; and/or U.S. companies moving flexible foil packaging production outside the U.S., thereby reducing the amount of U.S. foil converting jobs. There is simply no scenario where the benefits to the U.S. aluminum manufacturers outweighs the detriment to the U.S. flexible packaging industry.

Aluminum foil used by the flexible packaging industry is not manufactured in the U.S. in the quantities and qualities needed. Failure to invest, and quality lapses, including gauge, width, and lack of appropriate alloys all contribute to the fact that the U.S. producers of aluminum foil are not able to serve the U.S. flexible packaging industry. In fact, the ITC, at its preliminary hearing on March 30, 2017, found that domestic ultra-thin foil production “may be limited or nonexistent.” Thus, the packaging industry in the U.S. should be granted an exclusion for aluminum foil imports from the Section 232 tariff. Since FPA is not eligible to petition on their behalf, Commerce should recognize the broad-based exclusion the rule mentions to reduce the repetitive and burdensome petitions it will receive with regard to this foil for flexible packaging manufacturers.

FPA shares the same goal as the domestic aluminum foil producers who want more American jobs and understands the importance of protecting national security. This tariff is not the answer. The Administration should find ways to work together to improve our country's competitiveness. Everybody loses in unfair trade cases, especially the American consumer.

Thank you.

TAXPAYERS PROTECTION ALLIANCE  
 1401 K Street, NW, Suite 502  
 Washington, DC 20005  
[www.protectingtaxpayers.org](http://www.protectingtaxpayers.org)

June 25, 2018

The Honorable Orrin Hatch  
 Chairman  
 U.S. Senate  
 Committee on Finance  
 219 Dirksen Senate Office Building  
 Washington, DC 20510

Dear Chairman Hatch,

On behalf of the Taxpayers Protection Alliance (TPA), and the millions of Americans that we represent, we urge you to reconsider the tariffs on aluminum and steel that Department of Commerce Secretary Wilbur Ross supported in testimony to your committee. After the historic passage of the Tax Cuts and Jobs Act of 2017, these new actions take a step backwards and harm American business. From automotive manufacturers to beer distributors, these tariffs will wreak havoc on the thriving American economy and could cost hundreds of thousands of jobs. It is imperative that you do not reverse the course of our economy, which added *233,000 net new jobs* in the month of May. We thank you for your committee's recent hearing on the Trump administration's tariffs and wish to submit this letter and TPA's commentary to your committee for the record.

It is nonsensical for Congress and the current administration to allow such tariffs to stay in effect; Americans are finally gaining confidence in the national economy and are enjoying a saturated job market. For the first time in the adult lives of Americans under 30 years old, the American economy is growing, and the pro-growth policies enacted under the current administration are driving that growth.

Consider the consequences of protectionist policies to our economy. When the Bush administration enacted similar steel tariffs in 2002, the result was the loss of more than 200,000 American jobs. *More than 7 million jobs* are tied to the US auto industry and 2 million Americans are employed by the beer industry—both of which would be harshly effected by a continued hike in steel and aluminum tariffs. According to the Peterson Institute for International Economics, the proposed auto tariffs as they stand now will affect more than *\$200 billion in imports* and will cause automotive production to decline by more than 1.5 percent. If retaliatory tariffs are imposed by other countries, automotive production could drop a full *4 percentage points* and more than 624,000 American jobs would be lost in the process.

Tariffs of any kind hurt American business. It is time for America to trade openly with other nations, to continue the growth of the economy and to keep protectionism out of our trade policy. Without the adoption of a modern trade policy, free of burdensome tariffs, American business will be stifled under that same red tape this administration fought to clear just months before. TPA, and our members and supporters, hope that the Senate Finance Committee will offer a solution that satisfies all needs of American trade and TPA staff members are available for counsel and support at any time.

Sincerely,

David Williams  
 President

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**MORNING CONSULT**

<https://morningconsult.com/opinions/tariffs-would-tax-consumers-roll-back-tax-reform-gains/>

TARIFFS WOULD TAX CONSUMERS, ROLL BACK TAX REFORM GAINS

(By David Williams)

June 20, 2018

In the wake of historic tax reform delivered by President Donald Trump and Congress, the American economy is showing strong signs of life. Just days ago, it was

reported that the United States added around 223,000 net new jobs in May, helping the economy reach an 18-year low jobless rate of just 3.8 percent. And with new tax reform in hand, taxpayers can expect to keep more of their hard-earned dollars in their pockets.

Those strong signals of economic health are part of what make the administration's recent moves toward imposing new tariffs so confusing. According to reports, the president is now considering using Section 232 of a 1960s trade law, the same instrument he used to levy tariffs on imported steel and aluminum earlier this year, to create a new tariff as high as 25 percent on auto imports. While the president's tariffs on steel and aluminum were certainly unpopular, this latest unsolicited proposal has been met with widespread criticism not only for its potential economic consequences here at home, but for the seeds of discord it sows with major trading partners such as Japan, South Korea and Germany.

It doesn't make sense that Trump would risk dealing a major blow to the American economy with new tariffs when pro-growth policies are just now starting to generate real results.

Consider the serious consequences of the administration's pursuit of tariffs. First, all tariffs are essentially taxes paid by consumers. In the case of steel and aluminum, the effect of tariffs is to raise the price of products made in the United States, affecting not just the obvious sectors such as construction, but raising the cost of everyday products such as washing machines, dryers and ovens. Jobs matter too. More than 7 million jobs in the United States are tied to the auto industry, which in turn is tied to the price of steel. Another 2 million jobs are supported by beer manufacturing, which is heavily influenced by aluminum prices.

According to the Peterson Institute for International Economics, these tariffs would affect more than \$200 billion in U.S. imports, dropping American vehicle production by 1.5 percent and costing 195,000 jobs in the United States. Further, if competitor nations countered with their own tariffs, the drop in production could be a full 4 percent, costing 624,000 American workers their jobs.

Estimates from the Tax Foundation are equally grim. With the United States importing nearly \$300 billion of vehicles from abroad last year, new tariffs would essentially create a new \$73 billion tax increase for American consumers. The Tax Foundation estimates that this new de facto "tax" would drastically eat into the after-tax gains taxpayers are due to see from tax reform, with taxpayers in the bottom 80 percent shouldering the highest burden for this new tax on vehicles.

In fact, the lowest income earners will see nearly half of their after-tax gains from tax reform disappear should the President impose new tariffs on auto imports. That "two steps forward, one step back" result for taxpayers was a major part of why *The Wall Street Journal* recently editorialized against new auto tariffs, calling on the president to abandon the idea.

The reality is that all tariffs, whether on steel and aluminum or vehicles, are taxes. They burden consumers and businesses, push jobs away, and stress the economy in dangerous ways. All of these are consequences the American economy can ill afford as it claws its way out of stagnation.

It would be a shame to endanger the progress already being made to restore the American economy to full strength, but that is what the administration is doing by turning American economic policy toward protectionism.

Now, in the days when the pulse of the economy is quickening, unemployment is falling and companies nationwide are announcing employee bonuses and exciting new investments, the president and Congress should avoid doing anything that puts a dent in economic growth. With tax reform in hand, the president should abandon the path of protectionism by giving up the idea of new auto tariffs.

*David Williams is president of the Taxpayers Protection Alliance.*

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TPA LEADS COALITION OPPOSING TARIFFS

March 6, 2018

The Honorable Donald J. Trump  
 President of the United States  
 The White House  
 1600 Pennsylvania Avenue, NW

Washington, DC 20500

Dear Mr. President:

On behalf of the undersigned groups representing millions of taxpayers and consumers across the country, we urge you to reconsider the tariffs on aluminum and steel announced on March 1, 2018. We appreciate your work cutting taxes and promoting America, but tariffs on aluminum and steel will be a tax on the Middle Class with everything from cars to baseball bats to even beer being more expensive.

Free trade is an integral foundation for any economy seeking growth, innovation, and expanded opportunity. Not only is free trade good for the U.S. economy, it is also good for the American taxpayer. As President, you pledged to put America and American jobs first. But imposing tariffs would be bad for the economy and bad for American workers. U.S. manufacturers that consume steel employ an estimated 40 to 60 times more U.S. workers than do steel producing facilities. This tax hike would put these jobs at risk. In fact, when George W. Bush increased tariffs on steel, 200,000 jobs were lost as a direct result.

If the U.S. government develops a fortress mentality in a global marketplace, it will spur trading partners to treat U.S. products in the same manner. If foreign governments imitate the U.S. use of tariffs, U.S. exports of manufactured goods could decline. Nothing is more important to long term U.S. prosperity than being able to sell exceptional products in markets that 95 percent of the population call home. In December, you signed into law the most significant tax reform in more than 30 years. These tax cuts will revolutionize the U.S. economy, create new jobs and increase living standards throughout the country. This new tariff proposal puts all of that at risk. A new tax on steel and aluminum will cost jobs, increase costs to consumers, and force businesses to go overseas. We strongly urge you to reconsider this proposal.

Sincerely,

David Williams  
President

<https://www.protectingtaxpayers.org/blog/a/view/tpa-leads-coalition-opposing-tariffs>

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TAXPAYERS PROTECTION ALLIANCE STATEMENT ON PRESIDENT TRUMP'S  
IMPOSITION OF TARIFFS ON STEEL AND ALUMINUM IMPORTS

(David Williams)

March 8, 2018

WASHINGTON, DC—Today, David Williams, President of the Taxpayers Protection Alliance (TPA), slammed President Trump's announcement of tariffs on steel and aluminum imports to the United States. In a March 6 open letter signed by 30 free market organizations, TPA cautioned against the tariffs, citing the costs posed to consumers.

Williams argued that, "If the U.S. government develops a fortress mentality in a global marketplace, it will spur trading partners to treat U.S. products in the same manner. If foreign governments respond with tariffs of their own, U.S. exports of manufactured goods could decline. Nothing is more important to long-term U.S. prosperity than being able to sell exceptional products in markets that 95 percent of the global population calls home. The number of free market, pro-consumer groups who joined with us to address the President on this matter in our joint letter is a testament to the severe negative impact these tariffs will have on the economy."

Williams continued: "The tariffs amount to a tax on consumers. They are a burden on the average taxpayer, and will raise costs on consumer products of all kinds, from canned goods to cars. Additionally, the tariffs will increase costs for countless supply chains in the U.S., and those excess costs will be passed straight down to the consumer. While consumers will feel an immediate impact on their wallets from these tariffs, the long-run effects could be even more severe. These tariffs will surely solicit retaliatory trade restrictions from U.S. trade partners across the globe, with middle-class taxpayers and their families bearing the brunt of resulting trade conflicts."



Williams concluded: “The President has made some great progress towards helping the middle class with tax reform. Levying tariffs on steel and aluminum imports is a step in the wrong direction. Protectionist trade policies inhibit free trade. It would be a mistake to run away from the policies that have kept prices down for consumers and steered our economy in a positive direction for decades.”

<https://www.protectingtaxpayers.org/blog/a/view/taxpayers-protection-alliance-statement-on-president-trumps-imposition-of-tariffs-on-steel-and-aluminum-imports>

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TAXPAYERS PROTECTION ALLIANCE ISSUES STATEMENT  
ON PRESIDENT TRUMP’S NEW TARIFFS

(David Williams)

March 5, 2018

*Imposing tariffs on aluminum and steel amounts to middle-class tax increase, warns TPA President*

WASHINGTON, DC—Today, the Taxpayers Protection Alliance (TPA) reacted to President Trump’s planned tariffs on aluminum and steel, which were announced on March 1, 2018.

TPA President David Williams voiced his frustration with the new policy, stating that, “We are extremely disappointed with the announced tariffs on steel and aluminum. These new taxes will mean price increases on everything from cars to baseball bats to even beer.”

Williams continued, “Free trade is an integral foundation for any economy seeking growth, innovation, and expanded opportunity. In addition to clear, widespread economic benefits, free trade allows American taxpayers to keep more money in their wallets. The announcement of these tariffs undercut the positive gains made by the tax cuts passed last year. As we’ve seen with previous decisions to raise tariff rates, levying new taxes on the middle class will establish an awful precedent and harm other industries.”

In a letter to be released on March 6, TPA and a group of free market organizations warned that protectionist measures rarely save jobs, raise tax revenues or preserve competition. In part, the letter stated:

If the U.S. government develops a fortress mentality in a global marketplace, it will spur trading partners to treat U.S. products in the same manner. If foreign governments imitate the U.S. government’s use of tariffs, U.S. exports of manufactured goods could decline. Nothing is more important to long-term U.S. prosperity than being able to sell America’s exceptional products in markets that 95 percent of the world’s population call home.

Williams concluded, “These protectionist measures could have long-lasting effects and adversely impact exports by tempting foreign powers to retaliate. The prospect of a trade war, along with a slew of other unintended consequences, will negatively impact the American economy for many years.”

