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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

CHRISTOPHER R. HIXON, STAFF DIRECTOR
MARGARET E. DAUM, MINORITY STAFF DIRECTOR

May 3, 2018

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, D.C. 20230

Dear Secretary Ross:

The Committee on Homeland Security and Governmental Affairs is continuing to conduct oversight of trade policies being implemented by the Administration. On March 8, 2018, the Administration announced the imposition of a 25-percent tariff on imported steel and a 10-percent tariff on imported aluminum.¹ The same day, Chairman Johnson wrote to you requesting information regarding these tariffs on imported metals.² Although we appreciate your reply, your response did not address many of the questions Chairman Johnson raised.

Respectfully, your response is incomplete and ignores what should be the basis for all trade discussions—to do no economic harm. In your response, you wrote that you “do not believe that the economic impact in the form of higher input costs will be as dramatic as many claim.”³ However, you did not offer statistical justification or data to support your statement. Instead, you provided two anecdotal examples about the cost of a can of soup and the cost of a car.⁴

Clearly, these tariffs will have a much more far-reaching effect on downstream industries and consumer prices than explained in your response. We have heard from a number of Wisconsin- and Missouri-based manufacturers and other U.S. companies in downstream industries that will face collateral damage from the tariffs. These industries are already facing higher input costs that will ripple throughout the U.S. economy.⁵ Domestic producers of

¹ The White House, President Donald J. Trump will Protect American National Security from the Effects of Unfair Trade Practices (Mar. 8, 2018). We understand that the Department has subsequently provided temporary exemptions for certain countries.

² Letter from Sen. Ron Johnson, Chairman, S. Comm. on Homeland Security & Governmental Aff., to Wilbur Ross, Secretary, Dep’t of Commerce (Mar. 8, 2018) [hereinafter “Johnson letter”].

³ Letter from Wilbur Ross, Secretary, Dep’t of Commerce, to Senator Ron Johnson, Chairman, S. Comm. on Homeland Security & Governmental Aff., (Apr. 9, 2018) [hereinafter “Ross letter”].

⁴ *Id.* (“As I have explained in the past, there are approximately 1.3 ounces of steel in a can of soup. A 25% steel tariff would raise the cost of a can of soup by less than a penny. The cost of a 10% aluminum tariff on a can of soda is comparable. The price of an automobile will rise by approximately 1%. These cost impacts will be minimal relative to the overall size of the U.S. economy.”).

⁵ Johnson letter, *supra* note 2.

soybeans, pistachios, pork, ginseng, and many other products are now also caught up in the escalating trade tensions due to the tariffs.⁶

Your response failed to provide three categories of information Chairman Johnson requested:

- ***Analysis of the effect on downstream industries:*** Chairman Johnson requested “detailed cost-benefit analyses on the effects of the steel and aluminum tariffs . . . on each affected sector of the U.S. economy,” including “potential retaliatory tariffs.”⁷ Chairman Johnson also asked for the models and methodologies prepared or used to determine the economic effect of the tariffs.⁸ Your response noted the Department used the Global Trade Analysis Project (GTAP) model for the steel investigation, and used a partial equilibrium analysis to estimate the effect of the tariff on aluminum imports.⁹ However, your response did not provide the findings of the GTAP model or partial equilibrium analysis, or any written product detailing these findings. Your response also did not explain how the Department assessed the downstream effect on industries or the effect of potential retaliatory tariffs.¹⁰ An independent consulting firm, using the same GTAP model, estimated a total net loss of nearly 470,000 jobs from the tariffs.¹¹ This information is necessary to understand whether and how the Department assessed the effects of the tariffs on the U.S. economy as a whole.
- ***Steel and aluminum requirements for national security:*** Chairman Johnson requested data on steel and aluminum requirements for national security. Your response provided a table with figures of imported steel and aluminum by country, but did not provide the total percentage and tonnage required for national security purposes or the cumulative amount of steel and aluminum imported from U.S. allies. Such figures are needed to understand the Department’s decision-making process for the following reasons.
 - First, in 2001, the Department’s investigation of imports of iron ore and semi-finished steel found that “there is no probative evidence that imports of iron ore or semi-finished steel threaten to impair U.S. national security.”¹² However, the Department’s recent investigation resulted in a different conclusion—that steel imports do threaten national security.

⁶ *Two Can Play at Trade War*, Wall St. J., Apr. 2, 2018.

⁷ Johnson letter, *supra* note 2.

⁸ *Id.*

⁹ Ross letter, *supra* note 3.

¹⁰ Johnson letter, *supra* note 2.

¹¹ Joseph François & Laura M. Baughman, *The Estimated Impacts of Tariffs on Steel and Aluminum*, The Trade Partnership (Mar. 13, 2018), <http://tradepartnership.com/wp-content/uploads/2018/03/232RetaliationPolicyBrief.pdf>.

¹² Caitlain Deyereaux Lewis, Cong. Research Serv., *Pedal to the Metal: Commerce Recommends Revving Up Trade Measures on Steel and Aluminum* (Feb. 21, 2018).

- In its 2001 investigation, the Department explained that “[i]mports of iron ore and semi-finished steel are from diverse and ‘safe’ foreign suppliers, with the largest suppliers of these products being U.S. allies in the Western Hemisphere (Canada, Mexico, and Brazil).”¹³ According to your response, Canada, Mexico and Brazil—the same “diverse” and “safe” foreign suppliers in 2001—are three of the top four suppliers of imported steel.¹⁴
- The Secretary of Defense warned of the “negative impact on our key allies,” stressing that targeted tariffs would be “more preferable than a global quota or global tariff.”¹⁵ However, the Commerce Department chose to forgo targeted tariffs in favor of global tariffs.¹⁶

This information is necessary to understand how the Department could come to a different conclusion than it did in 2001, despite similar findings, legal framework, and analytical structure.¹⁷

- **Retrospective economic analysis:** Chairman Johnson requested that the Department provide any retrospective economic analyses of prior tariffs to assess the downstream effects on input-reliant industries and consumer prices.¹⁸ Your response does not address this request. This information is necessary to understand whether and how the Department assessed the effects of the tariffs on the U.S. economy as a whole.
- **Department’s metrics for success:** In granting an extension for your response, Chairman Johnson asked that your response include information on how the Administration will quantify “its measure(s) of success for the steel/aluminum tariffs and how the agency is going to quantify the measure(s) of success.”¹⁹ Your response did not address this question.

The American people and American industries deserve to know the consequences of the steel and aluminum tariffs. These tariffs will ripple throughout the entire U.S. economy and affect millions of Americans. If the Department does not produce the entirety of the information

¹³ U.S. Dep’t of Commerce, Bureau of Export Admin., *The Effects of Imports of Iron Ore and Semi-Finished Steel on the National Security* (Oct. 2001), <https://www.bis.doc.gov/index.php/documents/section-232-investigations/81-iron-ore-and-semi-finished-steel-2001/file>.

¹⁴ Ross letter, *supra* note 3.

¹⁵ Memorandum from James Mattis, Sec’y, Dep’t of Defense, for Wilbur Ross, Sec’y, Dep’t of Commerce, *Response to Steel and Aluminum Policy Recommendation*, https://www.commerce.gov/sites/commerce.gov/files/department_of_defense_memo_response_to_steel_and_aluminum_policy_recommendations.pdf.

¹⁶ Dep’t of Commerce, *Secretary Ross Releases Steel and Aluminum 232 Reports in Coordination with White House* (Feb. 16, 2018), <https://www.commerce.gov/news/press-releases/2018/02/secretary-ross-releases-steel-and-aluminum-232-reports-coordination>.

¹⁷ Lewis, *supra* note 12.

¹⁸ Johnson letter, *supra* note 2.


¹⁹ Email from maj. staff, S. Comm. on Homeland Sec. & Governmental Aff., to staff, Dep’t of Commerce (Mar. 20, 2018).

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May 3, 2018
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requested in Chairman Johnson's original letter by May 17, 2018, the Committee may be forced to consider use of compulsory process.

Thank you for your prompt attention to this matter.

Sincerely,



Ron Johnson
Chairman



Claire McCaskill
Ranking Member

cc: The Honorable Robert Lighthizer
United States Trade Representative

Mr. Peter Navarro
Director, National Trade Council