

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

March 8, 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 conducting oversight of trade policies being implemented by the Administration. On March 8, 2018, President Trump announced the imposition of a 25-percent tariff on imported steel and a 10-percent tariff on imported aluminum.¹ The tariffs, which become effective in fifteen days, exempt Canada and Mexico, but cover imports from other trading partners.² I respectfully write to request information about this decision.

Recent data have shown significant improvement in the U.S. economy and the manufacturing sector. The United States has near-record levels of manufacturing output,³ with manufacturing output reaching a thirteen-year high last month.⁴ These figures are a testament to the strength of manufacturing in the United States and the Trump Administration's pro-growth economic policies. According to the President's Council of Economic Advisers, the United States is well positioned to increase exports going forward, due to comparative advantages in energy and agriculture.⁵

The tariffs on steel and aluminum risk undermining these positive economic developments by increasing input costs to American manufacturing and steel-dependent industries employing more than 17 million workers.⁶ Higher input costs will increase the cost of products to American consumers and make American products less competitive globally, thereby

¹ Fact Sheet, White House, President Donald J. Trump will Protect American National Security from the Effects of Unfair Trade Practices (Mar. 8, 2018).

² *Id.*; Peter Baker & Ana Swanson, *Trump authorizes tariffs in defiance of allies at home and abroad*, N.Y. Times, Mar. 8, 2018.

³ Report, U.S. Bureau of Labor, Manufacturing Section: Real Output (Updated Feb. 1, 2018), <https://fred.stlouisfed.org/series/OUTMS>.

⁴ Steve Goldstein, *ISM Manufacturing Gauge hits 13-Year High in February*, MARKET WATCH, Mar. 1, 2018, <https://www.marketwatch.com/story/ism-manufacturing-gauge-hits-new-13-year-high-2018-03-01>.

⁵ Press Release, White House, *Growing the American Economy: The Economic Report of the President* (Feb. 21, 2018), <https://www.whitehouse.gov/briefings-statements/growing-american-economy-economic-report-president/>.

⁶ Tori Whiting, *President Should Reject Flawed Commerce Report on Steel Tariffs*, THE HERITAGE FOUNDATION, Feb. 27, 2018, <https://www.heritage.org/trade/report/president-should-reject-flawed-commerce-report-steel-tariffs>.

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jeopardizing the United States' export industries and costing American jobs. In 2002, when the United States last issued a steel tariff, the tariff indirectly raised prices for consumers and reduced employment in steel-dependent industries by 200,000 jobs—while protecting only 1,700 jobs in the domestic steel industry.⁷

These tariffs may also lead to retaliatory trade barriers from other countries, many of which are our allies and major trading partners. Any retaliation from our trading partners will hurt American export industries, including several currently thriving in Wisconsin.⁸ Wisconsin Governor Scott Walker predicted that tariffs on steel and aluminum could harm Wisconsin-based job creators such as MillerCoors, Harley-Davidson, packaging manufacturer Bemis, and food processor and distributor Seneca Foods.⁹ In fact, the European Union has already proposed to target “more than 100 U.S. products,” including Harley-Davidson motorcycles.¹⁰ The tariffs could also hurt international demand for Wisconsin-produced agriculture and dairy commodities, and intermediate inputs and capital goods for airplanes and parts from the state.¹¹

The chairman of one Wisconsin manufacturer dependent on imported steel (a specialty grade not produced in the United States for the last 30-plus years) contacted me today explaining how the tariffs would harm his company and employees. His primary U.S. competitor was bought by a foreign conglomerate that relocated production to Mexico. The competitor imports the same steel into Mexico, completes production there, and then imports the finished production in the United States—all without tariffs. The Wisconsin company is already at a distinct competitive disadvantage, and the new tariffs will only increase its incentive to move production out of the United States in order to compete.

To better understand the Administration's trade policies, I respectfully request that you please provide the following information and materials:

1. Please describe the models and methodologies prepared or used by the Commerce Department to determine the economic effect of the steel and aluminum tariffs.
2. Please explain how the Commerce Department determines the downstream effect on industries that rely on steel and aluminum inputs and on consumer prices. Please provide the data supporting the Department's determinations.

⁷ *Id.*; Walter E. Williams, *The Unseen Cost of Saving Jobs with Tariffs*, INV'R BUS. DAILY (Mar. 8, 2016), <https://www.investors.com/politics/commentary/walter-williams-the-unseen-cost-of-saving-jobs-with-tariffs/>

⁸ Daniel J. Ikenson, *Trump's Steel and Aluminum Tariffs Will Open Pandora's Box*, CATO INSTITUTE (Mar. 1, 2018, 10:05AM), <https://www.cato.org/blog/trumps-steel-aluminum-tariffs-will-open-pandoras-box>.

⁹ Mark Sommerhauser, *Scott Walker, State Business Chamber Oppose Trump's Tariffs on Steel, Aluminum Imports*, Wis. St. J., Mar. 3, 2018, http://host.madison.com/wsj/news/local/govt-and-politics/scott-walker-state-business-chamber-oppose-trump-s-tariffs-on/article_61355402-1d04-5756-afa4-dc61c5b2b427.html.

¹⁰ Shawn Donnan and Jim Brunnsden, *EU retorts to Trump's tariffs risks breaching WTO rules*, FINANCIAL TIMES, March 6, 2018, <https://www.ft.com/content/e3771a6e-20cb-11e8-a895-1ba1f72c2c11>.

¹¹ Report, U.S. Census Bureau, *State Exports From Wisconsin (2016-2017)*, <https://www.census.gov/foreign-trade/statistics/state/data/wi.html>.

3. Please explain how employment levels are factored into the Commerce Department's evaluation of tariffs.
4. Please provide detailed cost-benefit analyses on the effects of the steel and aluminum tariffs on each affected sector of the U.S. economy, including how the Commerce Department incorporates potential retaliatory tariffs into the cost-benefit analysis.
5. Please provide the following data relating to the national security justification for the tariffs:
 - i. The percentage and tonnage of domestic steel and aluminum currently used for national security purposes;
 - ii. The percentage and tonnage of foreign steel and aluminum currently in the U.S. market by country of origin; and
 - iii. The percentage and tonnage of steel and aluminum imported from U.S. allies.
6. Please explain whether the Commerce Department has done any retrospective economic analyses of prior tariffs to examine the downstream effect on industries that rely on the inputs and on consumer prices. If so, please provide the findings of those analyses.

Please provide this material as soon as possible but no later than 5:00 p.m. on March 22, 2018. When delivering production sets, please produce to Majority staff in room 340 of the Dirksen Senate Office Building and to Minority staff in room 442 of the Hart Senate Office Building.

The Committee on Homeland Security and Governmental Affairs is authorized by Rule XXV of the Standing Rules of the Senate to investigate “the efficiency, economy, and effectiveness of all agencies and departments of the Government.”¹² Additionally, S. Res. 62 (115th Congress) authorizes the Committee to examine “the efficiency and economy of all branches of the Government including the possible existence of fraud, misfeasance, malfeasance, collusion, mismanagement, incompetence, corruption, or unethical practices”¹³

¹² S. Rule XXV(k); *see also* S. Res. 445, 108th Cong. (2004).

¹³ S. Res. 62 § 12(e)(1)(A), 115th Cong. (2017).

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If you have any questions regarding this letter, please ask your staff to contact Josh McLeod of the Committee staff at (202) 224-4751. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Ron Johnson". The signature is fluid and cursive, with a large loop at the end of the word "Johnson".

Ron Johnson
Chairman

cc: The Honorable Claire McCaskill
Ranking Member

The Honorable Robert Lighthizer
United States Trade Representative

Mr. Peter Navarro
Director, National Trade Council