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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

September 19, 2018

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

Dear Mr. Secretary:

On Monday, August 27, 2018, the Senate Homeland Security and Governmental Affairs Committee held a field roundtable in St. Louis with Missouri agriculture and manufacturing leaders to discuss the ongoing trade war.¹ The roundtable was part of the Committee's ongoing oversight of the trade war and the tariffs imposed under Section 232 of the Trade Expansion Act of 1962 and Section 301 of the Trade Act of 1974, as well as retaliatory tariffs from other countries. The Committee has asked numerous questions and requested information about the Administration's decision to impose tariffs, but the roundtable was an opportunity to hear from Missourians directly impacted by this trade war. I am compelled to share the harmful effects, as described by the participants, of the Administration's trade policies, and once again, urge you to end the trade war and fix the broken exclusion process.

The roundtable participants echoed many concerns I have expressed previously to you. The bottom line is that the trade war is harming Missouri's businesses and these harms could be lasting. For those companies seeking relief through the exclusion process, the opaque and slow decision-making process is resulting in immediate and lasting economic harm on Missouri businesses, workers, consumers, and communities. Tens of thousands of exclusion applications await decision by the Department of Commerce,² while some Missouri manufacturers have been forced to lay-off hundreds of workers and entire plant closure is a very real possibility.³ For other businesses, their entire industry is suffering economic setbacks after decades of investment and hard work in building overseas supply chains and markets. In the meantime foreign

¹ Senate Committee on Homeland Security and Governmental Affairs, *Field Roundtable on Examining the Effects of Tariffs and Trade Policy on Missouri Manufacturing and Agriculture*, 115th Cong. (Aug. 27, 2018).

² Letter from Secretary Wilbur Ross, Department of Commerce, to Senator Ron Johnson (Aug. 27, 2018).

³ *Mood is 'pretty dismal' in Poplar Bluff as nail maker pleads for tariff exemption*, St. Louis Post-Dispatch, (Sept. 4, 2018) (www.stltoday.com/business/columns/david-nicklaus/mood-is-pretty-dismal-in-poplar-bluff-as-nail-maker/article_c68ed2c0-297c-5573-918b-c0e812595ebb.html).

companies are stepping in and gaining ground in the marketplace. These lost markets may never come back.

Here are just a few highlights of the impact statements from the participants. I encourage you to read these statements and share this information with your trade team.

Missouri Manufacturing Industry

Broken Exclusion Process

On the exclusion process, Ken McInnis, Director of Americas Supply Chain & Global Purchasing at RotoMetrics, which employs 450 people in Eureka, said of the tariff exclusion process: “It’s all a farce—I’ve got 70 plus applications in. They sit there for weeks or months and then they reject them for some minor issue. And then you resubmit them, and you wait and then they go through a comment period, and it’s just this endless series of red tape. ... It hurts American manufacturers like us because we’re paying a premium and it gives an advantage to all our global competitors.”⁴

Greg Scheurich, President of CNC Machine Products, Inc., with 100 employees in Joplin, talked about the absurdity of the exclusion process: “This exclusion process is unbelievable...I’ve got 184 exclusions out there. It was two months before I even got anything posted, and an email was sent to the wrong email address saying all of my exclusions had been rejected because I left pertinent information off of the six-page report. We refiled...and now we’re seeing comments and objections from people who have nothing to do with our product.”⁵

Advantages Foreign Competitors

Mark Weisheit, Vice President and General Manager for Nidec Motor Corporation, with 425 employees in St. Louis, talked about the inability of the company to compete as a result of the tariffs: “We are fighting and we’re in a bidding war to get raw materials. It becomes very difficult to plan your business from a supply chain perspective, from personnel perspectives. ... And we’re getting to a point now where it doesn’t make sense to manufacture in the United States.”⁶

According to Brian Schaezler, General Manager of ABB Distribution Transformers, with 875 employees in Jefferson City, echoed similar sentiments to Mr. Weisheit saying: “Tariffs on Grain-Oriented Electrical Steel may affect the competitiveness of our operation going forward.

⁴ Senate Committee on Homeland Security and Governmental Affairs, *Field Roundtable on Examining the Effects of Tariffs and Trade Policy on Missouri Manufacturing and Agriculture*, 115th Cong. (Aug. 27, 2018).

⁵ *Id.*

⁶ *Id.*

...The tariff process has created a lot of uncertainty, and that uncertainty makes it challenging to plan the short term and certainly the visibility for longer term becomes even more challenging.”⁷

Leads to Job Loss

Hudson Moore, Senior Director of Packaging Procurement for Anheuser-Busch, which employs more than 3,000 people across the State of Missouri, described one effect of aluminum production capacity growth, saying: “In theory, [the Section 232 aluminum tariff is] intend[ed] to support job growth for U.S. aluminum smelters. ... However, any job creation would be more than offset by job loss in downstream aluminum manufacturing, which is 11 times the size of the U.S. smelting industry.”⁸

Increases Prices

Ben Cast, President of Lowe Boats, with 350 employees in Lebanon, explained how the tariffs are leading to significant price increases in boat sales: “Heading into this year, macroeconomic conditions that affect our sales, such as consumer confidence, gas prices, inflation, and unemployment were all very favorable. However, the growing trade dispute cast a level of uncertainty over the economy. While we firmly support the goals of fair and balanced trade, current trade policy and its execution are creating challenges and risks for our business customers and our employees... For example, an 18-foot bass boat, one of our most popular models last year was just under \$24,000. It's gone up about \$1,600 this year, which is quite an increase in price for the consumer.”⁹

Missouri Agriculture Industry

Advantages Foreign Competitors

Ben Breazeale, Vice President and regional commercial leader for Cargill, which employs more than 1,000 Missourians, described the disadvantages to U.S. industry as a result of the tariffs: “Trade distorting subsidies will lead to less competitive agricultural economies and an imbalance in world production and trade. Timing's critical as well. Without a deal in the near term, we'll start to see realignment of global markets, and those are hard to undo, with U.S. losing position as a reliable supplier, two of our key export markets, such as Mexico and China.... What will likely happen is that China will source as much as they can from the rest of the world, being South America, up until the point where they run out and they're not able to supply China. They'll be back to the United States to buy beans at some point in time, because they need to, but it won't be for a long time.”¹⁰

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

Leads to Job Loss

On the impact of the trade war in terms of lost revenue and job losses, Matt McCrate, Past President and Board Member of the Missouri Soybean Association, said: “We commissioned the University of Missouri to look at 10 % increments of how [the tariff] impacts Missouri soybean farmers... Total economic impact for every dime is \$36.3 million, \$10 million in lost earnings from labor and businesses, and a million dollars lost for every \$0.10 in state and local taxes. We’re looking at a \$2 drop [in soybeans], and still going down. So, you’re talking \$212 million in lost earnings for workers and businesses already. You’re talking 3,000 jobs that will probably have to go elsewhere because of a lack of business because Missouri soybeans are the number one export to China... one in three rows for everything raised. And although we’re getting offered a Band-Aid package for one year, we would much prefer free trade.”¹¹

Increases Prices

Stuart Feldstein, Executive Vice President of Albaugh LLC, which is an agrichemical company with 240 employees in St. Joseph, talked about the impact of the additional tariffs on \$200 billion worth of imports from China. Mr. Feldstein said: “Several products that we obtain from China, we’re concerned about getting burdened with a 25% tariff. Some of those products cannot be sourced from anywhere other than China. China has a very great involvement in U.S. agrichemical production. We did a calculation of what the tariff impact would be on some of the products of concern and if prices were to go up for the whole industry – that impact could be at least a quarter of million dollars in prices to farmers. And as much as a billion dollars. And that’s just the products in our portfolio.”¹²

Harms Capital Investments and Planning

Mark Scott, a farmer and Board Member of the Missouri Corn Growers Association, shared a truly profound impact to his capital investments and planning strategy as a result of the tariffs: “If I want to order a new combine for next summer, they will not give you a price for the steel...you cannot order a combine from any manufacturer and get an on-the-dotted-line price.”¹³

John Tucker, a sixth generation farmer from Willard, also discussed the inability to plan and the uncertainty of the business environment saying: “I was helped by the federal government. I was given a farm loan. I applied for a farm loan to buy a farm, and I can’t – if I’m operating at breakeven, I’m not going to be able to keep farming the farm that the government has invested in. [that the government] helped me to invest in, and carry on agriculture in the future....Right now there aren’t a lot of good options.”¹⁴

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

Conclusion

The roundtable participants agreed: cheaters need to be held accountable. Trade needs to be fair, the business environment needs to be supported by good policy, and enforcement action needs to be targeted and swift. In the absence of relief from the tariffs and trade war, as Mr. Scheurich said succinctly, “It’s very simple. Business will leave North America.” Moreover, what was made very clear is that the manufacturing and agriculture industries are not looking for government subsidies or a handout, they are looking for the government to remove barriers to market access. As Mr. Scott said, “Farmers want trade, not aid.” The tariffs are crippling economic opportunity.

Since the announcement last year to investigate the threats to national security under section 232 of the Trade Expansion Act of 1962, I have repeatedly raised the notion that the exclusion process needs to move at the speed of business. I am pleased to see the Department of Commerce issue new interim final regulations that offer those seeking an exclusion an opportunity to rebut objections.¹⁵ However, this process should have been in place prior to the issuance of the interim final regulations in March.¹⁶ Furthermore, the process is still too slow for businesses seeking relief, and I am very concerned that of approximately 1,900 denials, more than 80% are due to administrative and systems barriers from Customs and Border Protection.¹⁷ This prevents businesses from receiving desperately needed relief without justification.

I hope you and your trade advisors take these concerns from Missouri manufacturers and agriculture leaders seriously. The immediate and lasting harm from the tariffs is giving foreign companies an advantage at the cost of American businesses and jobs. Furthermore, the lack of any clear strategy to end the escalating trade war leaves those businesses, workers, and consumers stuck in the mire of bureaucratic decision-making. I ask that you do everything in your power to restore certainty, stability, and fairness to the global marketplace.

If you have any questions, please contact Thomas Richards of my staff at (202) 224-2627. Please send any official correspondence related to this request to Rina Patel at Rina_Patel@hsgac.senate.gov. Thank you for your prompt attention to this matter.

¹⁵ Bureau of Industry and Security, *Submission of Exclusion Requests and Objections to Submitted Requests for Steel and Aluminum*, 83 Fed. Reg. 46026 (Sept. 11, 2018) (interim final rule).

¹⁶ Bureau of Industry and Security, *Requirements for Submissions Requesting Exclusions from the Remedies Instituted in Presidential Proclamations Adjusting Imports of Steel Into the United States and Adjusting Imports of Aluminum Into the United States; and the Filing of Objections to Submitted Exclusion Requests for Steel and Aluminum*, 83 Fed. Reg. 12106 (Mar. 19, 2018) (interim final rule).

¹⁷ Department of Commerce, Bureau of Industry and Security and International Trade Administration, Briefing with Senate Committee on Homeland Security and Governmental Affairs (Sept. 11, 2018).

The Honorable Wilbur Ross
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Respectfully,

A handwritten signature in blue ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
Ranking Member

cc: Senator Ron Johnson
Chairman

The Honorable Robert Lighthizer
United States Trade Representative

Mr. Peter Navarro
Director, National Trade Council