UPDATE ON CONGRESSIONAL EFFORTS TO REFORM SECTION 232

AIIS STEEL CON 2019
APRIL 25, 2019
STEEL AND ALUMINUM TARIFFS

• 25% tariff on steel (flat, long, semi-finished, pipe, tube, stainless)
• 10% tariff on aluminum (plate; sheet, strip, and foil, castings and forgings)
• No End Date: goal to increase capacity utilization to 80% from 73% for steel (48% aluminum to 80%)
• Covers entire world, including NAFTA, EU, Japan, Switzerland, except...
  - Australia fully exempted; South Korea, Argentina, Brazil have quotas
• End goal likely global quotas on all imports into U.S.
• 54,510 requests filed to exclude steel imports from tariffs: 23,498 approved
  - 19,905 objections/278 exclusion requests approved with domestic steel company objection

• Sample of Aluminum and Steel Quotas levels through Feb. 11 – (hard quotas vs. tariff rate quotas):
  - 9903.80.05: Hot-rolled Sheet 92.27% filled (Argentina)
  - 9903.80.37: Bars and Rods Products 86.11% filled (South Korea)
  - 9903.80.11: Plate Cut in Lengths 67.51% filled (South Korea)
  - 9903.80.49: Bars Cold Finished not Stainless 42.19% filled (South Korea)
  - 9903.85.06: Wrought Aluminum for castings 6% filled (unwrought 39.42% filled)
PRO-TARIFF SIDE’S MESSAGE

Save Our Steel Jobs
TARIFFS NOT ONLY IMPOSE IMMENSE ECONOMIC COSTS BUT ALSO FAIL TO ACHIEVE THEIR PRIMARY POLICY AIMS AND FOSTER POLITICAL DYSFUNCTION ALONG THE WAY
PRO-TRADE SIDE’S MESSAGE (PART 2)
<table>
<thead>
<tr>
<th>TARIFF WATCH MATRIX FOR MANUFACTURERS</th>
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<tbody>
<tr>
<td><strong>10-25% Steel/Aluminum 232 Tariffs</strong></td>
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<tr>
<td>25% tariff on steel imports</td>
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<tr>
<td>(Australia exempt)</td>
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<tr>
<td>(Argentina, Brazil, South Korea have quotas)</td>
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<tr>
<td>10% tariff on aluminum Imports</td>
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<tr>
<td><strong>List raw materials subject to tariffs/quotas</strong></td>
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<tr>
<td><strong>10-25% China Import Tariffs</strong></td>
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<tr>
<td>25% tariff on 818 imports effective July 6</td>
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<td>25% tariff on 284 imports effective July 31</td>
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<td>10% tariff on 5,745 imports after Sept. 24</td>
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<td>(increase to 25% on March 2, 2019 delayed)</td>
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<td>List 4 pending on $267b of Chinese imports</td>
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<td><strong>25% Auto, Van, SUV, Truck, Part Tariffs</strong></td>
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<tr>
<td>Tariffs would apply to all countries</td>
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<td>Trucks under 10,000 lbs. included</td>
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<td>Broad definition of “parts”</td>
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<tr>
<td>President could decide by May 18</td>
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<tr>
<td><strong>List imported auto parts you further work</strong></td>
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<tr>
<td><strong>List autos assembled overseas you supply</strong></td>
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<tr>
<td><strong>10-50% Retaliation Against U.S. Goods</strong></td>
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<td>Retaliation already in effect for many goods</td>
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<tr>
<td>China adding more as U.S. adds more</td>
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<td>25% tariff on exported U.S. autos</td>
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<tr>
<td>15% on U.S. stampings exported to India</td>
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<tr>
<td><strong>List your products subject to tariffs</strong></td>
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<td><strong>List customers’ products subject to tariffs</strong></td>
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</table>
Coalition of American Metal Manufacturers & Users

Tariffs on steel and aluminum will affect every single American. Stand up to save American jobs and keep US manufacturing globally competitive.

© Washington, DC
@tariffsaretaxes   Follows you
#manufacturing   globally competitive

Tariffs are taxes, which will raise prices and cost jobs.
OUR MESSAGES TO CAPITOL HILL

• Tariffs on steel, aluminum increase price of U.S. products = more imports from overseas
• Longer lead times for steel, aluminum causing customers to find overseas sources
• Steel can account for 30-70% of our members’ input costs
• Hot Rolled Band steel in the U.S. is $294 per metric tonne more expensive than in China
• HRB is $214 per metric tonne more expensive than in Western Europe.
• Plate steel prices in the U.S. are $585 more expensive than the cost in China.
• Manufacturers cannot make a product if they cannot get the material, regardless of price
• Some service centers/mills already put members on allocation.
• Quotas are worse than tariffs as the U.S. government blocks the import of steel and aluminum
• One third of PMA/NTMA members report losing business directly because of the tariffs

Washington should completely lift the steel and aluminum tariffs and not replace them with quotas.
WHAT WE ARE SAYING

The New York Times
Welders, Axle Makers and Others Fear Soaring Costs From Trump Steel Tariffs
Smaller manufacturers at heart of supply chain, known as ‘metal benders,’ rely on steel and aluminum as main elements.

npr
Remembering The Impact Of Bush’s Short-Lived Steel Tariffs

Associated Press
How US small businesses can navigate the trade wars

CNBC
US steel suppliers and customers confront the uncertainty created by Trump’s tariffs

CENTRAL PENN BUSINESS JOURNAL
In York County, reality of tariffs sets in
In some cases, midstate businesses increase customer costs in response to retaliatory tariff
This Ohio factory thought it could bring U.S. jobs back from China. Then Trump got involved.
“...I strongly disagree with the notion that imports of steel and aluminum, automobiles, and auto parts somehow could pose a national security threat. I intend to review the President’s use of power under Section 232 of the Trade Act of 1962, which grants the president broad legal authority to impose tariffs in the name of national security."
“I thought one of the biggest opportunities was for the United States and the EU to join together – the hugest market in the world, right, the two combined – [to use] that leverage in negotiation with the Chinese... So, I wasn’t pleased when the president then put tariffs on the EU.”
“This Administration’s go-it-alone approach of resolving our trade imbalances has sparked a trade war that is hurting Wisconsin farmers, workers, and families. The National Security tariff process is being misused, at the cost of our rural and local economies. It is long-past time for Congress to reassert its constitutionally-granted power in our Nation’s trade policy and protect our export power.”
"Tariffs on steel and aluminum imported into the United States are taxes paid by American consumers. **The imposition of these taxes, under the false pretense of national security (Section 232), is weakening our economy, threatening American jobs, and eroding our credibility with other nations.** I've seen, first-hand, the damage these taxes are causing across Pennsylvania"
“Tariffs on steel and aluminum imports are a tax hike on Americans and will have damaging consequences for consumers, manufacturers and workers.”

“Simply put: This is a tax hike on American manufacturers, workers and consumers. Slapping aluminum and steel imports with tariffs of this magnitude is misguided.”
“This is dumb. Europe, Canada, and Mexico are not China, and you don't treat allies the same way you treat opponents. We've been down this road before — blanket protectionism is a big part of why America had a Great Depression.”
“If there is a legitimate national security case to be made for certain tariffs, it should be able to withstand Congressional scrutiny.”
“Congress has ceded far too much law making power to the Executive branch including the power to unilaterally raise tariffs.”
“The stretching of the ‘national security’ argument to impose trade penalties is simply misguided, and Maine businesses who rely on trade with our Canadian neighbors or have worked hard to develop international markets for their products will suffer as a result.”
“In general, these kinds of tariffs are a big mistake, and using national security as an excuse is a bigger mistake. There is no state that is likely to be more damaged by tariffs on aluminum and steel than Tennessee, because in many ways we are the nation’s number one auto state.”
“The generalized steel tariffs are increasing their costs, making [U.S. manufacturers] uncompetitive globally as well as domestically.”

“It’s time for Congress to reclaim its constitutional authorities on tariffs to ensure we don’t undermine the significant economic progress we have made over the last 18 months.”
“Overly broad tariffs continue to harm manufacturers in my district and threaten our nation’s economic momentum, and it’s clear the national security tariff process is flawed.”
"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."

- Sen. Claire McCaskill (D-MO)
Congressional letters to Trump Adminsitration

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

- Sen. Ron Johnson (R-WI)
“My 33 years in business and manufacturing taught me that...even the most loyal customer must respond to economic reality. There is already permanent damage being done to U.S. and Wisconsin businesses because of the trade war. The longer the negotiations last, the more irreparable harm will be done.”

- Sen. Ron Johnson (R-WI)
Because tariffs are taxes that make U.S. businesses less competitive and U.S. consumers poorer, any tariffs that are imposed should be designed to address specific distortions caused by unfair trade practices in a targeted way while minimizing negative consequences on American businesses and consumers.”

- Letter from 110 Members of the House of Representatives
NAFTA – U.S.-MEXICO-CANADA AGREEMENT

- North American passenger vehicle content requirement from 62.5% to 75%
- Heavy duty truck content to 70%; Auto parts content will range in 3 tiers from 65% to 75%
- Steel, Aluminum Vehicle Content – 70% of steel, aluminum must originate in North America
- 40-45% of passenger vehicle, light truck final assembly completed by workers avg. over $16/hour

- Signed Nov. 30; formal U.S. Government analysis report now due April 19
- Vote prior to June 1 unlikely; 2020 Democratic debates begin in June
- Agreement likely 80-110 votes short of passage in U.S. House of Representatives
- Canadian MPs threatening to oppose if 232 tariffs not lifted
- U.S. Manufacturers, retailers want steel, aluminum tariffs lifted; auto quotas already in effect
- Democrats want changes to environment, labor; Investor state dispute system, dairy still unresolved
SECTION 232 REFORM BILLS

**Bicameral Trade Authority Act of 2019 (S.287)**
- Introduced by Sen. Pat Toomey (R-PA) and Mark Warner (D-VA)
- 13 Co-sponsors
- Companion bill (H.R.940) in House introduced by Rep. Mike Gallagher (R-WI) and Ron Kind (D-WI)
- 21 Co-sponsors

**Trade Security Act of 2019 (S.365)**
- Introduced by Sen. Rob Portman (R-OH)
- 9 Co-sponsors
- Companion bill (H.R.1008) in House introduced by Rep. Ron Kind (D-WI) and Jacki Walorski (R-IN)
- 9 Co-sponsors
## Congressional Review

<table>
<thead>
<tr>
<th>Toomey</th>
<th>Portman</th>
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<tr>
<td>Requires Congressional approval to implement 232 tariffs</td>
<td>Allows Congress to disapprove of new tariffs</td>
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## Investigative Authority

Both bills shift responsibility for investigating national security threats from the Department of Commerce to the Department of Defense.

## Effect on Existing 232 Tariffs

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<tr>
<td>Applies retroactively and requires a sunset unless Congress approves them</td>
<td>Does not apply retroactively and does not affect current tariffs</td>
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## Additional Reforms

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<th>Toomey</th>
<th>Portman</th>
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<tr>
<td>Restricts the definition of “national security” and codifies a section 232 exclusion process in addition to shifting that process from DOC to ITC</td>
<td>Encourages more consultation with members of the Senate Finance and House Ways and Means Committees</td>
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MORE TO COME? 232 TARIFFS ON AUTOS, AUTO PARTS PENDING

• Commerce Report with recommendations sent to White House Feb 17
  - Report being marked as “Secret”, “Confidential”
  - President Trump must act (or not) on recommendations by May 18

• Sources indicate Report may include three options for President to consider:
  - Blanket tariff of 20-25% on all autos, parts
    - Auto parts broadly defined, part could also go in heavy duty, defense, agribusiness
    - Piston engine parts, chassis, bodies, gear boxes, axles, suspension, fluid pumps, clutches, mufflers
  - Tariffs on Automated, Connected, Electric and Shared (ACES) vehicles
  - A blanket 10% tariff on select autos and parts

• May provide temporary exemption from tariffs for Europe, Japan, South Korea

• New NAFTA imposes quotas on Canada, Mexico prior to tariffs (quotas already in effect)
Questions?

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