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U.S. Representative Joe Knollenberg
Testimony Before the International Trade Commission
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Washington, DC

Good morning, Commissioners, and thank you for allowing me to testify this morning. This hearing, investigating the effects of the steel tariffs on steel consumers, is a critical one for the economy as a whole, particularly for my home state of Michigan.

I come here to deliver a simple message that must be heard: U.S. manufacturing as a whole is in a crisis, and tariffs on imported steel are part of the problem.

Let me make my position clear: end the steel tariffs now.

It's not hard to see why this is so important.

As you know, in March last year, the Administration imposed tariffs on imported steel of up to 30 percent for three years, intending to help a small portion of the manufacturing industry, the steel companies. However, the much larger portion of the manufacturing industry, the steel consumers, has been forced to suffer.

Immediately after the tariffs went into effect, the supply of steel in the U.S. shrank. Then, steel companies logically capitalized on the opportunity and held out for the highest prices possible.

In addition to cost, the tariffs caused other problems such as long lead times to receive orders, broken contracts and quality issues. The sampling of companies testifying today and tomorrow can explain their experiences in detail, as many of them have already explained to me.

The manufacturing industry in this country, as a whole, is under severe pressure. Between July 2000 and December 2002, my home state of Michigan lost over 85,000 manufacturing jobs - and the U.S. lost over 2.2 million. More have been lost this year.

The fact is right now we're losing steel consuming jobs in this country, and the steel tariffs are making the problem worse.

These jobs are leaving because our manufacturers are struggling to remain globally competitive. Whether it's health care, pensions, regulations, or other costs, foreign manufacturers have distinct cost advantages.

In this environment, American manufacturers have to do everything they can to cut costs, improve productivity, and in some cases deliver their products at lower and lower prices. The pressure is often highest on the smallest businesses.

Some of these companies are doing well. But others are just trying to stay afloat. In many cases, keeping steel tariffs on the steel consumers is like throwing a drowning man an anvil.

A few weeks ago, I held a meeting with CEOs and Presidents of auto supplier companies to discuss the state of manufacturing. The suppliers ranged in size from some of the largest to some of the smallest. The discussion centered on many topics, from health care to pension reform to education.

But the topic that stirred the most impassioned response was steel tariffs.

In order to understand how these tariffs are hurting our manufacturing base, we have to understand how the industry works. Auto suppliers make commitments on price and quality three to four years ahead of time. If the price of one of their inputs goes up during that time, such as steel, it's the suppliers' problem – they still have to deliver the finished product at the price level they committed to.

As a result, they have to find any way to meet that price and, in many cases, they conclude they have to move production offshore or buy finished steel products and import them from offshore. Either way it's American jobs that suffer.

One executive said the steel tariffs are costing his company $30 million per year, and that increased cost has resulted in the export of $60 million in jobs out of the country.

Or as another executive put it succinctly: steel tariffs mean lower profits, fewer jobs, and jobs moving offshore.

Let me be clear. I support a strong American steel industry. I believe we should help the steel industry, and the entire manufacturing industry, with sound manufacturing policies.

Instead of adding tariffs, we should be reducing costs. We have to address the increasing costs of health care, pensions, and regulatory burdens. These are the fundamental problems affecting steel, and manufacturing as a whole.

What we cannot afford to do is aid one ailing industry at the direct expense of another ailing industry.

Last month Federal Reserve Chairman Alan Greenspan testified before the Joint Economic Committee in Congress. Chairman Greenspan said the following, and I quote: "Artificially increasing the price of steel in the United States has and will induce steel users to move out from under steel tariffs . . . we should, as quickly as we can, take those tariffs off and open the market to competitive forces."

I completely agree with Chairman Greenspan, and I believe we all should take his advice. We need to take these tariffs off as quickly as we can. This review gives us an opportunity. Now is the time to take that opportunity, and end the steel tariffs.