TESTIMONY BEFORE THE INTERNATIONAL TRADE COMMISSION CONCERNING THE STEEL TARIFF

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In Michigan's Seventh Congressional District, there are a lot of manufacturers who buy steel and form it into products -- cars, appliances, and furniture, for instance. I've met with several companies that have problems with dramatically higher prices and reduced availability for steel. President Bush approved the new tariffs on steel imports earlier this year with the intention of helping the steel industry and our American steelworkers compete in the long term. However, the high tariff imposed on steel imports has turned out to be a mistake that will likely lose more jobs than it saves.

Steel supplies have shrunk drastically and prices have risen by 30 to 50 percent since March 2002. This, in turn, raises the cost of products that contain steel. The result? These American-made products are less competitive and ultimately, there are fewer jobs for the people who make them. First, some American producers lose out to foreign companies that have access to cheaper steel. They suffer because their costs are higher than foreign competitors. Second, many American firms can't get sufficient supplies of steel. I have had layoffs in my district because plants closed for lack of steel. Third, it gives American firms a powerful incentive to move production out of the United States to foreign plants where steel is available at the lower world market price.

There are 57 workers employed in steel-using companies for every one worker in the steel-making industry. Steel-using industries account for more than 13 percent of gross domestic product, while the steel industry accounts for about one half of 1 percent. Thus, the steel tariff has threatened many more jobs than it has protected. Economists have estimated the impact of the tariff and found:

- Every state in the union will suffer net job losses as a result of the tariffs;
- The biggest job losses will occur in "steel belt" states such as Pennsylvania and Michigan;
- For every steel job "saved" as a result of the tariff, eight jobs will be lost in all sectors of the economy;
- Michigan will lose more jobs in steel-related industries than every state in the union, save California; and
- Under the most conservative scenario, Michigan will lose almost five jobs in steel

consuming industries for every job that is saved in Michigan's steel producing industry.

Finally, the steel tariff is encouraging retaliation from our trading partners. The EU brought a successful WTO case against the steel tariff and the European Commission is now threatening retaliatory tariffs of 100 percent on a 22-page list of goods ranging from rice to grapefruit to shoes, nuts, bib overalls, billiard tables, ballpoint pens, et cetera. The Japanese are also drawing up their steel payback list. Steel-exporting Russia has already retaliated by fencing out U.S. chicken.

The steel tariff which raises costs and the potential retaliation from our trading partners are harming our economy, with particular damage to manufacturing. The manufacturing sector accounted for 41 percent of non-farm employment in 1946, 28 percent in 1980, 18 percent in 1990, and just 12 percent in 2002. This means that millions of people are being pushed out of manufacturing jobs into service sector jobs that often pay less. With other sectors of the economy weakening – we lost 560,000 high tech jobs in 2001 and 2002 alone – we need those manufacturing jobs now more than ever. We should not be placing additional burdens on our manufacturers.

By all means, we should help our steel producers, but we need to do that without tariffs. Let's review the overzealous regulations and taxation imposed on our steel industry, and assist in research and technology to improve their competitiveness in an international market.

The steel tariff, though well-intentioned, has turned out to be a mistake that is harming many industries in my state and across the country. More than 700 waivers have been granted to ease some problems, but it isn't enough. Let's speed up the phase-out of the tariff for the sake of jobs and economic recovery.