

AAM Opposes the *Congressional Trade Authority Act*, H.R. 1903

Dear Representative:

The Alliance for American Manufacturing (AAM) urges members to oppose H.R. 1903, the *Congressional Trade Authority Act*, which undermines the accessibility and utility of Section 232 of the Trade Expansion Act of 1962. This tool was designed to ensure that the domestic production of materials or products vital to the national security of our country are not decimated by import surges caused by market-distorting trade practices and industrial overcapacity.

Congressional Approval Slows National Security Action, Invites an Import Surge, and Allows Foreign Influence. H.R. 1903 requires a joint resolution of approval for any Section 232 action to take effect, an intentionally burdensome process intended by the sponsors to deter national security trade actions. Congressional involvement delays the process, inviting a massive surge of imports as foreign producers and importers race to stockpile foreign inventory before tariffs could take effect – making an already perilous situation even worse. Congress delegated Section 232 authority to the executive branch knowing full well that the legislative process is not well suited to reacting to national security concerns with agility and speed. It would be ill-advised to leave the outcome of a national security action hanging in the balance for months, giving foreign governments and those interested in maintaining access to imports political influence over the outcome. The burdensome process created by H.R. 1903 renders the Section 232 tool inaccessible, effectively eliminating a critical national security tool.

Narrow “National Security” Definition Fails to Recognize Market Realities. The bill narrows the definition of “national security” in a cynical attempt to prevent Section 232 investigations from even reaching the congressional approval process. According to the bill sponsors, investigations would be required to strictly focus on “military equipment, energy resources, and critical infrastructure” markets, thereby failing to recognize that a functioning commercial market is essential for domestic producers of a covered product to be able to meet the irregular but critical demands of our national needs. The health of domestic producers through periods of peace requires a healthy commercial market to maintain production and the capacity to invest in plant upgrades, cutting-edge research, and a skilled workforce.

Shifts Investigation Responsibility Away from Commerce. By shifting investigative responsibilities from the Department of Commerce to the Pentagon, the bill again attempts to ignore the importance of functioning commercial markets for the health of U.S. producers. The Department of Defense does not have the expertise or experience of Commerce to assess import penetration, industrial overcapacity, or the health of domestic companies and their worker; and, the Pentagon’s solution to lost industrial capabilities too often is seeking reciprocal defense procurement agreements with other countries rather than ensuring that production remains here in America. In a time of international conflict America’s allies are of immeasurable importance, but they can be pressured by other countries to remain on the sidelines. There is no replacement for having domestic production capabilities ready to meet America’s security needs, and domestic producers must give preference to “rated” military orders.

Retroactively Seeks to Eliminate Section 232 Actions on Steel and Aluminum. Perhaps the most dangerous feature of H.R. 1903 is its retroactive applicability on existing Section 232 actions on steel and aluminum products which are used in everything from ships, tanks, and weapons to bridges, rail systems, and energy infrastructure. H.R. 1903 puts our market, our

companies, and our workers at risk of being subjected to a flood of imports. AAM disagrees with the assertion of the bill sponsor that Section 232 powers have been “grossly abused”¹ with respect to the steel and aluminum actions that were implemented during the first Trump Administration and reaffirmed by the Biden administration in response to a massive buildup of overcapacity created by China and other countries with state-directed production. U.S. factories were forced to shutter and jobs were being lost at an alarming rate, prompting action under the Section 232.

Today, despite being relatively insulated from artificially cheap Chinese steel, the U.S. market remains a target of China’s gargantuan steel firms and other countries’ steel producers who are facing China’s overcapacity in their home markets. Transshipment through Mexico is a growing concern. Steel industries in Latin America are beginning to react to Chinese imports, and Mexico, Chile and Brazil have all hiked tariffs in response to the flood. While the Section 232 actions on steel and aluminum led to improved market conditions for domestic industry allowing for significant U.S. investments and jobs, over time alternative arrangements and unnecessary exclusions were granted that weakened its effectiveness. Furthermore, overcapacity remains unacceptably high and domestic capacity utilization has once again dropped to unsustainable levels. The OECD reports that in 2024 new steelmaking investments across the globe have pushed excess capacity to 573 MT – more than six times annual U.S. production.

The same bad actors that created massive global overcapacity and market imbalances in the first place would stand to benefit if H.R. 1903 is enacted. In fact, the bill would even return duties collected, benefiting importers and foreign producers. Congress should support strengthening the Section 232 actions for steel and aluminum to ensure that they remain effective and continue to meet the underlying objective of maintaining vibrant domestic steel and aluminum sectors ready to supply our critical needs.

Reckless Product Exclusion Process Undermines National Security. H.R. 1903 shifts the product exclusion process away from the Department of Commerce to the U.S. International Trade Commission and requires that product exclusions be granted based on a range of shortsighted factors. In total, the bill effectively ensures that any requested product exclusion will be approved. This is the wrong approach and invites misconduct and approval of product exclusions that are unacceptable and undermine the basis for the national security action in the first place. Further, there is no credible evidence that Section 232 tariffs are a meaningful contributor to inflation or increased consumer costs. In fact, the Economic Policy Institute concludes that the Section 232 tariffs have “no effect” on current inflation and that removing them would be counterproductive.²

Congress Should Focus on Strengthening Trade Enforcement. Rather than weakening available national security trade tools, Congress should reaffirm its support for a fair and level playing field and urge other countries in the strongest possible terms to confront their own, and China’s, protectionism. Regrettably, the enactment of H.R. 1903 would represent the abandonment of Congress’ commitment to trade enforcement. Congress has rarely used its own authorities to self-initiate trade cases and has played political football with trade adjustment assistance. H.R. 1903 would only further erode Americans’ faith in Congress to execute on trade policy as it seeks to weaken available trade tools.

¹ <https://beyer.house.gov/news/documentsingle.aspx?DocumentID=6427>

² <https://files.epi.org/uploads/testimony-hersh-steel-brief.pdf>