COALITION for a PROSPEROUS AMERICA

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CPA Oral Testimony
U.S. International Trade Commission Hearing
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By Jeff Ferry and Amanda Mayoral

Jeff Ferry

Thank you for the opportunity. The Coalition for a Prosperous America is a unique organization. We are a bipartisan cross-industry coalition of domestic manufacturers, agricultural groups and concerned individuals who are committed to restoring U.S. prosperity. Our economics team does independent, fact- and evidence-based research into the causes of U.S. economic problems and potential solutions. We support the Section 232 tariffs and the Section 301 tariffs because we view them as a necessary, albeit not sufficient, policy to restore U.S. economic vitality and protect our national security.

I will speak for a few minutes and then turn it over to my colleague Amanda Mayoral.

I'd like to focus on how the Section 232 tariffs have benefitted the steel industry, steel workers, and the U.S. economy.

The steel tariffs were enacted at a moment when the industry was held back by rising imports and fears of a further import surge. The global overcapacity in the steel industry, driven by China's excess capacity of 400 million tonnes, is an ever-present threat to the western steel industry.

Implemented in early 2018, the 25 percent tariffs were the trigger for an unprecedented period of growth in the U.S. industry.

A broad-based wave of capital investment followed, as the major steelmakers committed more than $10 billion to build new mills in Florida, Arkansas, Texas, Arizona, and elsewhere.

The new mills began hiring hundreds more steelworkers, mostly in depressed or rural regions of the country. The building of mills, the growth of supporting companies to service them, the new roads, railroads and other improvements have brought numerous economic benefits to these regions.

The new investments are also facilitating a reduction in the emission of harmful greenhouse gases from steel plants. The positive industry outlook makes it possible for the leading steelmakers to invest in new equipment and the latest processes and major steelmakers have impressive targets for reducing greenhouse gases by 2030.

The positive industry outlook enabled a wave of consolidation in the industry. Consolidation leads to greater efficiency and more investment in the latest steelmaking techniques, which is ultimately what makes possible higher quality steel at lower prices. The traditional blast furnace steelmakers are using this consolidation to move aggressively towards more modern, efficient, and cleaner steelmaking, with significant benefits for all users of steel, including builders of

bridges, builders of automobiles, and builders of fighter jets for our military. This consolidation would have taken much longer without the positive industry outlook engendered by the tariffs.

How are American steelworkers doing? We carried out a new CPA analysis of steelworker income based on SEC filings.

We found that in 2021, the five largest public steel companies in America, namely Nucor, U.S. Steel, Cleveland-Cliffs, Steel Dynamics, and Commercial Metals, paid their workers an average income of $117,210 last year. The full details will be in our post-hearing brief.

For comparison, we analyzed the median pay of seven of America's largest employers, including Walmart, Amazon, UPS, and Yum Brands. Those figures average out to $27,547 last year. So last year a steelworker earned more than four times the median pay of workers at America's largest companies.

On top of that, steel companies offer excellent benefits, including stock options, profit sharing and contributions to the college education of employees and their children.

The value of the steel industry to the U.S. economy is not only in national security but in economic progress and prosperity. It offers high-paying jobs with excellent growth prospects to thousands of Americans, many of whom do not have a college education.

Nations make their own future. The key industries a nation chooses or ends up specializing in have a huge effect on shaping the U.S. economy. Today, we have a choice. Under the bogus flag of "free trade," we can continue to manage our economy to allow the high-value industries like steel to leave our shores and be replaced with ever more big box stores and fast food restaurants, or we can take action to ensure the growth of the high-value industries like steel.

The secret of our nation's economic success for the last 200 years lies in the growth of high-growth, high-productivity, high-profit, and high-wage industries. Steel is one such example. The 232 tariffs have played a key role in the industry's recent growth and they should continue.

Amanda?

Amanda Mayoral

Thank you, Jeff.

In his first State of the Union address, President Biden said "When I think about climate change, I think jobs". I agree but if we are not strategic about our industrial policies, we will be creating foreign and not American jobs-as we have in many industries in the past. Right now the solar industry is giving way to this trend as imports dominate the solar market and force firms to lay off workers or shutdown entirely. Removing tariffs will only exacerbate this situation and undermine our energy security needs.

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In the past few years there has been a series of tariffs placed on solar imports, including Section 301 tariffs on modules from China. Today I will be discussing the combined effect of these policies and the lessons we can learn from the solar experience apply also to other industries and other tariffs.

There are three points I wish to make to the commission today.

First, the U.S. market share in the solar industry has increased since the solar tariffs were enacted
In the past few years, solar tariffs have contributed to the United States' rising share of the PV module market. The first graph in my report shows how the U.S. has more than doubled its share of total shipments (which includes imports and exports) from 7.9% in 2017 to 17.3% in 2022. This graph also shows how imports take up the lion's share of PV module shipments as the U.S. dependence on solar imports has increased over time. The graphs will be included in our post-hearing brief submissions.

The second point is that increased import dependence makes us price dependent, a trend we are seeing during COVID
In the past few decades, we have seen lower prices but suffered from higher imports in the PV module market. The import share has increased from just 9% in 2000 to 87% in 2022. Our dependence on imports and global supply chains has contributed to the higher PV module prices in the last twelve months, shown in the second figure of my report. We are facing higher prices from global supply shocks during the COVID pandemic. For instance, shipping container prices were about 3,000 dollars pre-pandemic but are now well over 10,000 dollars per container. Import dependence is a double-edged sword-we accept lower prices, but with it we also must accept the limited ability to increase supply and influence prices, a surprisingly common experience in recent years.

The third point I want to make is that tariffs did not inhibit imports, a fact reflecting the U.S. has considerable buying power in the solar market
Despite the solar tariffs of 2018, imports of PV modules increased but have also comprised a lower share of total shipments as U.S. firms increased production. This means that solar tariffs did not stop foreign supply.

The solar tariffs also showed us that the U.S. has considerable buying power in the solar market globally. According to a 2021 USITC report, both domestic and import prices of solar products fell between January 2018 and June 2021. Other reports indicate that the import price of PV modules fell by 40 percent from 39 cents in 2018 to 28 cents per watt in 2020. The drop in the import price signals that the U.S. has monopsony-like market power with a tariff. In other words, falling import prices implies that the U.S. can benefit from a tariff in the solar market.

I have a few final thoughts:
The issue of tariffs and import dependence is larger than the solar industry. Economic security is national security. And economic security means the U.S. should not be import dependent and by

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extension price dependent on foreign actors in critical economic industries, such as renewable energy.

Individual U.S. firms cannot compete against the collective resources of countries like China which provides free land, cheap or slave labor, subsidized loans, major tax breaks and major subsidies, adding up to hundreds of billions of dollars over the last thirty years, according to experts. These conditions make U.S. workers compete with slave labor, such as the slave labor camps in the Chinese Xinjiang province. Tariffs will never compare with these forms of market intervention. Eliminating tariffs would only undermine the current U.S. market.

Facing issues like climate change, we need to build a strong renewable energy sector, which includes a resilient solar industry and supply chain. Tariffs are a necessary but insufficient measure to achieving this. Tariffs should be part of a comprehensive industrial strategy that targets the entire supply chain and focuses on quality rather than just the quantity of jobs.

In closing, I'd like to thank the ITC Commissioners for giving CPA an opportunity to speak here today.