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ISO 9001 CERTIFIED

May 9, 2018

Office of United States Trade Representative
Docket Number USTR-2018-0005

James E Riley Testimony for Section 301 Hearing May 17, 2018

- Section 232 Tariffs on steel and aluminum imports were designed to protect the steel and aluminum producing mills and their employees to improve profits and support expansion of primary steel and aluminum companies. Despite the tariffs not going into effect yet, steel mills have taken the opportunity to raise prices, using the excuses of increased scrap costs, increased transportation costs, increased electrode costs, and "Section 232", all of which have increased their prices to their customers by over 35% this year. *[Chart 1 shows the way the tariff was intended to work and Chart 2 shows how the cost of steel has changed.]*

- But the profitability of the primary mills is only part of the picture. Downstream companies that use primary steel products as raw materials for their products don't get the protection of Section 232. Competing import products continue to sell into the same market at their same price, and take business that domestic manufacturers can no longer price to. This harms the domestic manufacturers as they must compete with these same, and now advantaged, import products. *[Chart 3 shows the increase in chain cost for the U.S. chain manufacturer.]*

- This year alone, steel prices for steel rod have increased every month to a total of 35% through May, with the highest increase of 10% in May alone. And the mills are projecting even higher steel prices for June. All of these increases are before the tariffs are in effect.

- Our company, Laclede Chain Manufacturing Company LLC a domestic steel chain family owned $50M business is one that is being negatively affected by the tariffs. Competing companies that sell imported products primarily from China and Europe are taking advantage of the now more expensive domestic steel products. Capital expansions that we had in our plans for 2018 through 2020 have been put on hold. Our 220 employees who had been working 24/6 are now working 5 days per week and likely will reduce to 2 shifts soon and which will likely reduce our workforce by 30% and possibly shut our operation. Some customers who are loyal to U.S.

manufacturing will keep buying but many will move to imports just as had occurred in the 2002-2004 period. And for much the same reason.

- I have been in the domestic steel industry all of my career and am now a proud owner of a U.S. manufacturing company, in four locations. We have worked hard to take care of customers and we enjoy a very good following. But 35% increase in raw material costs when 70-80% of our total costs are steel is unsustainable when competing against imports without these controls. The very purpose of the tariffs is to create jobs and sustain the steel industry. What happens when the downstream companies disappear or severely shrink? Who will the steel companies sell to then?

- Tariffs protect. So protect all American manufacturing, not just the mighty steel companies. Protect their customers as well. Or go to a quota system without raising steel prices. We are not afraid to compete when the playing field is level. Giving imports a 25-35% advantage is unfair and should not continue. Include downstream import products in the tariff protection or remove the tariffs.

- I plead to include the following HS Codes in the 25% tariffs or put all steel products on quotas and let capital markets do the rest.

Welded Chain: HS Code 7315.1200
Chain Parts: HS Code 7315.1900
Skid Chain: HS Code 7315.2
Other, Welded Link: HS Code 7315.82
Other Chain: HS Code 7315.89
Other Parts: HS Code 7315.90

Respectfully Presented,

James E Riley

James E. Riley
President & CEO
Laclede Chain Manufacturing Company LLC

CHART 1/3

THE WAY THE TARIFF WAS PLANNED TO HELP STEEL MILLS

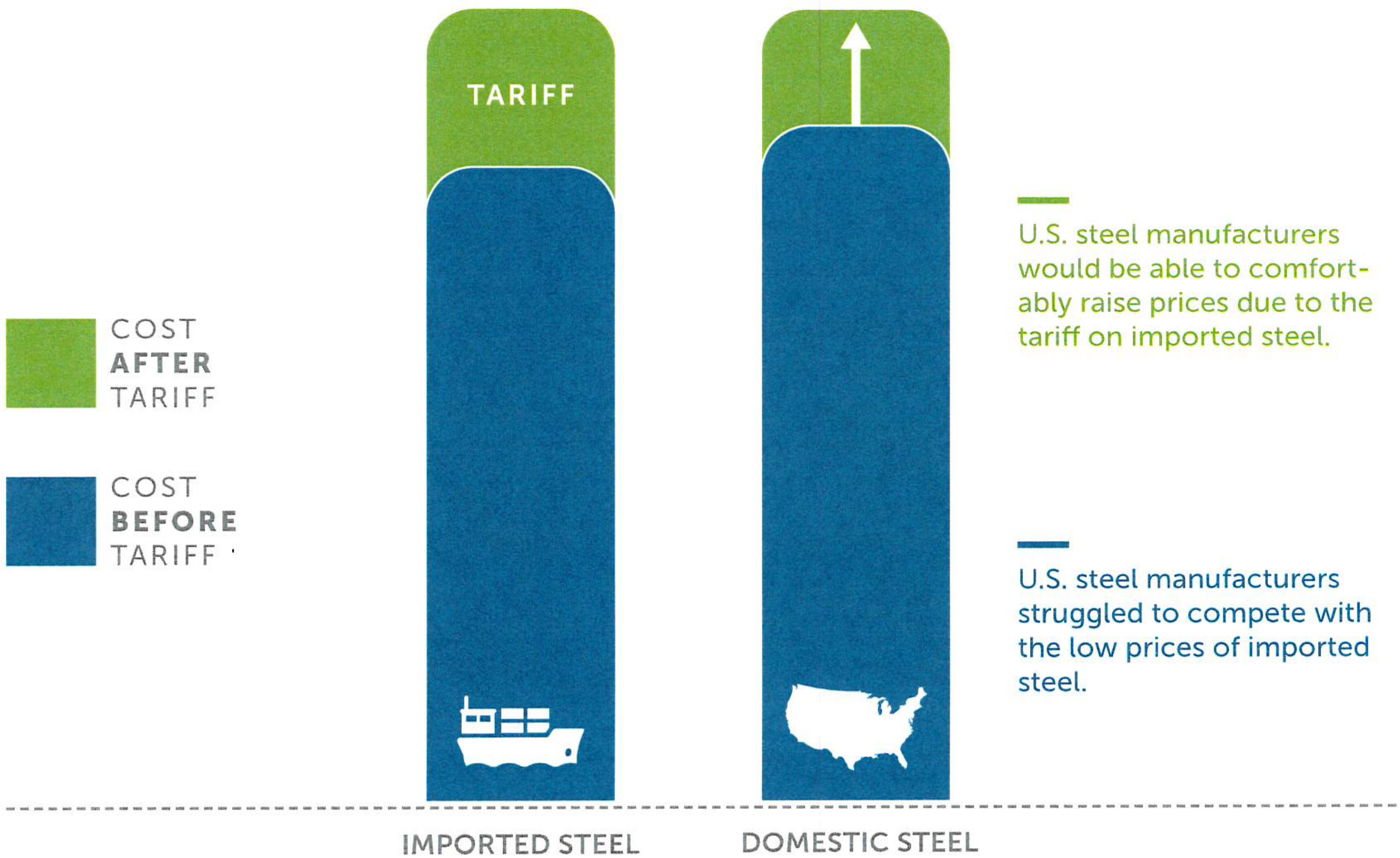


CHART 2/3

U.S. STEEL COMPANIES TOOK THE TARIFF AS AN OPPORTUNITY TO RAISE PRICES MORE THAN 35%

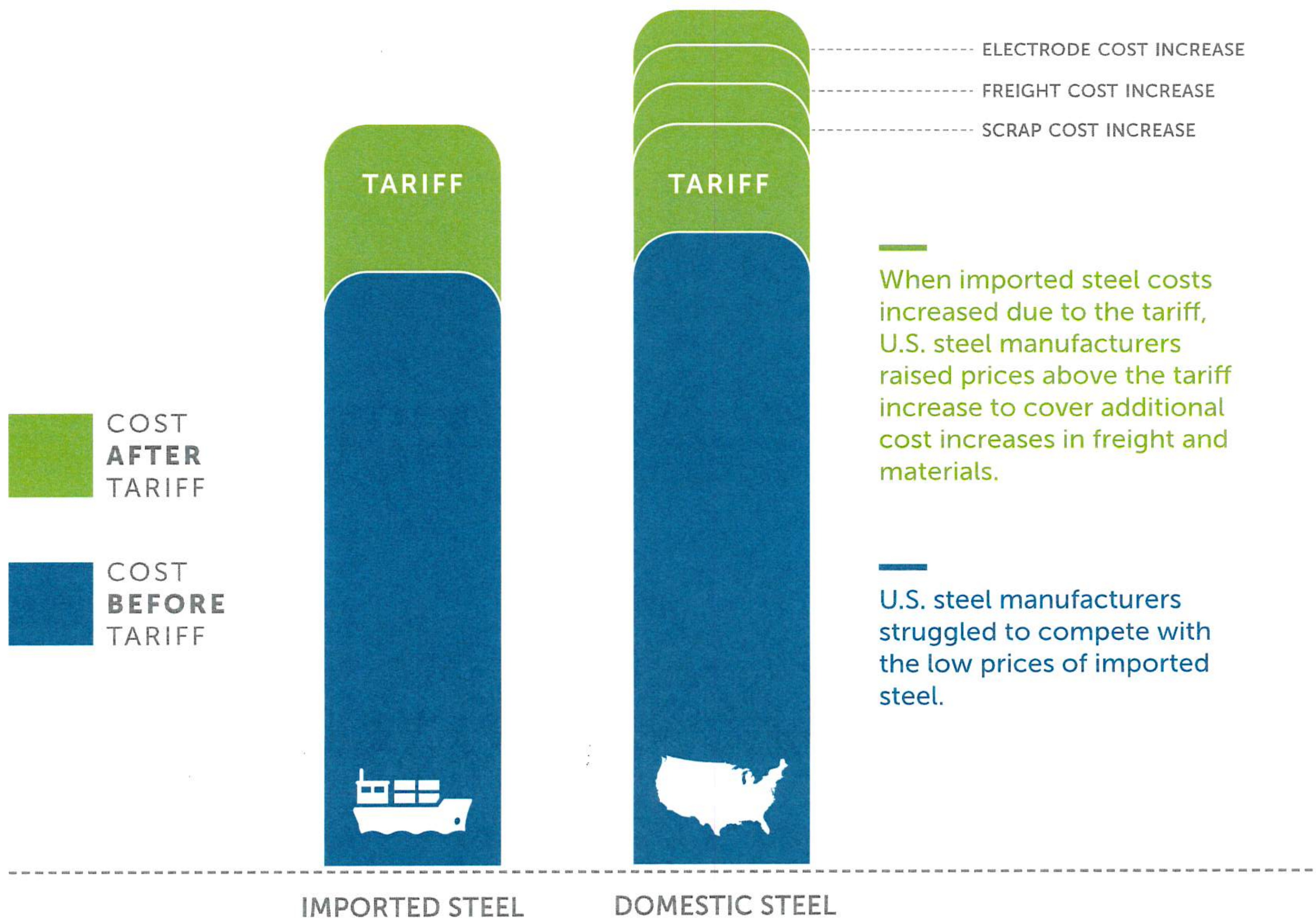
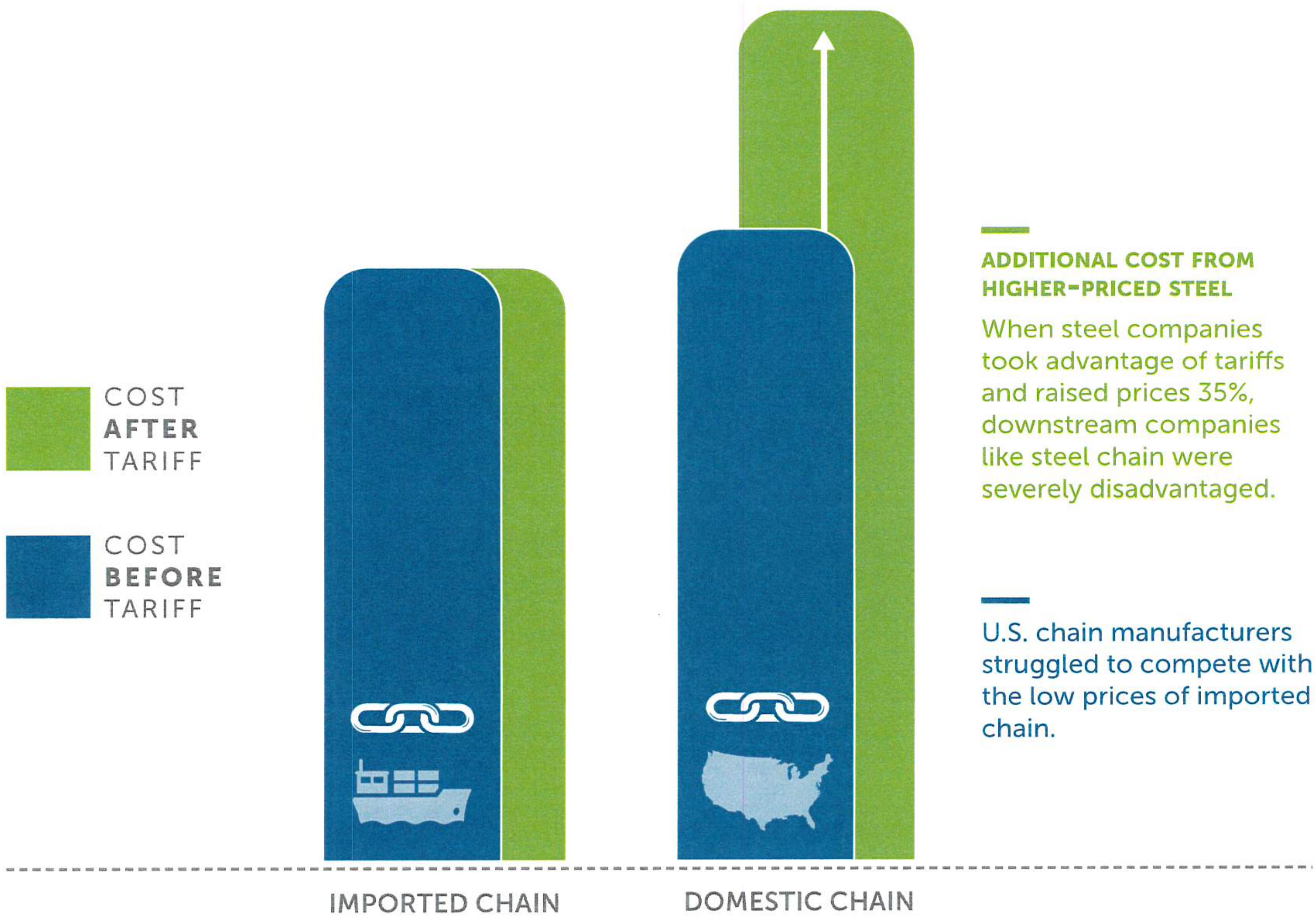


CHART 3/3

EFFECT OF STEEL PRICE INCREASE ON TOTAL COST OF MANUFACTURING CHAIN

U.S. VS. IMPORTED



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This letter is in response to Memorandum 82 FR 39007 instructing the Trade Representative to determine whether to investigate under section 301 of the Trade Act of 1974 laws, policies, practices, or actions of the Government of China that may be unreasonable or discriminatory and that may be harming American intellectual property rights, innovation, or technology development.

The 25% tariff on steel products and 10% tariff on aluminum products was implemented to force more fair trade with other countries. Protecting technology is valuable and eliminating unfair discriminatory restrictions on trade protect America's interest; however, imposing tariffs to steel and aluminum have destructive effects to downstream manufacturers in the United States who use domestic steel and aluminum in their products.

As was the case in 2002 when President George W. Bush imposed tariffs on steel, the downstream domestic companies who used steel in the manufacture of their products saw significant increases in the price of domestically produced steel as well as imported steel. Domestic steel companies took advantage of the tariffs and raised prices to their customers. These increases had to be passed on to their downstream customers. Exporting nations, including China specifically, circumvented the tariffs by transforming their products into more finished goods which were not taxed with any additional tariff. This caused a flooding of downstream products like autos, appliances, pipe and tubing, and chain to name a few. China encouraged export of these products to the U.S. by subsidizing Chinese manufacturers who exported, reducing the cost to the Chinese manufacturer, causing many of these products to flood the U.S. market. The differential in cost between these products and the rising cost of U.S, manufactured products increased. Many companies had to reduce their labor force and some even went out of business.

This same situation is occurring with the partial tariffs today. Our company, Laclede Chain Manufacturing Company LLC has had its fourth steel price increase in as many months this year with another 10% announced for May. Steel prices have escalated just this year by 27-35% on steel that we purchase (all domestically produced steel). The mills explain that scrap prices and

Section 232 are the causes. They also comment that their order books are so full that they raise prices to maximize profits on steel they have time to run. Some are even restarting facilities that were shut down due to poor costs. Accordingly, we respectfully request that the U.S. Commerce Department add the following HS Codes to the list of products that will have a tariff placed on them:

Welded Chain: HS Code 7315.1200
Chain Parts: HS Code 7315.1900
Skid Chain: HS Code 7315.2
Other, Welded Link: HS Code 7315.82
Other Chain: HS Code 7315.89
Other Parts: HS Code 7315.90

We must pass these increases onto customers but some customers will not accept the extra costs. Some say domestic is not so important any longer when the differential between domestic and import price is so high. Competition coming from imports of like products and substitute products are actively eroding our business. Some customers understand the situation and remain loyal to the domestic manufacture, but others have already switched or are considering switching to import. Reduced margins and lost business are threatening our company and certainly affecting profitability. This has eliminated overtime in our plants with layoffs certainly coming soon. Partial or complete shutdown of all of our manufacturing could be a result.

It is unfair to favor the steel and aluminum producers without also protecting the downstream companies. Favor both or favor neither. Don't put the downstream companies out of business while protecting Big Steel and Big Aluminum. This tariff was put into place to protect technology and create jobs, but it will hurt more than it helps. If the steel mills raise their prices unfairly, then they will lose their customers to the imports anyway which will be a long-term loss.

I am proud to be an owner of an American manufacturing company and very proud of our 220 employees making U.S. manufactured steel chain products. Section 232 is not complete enough. Either it should include all downstream products or should be rescinded entirely. Halfway will cause many more jobs to be lost than gained.

Please submit my name to testify at the public hearing on May 15, 2018.

James E. Riley

James E. Riley
President & CEO
Laclede Chain Manufacturing Company, LLC