

March 24, 2020

Honorable Mark A. Morgan  
Acting Commissioner  
U.S. Customs and Border Protection  
1300 Pennsylvania Ave. NW  
Washington, DC 20229

Dear Acting Commissioner Morgan:

On behalf of the Alliance for American Manufacturing (AAM), I write to share our concerns with reports that U.S. Customs and Border Protection (CBP) is considering granting “relief” to importers in the form of duty payment extensions and other flexibility mechanisms to defer or avoid payments. Such changes amount to tariff loopholes, allow importers to game the system, and will result in import surges that undermine U.S. economic and national security trade actions.

The practical effect of broad CBP-issued extensions would be to undermine the effect of tariffs. We recognize that the coronavirus health crisis is resulting in significant economic disruption and Congress is taking aggressive steps to protect vulnerable populations and unemployed workers. However, we strongly urge you to resist against implementing policies that undermine the Section 232 and Section 301 actions, as well as potentially impacting existing antidumping and countervailing duty orders – all of which are important to our long-term competitiveness and national security. CBP has already failed to collect \$2.3 billion in duties, raising doubts as to whether future accumulated balances resulting from duty payment extensions or other flexibility mechanisms will ever be collected.<sup>1</sup> Rather than delaying duty payments, we strongly urge CBP to take meaningful steps to implement the 2017 executive order aimed at enhancing bonding requirements.<sup>2</sup>

Coupled with a strengthening dollar, any broad relief will result in a surge of imports in the near-term and gaming of the system whereby importers are able to circumvent Section 232, Section 301, and other trade enforcement actions. This couldn’t occur at a worse time for American manufacturing and its workers who are struggling to survive in this sharp economic downturn. Allowing imports to come in without the present payment of duties gives them a price advantage. Ninety days may very well signal the demise of a company struggling to compete, even if those tariffs are paid at a later date. It’s equivalent to a government-sanctioned fire sale for imports to undermine American producers and their workers.

We strongly urge against proceeding with broad duty payment extensions and flexibility, especially if it is not tightly constructed with strict barriers to prevent activity that contravenes the intent of the Section 232 and Section 301 actions. The USTR already has a process in place to deal with emergency requests that have direct bearing on our nation’s ability to respond to the coronavirus health crisis. It would be a terrible mistake for CBP to create unwarranted conditions whereby importers are given “flexibility” to game the system while using a health crisis as cover for predatory behavior and stockpiling.

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<sup>1</sup> “CBP Action Needed to Reduce Duty Processing Errors and Mitigate Nonpayment Risk,” [GAO-16-542](#). July 2016.

<sup>2</sup> “Presidential Executive Order on Establishing Enhanced Collection and Enforcement of Antidumping and Countervailing Duties and Violations of Trade and Customs Laws,” [Presidential Executive Order](#). 31 March 2017.

The Section 232 actions on steel and aluminum have provided relief to U.S. companies and American workers and strengthened our national security by slowing the massive import penetration driven by global overcapacity in these sectors. Unfortunately, countries like China that pursue state-led economic policies continue to produce far more steel and aluminum than the world can consume, and global overcapacity continued to grow in 2019. There has now been a sharp economic slowdown induced by efforts to control the spread of coronavirus. Yet, China has nonetheless maintained excessive levels of steel and aluminum production and other countries are doing the same. This has created rising inventories of steel and aluminum that would devastate our market if the Section 232 action were to be weakened or lifted.

China's aluminum stockpile increased 62 percent since the start of February and steel inventories are 45 percent higher than a year prior.<sup>3</sup> With China's steel inventory approaching record levels, Chinese producers are reportedly lowering prices to "prune their inventory."<sup>4</sup> Rebar inventories, for example, have returned to levels not seen in several years.<sup>5</sup> Any actions that undermine Section 232 will result in the United States being flooded with excess production from China and other countries – leading to U.S. plant closures, layoffs of American workers, and a rapid deterioration of our national security production capabilities.

It is important to recognize that the strengthening dollar has also reduced the market price for imports into our market and increased the cost of our nation's exports. A ninety-day delay, as is rumored, with the concurrent potential for further increases in the value of the dollar could very well result in the entire cost of the duties being absorbed resulting in further devastation for our nation's manufacturers and their employees.

Likewise, the Section 301 tariffs on China are necessary to foster negotiations on a Phase Two trade deal. With nearly all major structural issues left unresolved by the Phase One agreement – including industrial subsidies, overcapacity, state-owned enterprises, predatory investment, currency manipulation and misalignment, cyber intrusions, worker rights, environmental rules, and tax policy – it would be counterproductive to lift these tariffs or otherwise implement policies that allow circumvention.

Thank you for your attention to this important and timely matter.

Sincerely,



Scott N. Paul  
President  
Alliance for American Manufacturing

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<sup>3</sup> "Coronavirus Epidemic Exacerbates Metals Glut: China, the top producer of aluminum and steel, has kept up output as demand falls," Bob Tita. [The Wall Street Journal](#). 8 March 2020.

<sup>4</sup> "Sharp Rise in Chinese Steel Inventory Weighing on Korean Steel Industry," Business Korea. 13 March 2020. Accessed 17 March 2020 on [South East Asia Iron and Steel Institute](#) website.

<sup>5</sup> "China Keeps Churning Out Steel That No One Wants to Buy," [Bloomberg](#). 20 February 2020.