

## ANNEX 2

### SUMMARIES OF CONGRESSIONAL AND INDUSTRY SUBMISSIONS AND TESTIMONY

The Department received approximately 3,000 submissions concerning this investigation and heard testimony from more than 60 witnesses during public hearings in Minnesota and Michigan. The public comments and testimony from the major stakeholders – such as Members of Congress, state and local officials, iron ore and semi-finished steel producers and users, and labor representatives – are summarized in this Annex.

#### Members of Congress

The Department heard testimony from Senator Paul Wellstone (Minnesota), Senator Mark Dayton (Minnesota), Senator Carl Levin (Michigan), Senator Debbie Stabenow (Michigan), Representative James Oberstar (Minnesota), Representative Bart Stupak (Michigan), and Representative David Bonior (Michigan) during the hearings in Minnesota and Michigan. Members of the Minnesota and Michigan Delegations and members of the Congressional Steel Caucus also submitted written comments.

Members of Congress from Michigan and Minnesota stated that the loss of the iron ore industry would devastate local economies in their districts, as well as terminate the nation's independent supply of steel, thereby threatening national security. They indicated in written comments and testimony that it is approximately 33 percent cheaper for domestic steel mills to purchase imported steel slab than to utilize iron ore from domestic mines. As a result, imports have skyrocketed and the domestic industry is losing market share. The Congressional delegations stated their belief that further import surges would have negative effects on the mines, their employees, and local communities. For example, the iron ore industry in Minnesota employs over 5,000 workers directly and 10,000-15,000 workers indirectly. The loss of this industry would have a significant effect on local employment levels. Members of Congress also argued that dependency on foreign nations for a resource as vital as steel would prove detrimental to the nation's ability to defend itself in time of war, and requested that the Department find a remedy to provide some relief to domestic iron ore and steel industries.

#### State Government

Representatives from the Minnesota and Michigan state governments argued that imports have been entering the country at prices that violate anti-dumping laws. In their view, these imports have greatly harmed the domestic iron ore industry. Their local economies depend on the iron ore industry, and its loss would result in a significant decline in jobs, government revenue, and population on the iron ranges. For example, they stated that the loss of LTV Mining Company in Minnesota this year will result in a \$200 million economic loss to the state annually. In addition to these effects, state

officials stated that a loss of the domestic iron ore industry would be detrimental to national security. They asserted that once a mine closes, reconstitution in the event of a national emergency would be extremely difficult due to the extensive amount of capital and manpower needed. The state officials requested some remedy to the problem of cheaper imports and their detrimental effect on their states' mining industries.

### **Local Government**

Representatives from local governments in Minnesota and Michigan argued that dumping of imports had occurred, resulting in adverse effects on the local economies within these mining areas. They suggested that cheaper imports will lead directly to mine closures that will result in lost jobs. In addition to unemployment, shutdowns have a negative effect on population growth, which in turn has a negative effect on tax revenue. Medical facilities, schools, and local businesses are all impacted. The local government officials also expressed strong national security concerns. Local officials argued that by allowing the U.S. iron ore industry to disappear, we could be sacrificing future generations.

Representatives from various school districts in Michigan and Minnesota also submitted comments and testified regarding the effect that imports of iron ore and semi-finished steel have had on the school systems of mining areas. They stated that companies will be forced to reduce employment as imports increase. Once these workers lose their jobs, they will be forced to relocate to other areas of the country. Declining student enrollment already has been a significant problem in the iron ranges. If this trend continues, some school districts may be forced to close altogether. School officials believe that continued unfair trade practices will result in a lowering of educational standards within the iron ranges.

### **Iron Ore Producers**

Cleveland-Cliffs, Inc., a domestic producer of iron ore, stated that the dramatic rise in the volume and number of sources exporting semi-finished steel to the United States seriously threatens the existence of the domestic iron ore industry and, thereby to impair the national security. Cleveland-Cliffs suggested that the health of the domestic iron ore industry is in jeopardy because many integrated facilities are replacing blast furnace production, which consumes iron ore pellets, with lower-priced semi-finished steel imports.

Cleveland-Cliffs argued that integrated mills are important to U.S. national security, noting that, for metallurgical and technical reasons, only steel produced from integrated mills using iron ore is suitable for end uses in some applications in vehicle manufacturing, food can and container fabrication, and production of certain essential heavy gauged plate for ships and tanks. Cleveland-Cliffs stated that imports of iron ore have only increased slightly over the past ten years and have not greatly displaced domestic iron ore production.

Cleveland-Cliffs proposed that the Secretary recommend to the President that imports of semi-finished steel be limited at 2000 levels for at least five years. Cleveland-Cliffs stated that this would enable the integrated steel segment of the industry to regain its financial health and international markets to return to some sense of normalcy so as to ensure that the domestic iron ore industry retains its ability to supply the minimum ore production levels for steelmaking essential to national security.

### **Steel Producers**

AK Steel Corporation, an integrated steel producer, reported that imports of iron ore and semi-finished steel have a positive impact on the domestic steel industry, the national economy, and the national defense requirements of the United States. AK Steel stated that the importation of semi-finished steel and iron ore is critical to its viability. AK Steel indicated that it relies on imported slabs to supplement its own slab production. AK Steel stated that, without slab imports, the company would not be able to utilize all its capacity for producing finished steel. AK Steel noted that it also relies on imports of iron ore, including ore with certain chemical properties not found in the United States.

AvestaPolarit Inc., a stainless steel producer, stated that adjustments to imports of semi-finished stainless steel products could have adverse consequences for its U.S. operations and the U.S. economy. AvestaPolarit indicated that it imports semi-finished stainless steel products largely from affiliated suppliers as feedstock for use in its U.S. production facilities. AvestaPolarit stated that current imports of semi-finished stainless steel products do not threaten to impair the national security of the United States and that no adjustments to imports of semi-finished stainless steel products are necessary.

California Steel Industries, Inc., the largest importer of steel slabs, declared that imports of semi-finished steel slabs are essential to its continued operations and have a positive influence on the west coast market for flat-rolled steel, the domestic steel industry, and the satisfaction of national defense requirements. California Steel Industries reported that it does not have any steel melting capability. California Steel Industries stated that most semi-finished steel produced in the United States is normally consumed within the producer's facility for processing into more advanced products. California Steel Industries affirmed that it is almost completely dependent on imported slabs due to the lack of availability and reliability of semi-finished steel from domestic mills. California Steel Industries stated that, if access to imported slabs were restricted, its customers would turn to imports of finished steel.

Duferco Farrell, a steel mill that does not have the capability to produce steel slabs, stated that if access to sufficient slab supply from offshore sources was impeded or if prices of that input increased due to import restrictions, the company would be unable to compete in the marketplace. Duferco Farrell reported that slab is not available on the merchant market from U.S. slab producers, who consume nearly all of their slab output internally. Duferco Farrell stated that any import restrictions could threaten the viability of its mill.

Geneva Steel, an integrated steel company, indicated that blast furnace operations are in serious jeopardy due to the continued growth of semi-finished steel imports. Geneva Steel stated that national security and the economic security of the western portion of the United States would be in tremendous jeopardy if these semi-finished steel flows were to be interrupted during a war or because of the economic, security, or political decisions made by foreign sources of steel. Geneva Steel proposed that the Secretary recommend to the President that imports of semi-finished steel be limited at 2000 levels.

IPSCO Enterprises Inc., a mini-mill producer, stated that the single greatest threat to the integrated and mini-mill sectors of the U.S. steel industry is the surge in imports of semi-finished steel to be converted by rolling mills in the United States that had previously used steel produced domestically. IPSCO suggested that the continued viability of the integrated and mini-mill sectors of the U.S. steel industry is critical to national security. IPSCO proposed that the Secretary recommend to the President that imports of semi-finished steel be limited at 2000 levels.

ISTIL (USA) Milton, Inc., a company in the process of rebuilding out-dated rolling mill equipment at an idled facility in Pennsylvania, stated that when reopened, the mill will depend exclusively on imported billets for its production of merchant rounds, flats, strips, squares, and rebar. ISTIL indicated that the volume of imports of carbon steel billets has decreased in recent years to a fraction of the level in the mid-1990s. ISTIL stated that without imported billets, it would not open the mill because it would be unable to compete in the U.S. market.

Nucor Corporation, a mini-mill producer, indicated that because the production of semi-finished steel is critical to maintaining viable steel production in a national emergency, further erosion of the semi-finished steel manufacturing base would threaten U.S. national security. Nucor suggested that the significant increase in imported slabs has brought tremendous competitive pressures on all producers of semi-finished steel – both integrated and mini-mill producers. Nucor stated that maintaining rolling mill capacity without adequate semi-finished steel production capacity provides the United States with no protection in times of national emergency.

Oregon Steel Mills, Inc., a mini-mill producer, affirmed that it has been a consistent importer of steel slabs over the last decade and relies on continuous availability of imported slabs to remain competitive and provide plate steel products (used in shipbuilding, construction, infrastructure, oil and gas pipelines, fabrication, transportation, and defense) to domestic steel users. Oregon Steel Mills indicated that it has more finishing capacity than steel melting capacity. Oregon Steel Mills stated that the availability of domestic slabs is rare, and that it is critical to its operations to have a reliable supply of slabs throughout the year. Oregon Steel Mills suggested that imposing tariffs on semi-finished steel would damage its ability to remain competitive in an already depressed industry.

Rouge Steel Co., an integrated steel company, reported in its submission and testimony that it had incurred significant financial losses during the past two years,

caused primarily by the surge in low-priced finished steel and semi-finished steel imports. Rouge Steel stated that imports of semi-finished steel pose a direct threat to integrated steel production in the United States, and to the nation's economic security. Rouge Steel proposed that the Secretary recommend to the President that imports of carbon slab be limited in order to maintain the national security and economic security of the United States.

Slater Steels Corporation, a stainless steel mill, stated that imports of semi-finished steel for use in the production of long products do not pose a threat to the national security of the United States. Slater reported that the demonstrated availability of a diverse, secure range of domestic and foreign supplies at cost-effective levels ensures the continued health and growth of the U.S. steel industry.

Steel Dynamics, Inc., a mini-mill producer, affirmed that the single greatest threat to maintaining a viable steel industry in the United States is the growth in imports, including semi-finished steel, specifically carbon slabs. Steel Dynamics stated that the growth of mini-mill production has not eliminated the need for integrated steel production. Steel Dynamics noted that the high-strength thin gauge steel it provides to its customers is not suitable for military applications such as tanks, ships, and armored vehicles that use heavier-gauge exotic steels. Steel Dynamics supported limits on the importation of carbon steel slabs.

WCI Steel, Inc., an integrated steel company, reported that in the event of a major conflict, the absence of a blast furnace production capability would severely compromise U.S. national security. WCI Steel noted that if the United States were to become completely dependent on foreign steel slab in the production of steel, foreign producers might find it advantageous to their economic position to reduce slab exports to the United States in order to supply further finished products to the United States. WCI Steel proposed that the Secretary recommend to the President that imports of semi-finished steel be limited at 2000 levels.

### **Iron Ore Miners and Steelworkers**

The United Steelworkers of America ("USWA"), AFL-CIO/CLC, which represents U.S. iron ore miners and steelworkers engaged in the production of semi-finished steel, contended that the preservation of a viable and competitive U.S. steel industry is important to the national and economic security of the United States. The USWA indicated that it would be very difficult to begin production quickly or easily with a "shuttered U.S. steel capacity" in the event of an international conflict. The USWA proposed that the Secretary recommend: (i) quantitative import restrictions of at least 6.9 million tons annually of semi-finished steel be imposed for a period of five years; (ii) a \$10 billion loan program guaranteed by the Federal Government for steel producers, with an appropriate share of those loans to be utilized to reinvest in the iron ore, coke oven, blast furnace, and basic oxygen furnace segments of the industry; (iii) a surcharge on all steel consumed in the United States, the proceeds of which would be deposited in a U.S. Treasury account and thereafter distributed to producers of all steel products, iron ore, pig iron, coke, and coke products, which have substantial legacy costs, for the purpose of

assisting such producers in funding those legacy costs; and (iv) a federal grant of funds for the purpose of assisting steel mergers that promote the maintenance of coke, iron ore, steelmaking capacity, employment retention, and environmental compliance.

Comments were also received from many iron ore miners, who stated that unemployment levels on the iron ranges of Minnesota and Michigan have increased significantly in recent years, as mines have been forced into cutbacks and closures by an increase in imports. Despite the work ethic of employees and the attempt of mines to modernize and upgrade facilities, companies have nonetheless suffered losses. Miners also argued that the United States could not successfully meet a national crisis with an increasing reliance on foreign sources of steel.

### **Suppliers to the Iron Ore Industry**

Suppliers of various goods and services to the iron ore industry stated that imports of iron ore and semi-finished steel have also affected their business operations. If the mines were to close, miners as well as employees of supplier companies would become unemployed. Various suppliers urged the Department to take immediate action aimed at prevention of unfair steel dumping.

### **Utility Suppliers**

Power and utility companies stated that they have suffered from the ramifications of a diminishing domestic iron ore industry. These companies depend on the iron ore mines as major customers. When the mines close and the companies curtail production, power and utility companies are adversely effected.

### **Transportation Services**

Various transportation companies expressed concern about the effect that a loss of the domestic iron ore industry would have on their own industry. Iron ore is the main cargo carried by certain shipping and railroad companies. A contraction in the iron ore industry could result in economic harm to the transportation companies servicing that industry. Shipping and railroad companies that go out of business are difficult to reconstitute due to the industry's high fixed costs. The local transportation companies argued that a prompt response through the Section 232 investigation was necessary to prevent the loss of business due to an increase in imports.

### **Industry Associations**

The National Mining Association ("NMA") submitted comments on behalf of its member companies, including mineral and coal producers as well as supplier companies. NMA argued that domestic iron ore companies have worked hard to make the United States the sixth largest producer of iron ore in the world. However, NMA argues that the industry suffers, despite its advanced technology, due to unfairly priced imports. These imports have caused injury for the domestic iron ore industry and its workers. According to NMA, a portion of these imports originates from sources that are not entirely reliable

in a time of emergency. NMA suggested that the U.S. Government develop a national mineral policy that would “maintain current production of all minerals and encourage the development of new mines.” The NMA urged the U.S. Government to be proactive in addressing the increase in imports before the domestic iron ore industry vanishes completely.

The Iron Mining Association of Minnesota, representing five mines producing taconite and more than two hundred businesses that supply products and services to the industry, stated that the iron ore industry is critical to national security. The Iron Mining Association of Minnesota argued that the loss of iron ore mining in Minnesota would result in substantial unemployment, a significant loss of government revenue, and the loss of a skilled work force. The Iron Mining Association of Minnesota reported that it would be extremely difficult and costly to reopen any closed taconite mines.

### **Foreign Exporters**

Brazilian steel companies Companhia Siderúrgica de Tubarão S.A. (“CST”), Aço Minas Gerais S.A. (“Açominas”), Companhia Siderúrgica Nacional (“CSN”), Companhia Siderúrgica Paulista (“COSIPA”), and Usinas Siderúrgicas de Minas Gerais (“USIMINAS”) reported that imports of semi-finished steel play a small but important role in assuring the health of the U.S. steel industry. The Brazilian steel companies stated that imports of semi-finished steel constitute a relatively small, stable portion of the total consumption of steel in the United States, and do not threaten the health of the United States steel industry. The Brazilian steel companies affirmed that these imports fulfill a very important need, allowing the U.S. steel industry to remain competitive and to produce to its maximum capability.

Ispat Mexicana, a Mexican steelmaker and exporter of steel slab, stated that the U.S. steel industry is not equipped to satisfy the high demand for semi-finished steel. Ispat Mexicana stated that U.S. steel companies rely on imported slabs, and that restricting imports of steel slab from Mexico would be detrimental to many U.S. steel companies. Ispat Mexicana stated that such restrictions would lead to reduced U.S. finished steel output, raise U.S. steel production costs, and harm both the U.S. steel industry and other sectors of the U.S. economy that rely on steel. Ispat Mexicana proposed that the Secretary find that imports of the semi-finished steel slabs from Mexico pose no threat to U.S. national security.

**The Ministry of Economy of Ukraine stated** [Confidential business information – redacted].