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Thomas J. Gibson
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May 31, 2017

The Honorable Wilbur L. Ross
Secretary
U.S. Department of Commerce
1401 Constitution Ave NW
Washington, D.C. 20230

RE: Comments on Section 232 National Security Investigation of Imports of Steel

Dear Secretary Ross:

In response to a request from the Department of Commerce, the American Iron and Steel Institute (AISI), on behalf of its U.S. producer members, is pleased to submit the following comments regarding the section 232 national security investigation on steel.

AISI serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI also plays a leading role in the development and application of new steels and steelmaking technology. AISI is comprised of 18 producer member companies, including integrated and electric furnace steelmakers, and approximately 120 associate members who are suppliers to or customers of the steel industry. AISI U.S. producer members account for approximately 70 percent of U.S. steelmaking capacity, with facilities in 41 states.

I. Introduction

A strong and viable domestic steel industry is critical to America's national defense, national economic security and homeland security. Virtually every military platform is dependent on U.S.- produced steels and specialty metals, in applications ranging from aircraft carriers and nuclear submarines to Patriot and Stinger missiles, armor plate for tanks and field artillery pieces, as well as every major military aircraft in production today. These critical applications require consistent, high quality domestic supply sources.

On a broader scale, steel is also essential to our nation's critical infrastructure, in terms of transportation, public health and safety, and energy, to name a few key areas.

- Our military and our broader economy depend on transportation infrastructure like roads, bridges, railroads, transit systems and airports, all of which are built with steel products such as rebar, plate, sheet and fabricated structural members.
- Public health and safety require reliable and efficient water and sewage systems that are built with steel components, including tubular goods, tanks and culverts.
- Steel is critical to our oil and gas energy infrastructure. Our nation's security depends on a reliable domestic energy supply and the domestic steel and products made from steel necessary to develop and transport the energy. Oil country tubular goods are essential to oil and gas production, and steel line pipe is needed to move these energy supplies to market.
- Electrical power generation is another critical national security need served by steel. Grain-oriented electrical steels (GOES) are a principal raw material for electrical power and distribution transformers, which are critical to the nation's electrical grid and our national security. Non-oriented electrical steels (NOES) are an important raw material for use in critical infrastructure, including for large cores in electrical power generators and industrial applications, such as for oil drilling and oil and gas pipelines. Steel is also present in the structures and in the boilers, pressure vessels and pipe that is needed to produce and deliver the steam or water to the generators.
- Transmission towers, made entirely of steel, carry steel-containing high voltage electric cables and provide support for our nation's microwave, cellular and other communications equipment.

The U.S. steel industry's ability to supply our defense establishment will depend on the steel industry's continued ability to compete in its commercial markets and maintain a domestic manufacturing presence. Repeated surges in imports of dumped and subsidized steel products from numerous countries in recent years have injured the U.S. industry and threaten further injury, putting our national security at risk.

Global steel overcapacity driven by foreign government subsidies and other interventionist policies has led to high levels of dumped and subsidized imports in the

U.S. market that are taking significant market share from domestic producers and are a critical factor underlying reduced domestic production and low capacity utilization. This has led to a number of plant closures and a net loss of 14,000 jobs in the U.S. industry from January 2015 to December 2016, before a slight recovery in the first part of this year.

To respond to this import crisis, the domestic industry has filed and successfully prosecuted a number of antidumping (AD) and countervailing duty (CVD) cases in recent years on hot-rolled steel, cold-rolled steel, corrosion-resistant steel, wire rod, rebar, cut-to-length plate, stainless steel sheet and strip, circular welded steel pipe, welded stainless steel pressure pipe, heavy walled rectangular steel pipe and tube, line pipe, non-oriented electrical steel, oil country tubular goods (OCTG), and various downstream steel products, among others. The trade relief provided by these orders has reduced the volume of imports subject to the orders, but high volumes of steel continue to enter the U.S. market from countries not subject to AD/CVD relief, or from countries where the AD/CVD relief has proven to be ineffective. In addition, in recent years there has been a dramatic increase in a variety of schemes by foreign producers and importers to evade the AD/CVD laws.

Global steel capacity far exceeds current global steel demand and is far in excess of projected world steel demand growth. Much of this global steel excess capacity is attributable to foreign government subsidies and other government interventionist policies. The U.S. government must press China and other foreign governments to reform their policies, cut excess steel capacity and refrain from further subsidizing the growth of capacity that will jeopardize our commercial markets -- and thereby undermine the industry's ability to supply smaller, but vitally important, markets such as defense, electrical infrastructure and energy. The U.S. government must also ensure that the trade policies of foreign competitors are consistent with international rules -- thereby permitting domestic producers to compete on the basis of genuine comparative advantage.

II. Steel is Essential to National Security

A. The U.S. Steel Industry Today

The U.S. steel industry, including all carbon and alloy steel producers and specialty steel producers, employs about 140,000 highly skilled workers. The industry shipped \$96.5 billion of high quality steel and high-technology specialty alloy products in 2016. The industry includes state-of-the-art, large and small electric arc furnace producers (or "mini mills") that make steel from recycled scrap, and highly efficient large "integrated" steel producers who make steel from virgin materials and recycled steel.

The American steel industry and the thousands of skilled men and women who comprise its workforce produce high quality, cost-competitive steel products for military use in applications ranging from aircraft carriers and nuclear submarines to Patriot and Stinger missiles, armor plate for tanks and field artillery pieces, as well as every major military aircraft in production today. These critical applications require consistent, high quality on-shore supply sources.

While leading-edge defense applications represent only a small portion of overall domestic sales of steel products, defense-related materials are produced on the same equipment, using some of the same technology, and are developed by the same engineers who support the larger commercial businesses of steel companies in the U.S. Thus, the companies are not typical defense contractors who derive the majority of their sales and profits from their defense business. It is the overall financial health of U.S. steel producers, and not simply the profitability of their defense business, that is essential to their ability to be reliable defense suppliers.

A financially strong, technologically-advanced, and environmentally-sustainable steel industry in the United States is essential to serving the material and security needs of American society today. Steel provides direct environmental benefits by improving the energy and material efficiency of U.S. manufacturing. Furthermore, new higher quality steels generate a wide array of other benefits throughout our society. New steels and steel applications are providing more durable and hazard-resistant structures. Light weight, high strength steels -- which are gaining increasing acceptance in automotive applications -- are enabling development of more fuel-efficient vehicles while improving passenger safety. Likewise, armor plated and alloyed steels play an important role in serving our nation's national and homeland security needs.

A strong domestic steel industry is also vital to ensuring a sound manufacturing base. AISI's analysis of Commerce Department data on inter-industry supply and production relationships shows that each billion dollars of steel industry output brought to market directly requires, for example, more than \$600 million in materials purchases, nearly \$60 million in services purchases, more than \$40 million in energy purchases, and nearly \$40 million in purchases of other manufactured goods. Indeed, these figures understate the economic impact of the steel industry as they do not include the purchases required of supplier industries to meet demand from the steel industry. Nor do they include the ripple effects of re-spending by employees of the steel industry and its suppliers. In this way, the steel industry supports many thousands of jobs across nearly every sector of the United States' economy in addition to the 140,000 workers it employs directly. These interrelationships demonstrate that the steel industry maintains a key role in economic development.

The domestic steel industry believes that, over an extended period of time, the United States could lose much of its steel-related manufacturing base if U.S. steel consumers continue to move production offshore due to market-distorting foreign government incentives and due to unsound economic policies at home. If we continue to lose our manufacturing base due to market distorting foreign competition or U.S. economic policies that are hostile to domestic investment and U.S.-based manufacturing, it could become impossible to produce here; the U.S. military would lose its principal source of strategic metals; and we as a nation would become dangerously dependent upon unreliable foreign sources of supply.

Steel is produced in many forms, including flat-rolled and long products, carbon pipe and tube products, wire and other fabricated products. Carbon and alloy steel is used in all major end-use markets, including construction, automotive, machinery, appliance and containers. Specialty steels are high technology, high value materials, produced by small and medium-sized companies. These specialty metals are used in extreme environments that demand exceptional hardness, toughness, strength and resistance to heat, corrosion and abrasion, such as in the aerospace and chemical processing industries. All segments of the domestic steel industry contribute directly or indirectly to the defense industrial base.

B. The Criticality of the Steel Industry to the National Defense and the Defense Infrastructure

The U.S. carbon/alloy and specialty steel industries are vital partners to American defense contractors and to the U.S. Department of Defense (DOD). Domestic and specialty metals are found in virtually every military platform. Whether it is missiles, jet aircraft, submarines, helicopters, Humvees® or munitions, American-made steels and specialty metals are crucial components of U.S. military strength. A few examples follow:

1. Fighter aircraft engines, gears, bearings, and the body itself, use high performance specialty steels and superalloys produced by U.S. specialty steel companies.
2. Land based vehicles such as the Bradley Fighting Vehicle, Abrams Tank, and the family of Light Armored Vehicles use significant tonnage of steel plate per vehicle.
3. Steel plate is used in the bodies and propulsion systems of the naval fleet.

4. The control cables on virtually all military aircraft, including fighter jets and military transport planes, are produced from steel wire rope.

Numerous additional examples illustrating how steel and specialty metals directly support the U.S. defense industrial base exist. These materials are an integral part of many diversified military applications and, as such, are in a continuing state of technological development.

Steel's importance to the military must also be viewed in a broader context that includes both direct and indirect steel shipments to the military infrastructure that are needed to support our defense efforts, both at home and overseas -- e.g., all of the steel that goes into the rails, rail cars, ground vehicles, ships, military barracks, fences and bases, which are not classified as shipments to ordinance, tanks, aircraft, shipbuilding or other direct military combat uses.

A strong and viable domestic steel industry is needed to provide immediate steel deliveries for defense applications when and where required. But, as previously noted, the steel industry's ability to meet the nation's defense needs turns largely on the industry's ability to remain competitive in the commercial market, while simultaneously maintaining a manufacturing presence in the United States. That is why it is essential from a national security perspective that action is taken to address the underlying causes of the global excess capacity in steel that is fueling the repeated surges in dumped and subsidized steel into the U.S. market, at great cost to the domestic steel industry and its workforce.

Consider the potential difficulties the U.S. would face in defending, maintaining and rebuilding infrastructure in an environment where our nation is largely dependent upon foreign steel. Should our nation become even more dangerously dependent upon offshore sources of steel, the United States would experience sharply reduced security preparedness in the face of:

- Highly variable, and in many cases higher, costs;
- Uncertain supply, impacted by unpredictable foreign economic and political developments;
- Quality, design and performance problems; and
- Inventory problems, long lead times and extended construction schedules.

Failure to address the global excess capacity problem, discussed further below, makes these risks all too real.

C. The Importance of the Steel Industry to Critical National Infrastructure

The United States also depends upon a healthy American steel industry to meet the growing U.S. demands for steel-intensive infrastructure. Engineers and contractors on sophisticated infrastructure projects require an uninterrupted supply of quality steel that they can depend upon to meet the performance characteristics of a project's design, delivered on time and at a competitive cost. U.S. national economic security requires a strong and viable domestic steel industry to meet all of these criteria on a consistent basis.

It is vital to U.S. national economic security and to our homeland security that the United States does not become dangerously dependent on offshore sources of supply for the steel that goes into our:

- **Transportation infrastructure** such as highways, bridges, railroads, mass transit systems, airports, seaports and navigation systems;
- **Energy infrastructure** such as petroleum refineries, oil and gas pipelines, storage tanks, electricity power generating plants, electric power transmission towers and utility distribution poles;
- **Health and public safety infrastructure** such as dams and reservoirs, waste and sewage treatment facilities, the public water supply system and, increasingly, residential construction; and
- **Commercial, industrial and institutional complexes** such as manufacturing plants, schools, commercial buildings, chemical processing plants, hospitals, and government buildings.

Summarized below are examples of how domestic steel is a critical component of key infrastructure sectors. Nearly every sector needs to be expanded to meet growing demand, and also requires extensive maintenance for safety and longevity.

1. Transportation Infrastructure

An efficient national highway system is crucial to the defense and security of our country. The Eisenhower Interstate Highway System was created and implemented with this important objective. Maintaining and improving this vital transportation network is a top national priority, and steel plays a vital role through reinforcing bars (rebar), guardrails, signage, light poles and other supporting structures. In addition,

building our transportation infrastructure with steel saves energy. Continuously reinforced concrete roadways have been shown to improve fuel efficiency in heavy vehicles by as much as 20 percent, and steel-intensive transportation infrastructure improvements are also helping to reduce commuter delays – a tangible way to decrease the billions of dollars wasted in burning excessive fuel.

Bridges are the critical links along roads, highways and rail lines. Routine maintenance and replacement are required for the normal and emergency movement of people and goods. The many thousands of bridges in the United States that are structurally obsolete are a threat to U.S. national economic security, and steel is providing a competitive alternative with the introduction of high-performance steel (HPS) plate for bridge girders – developed through a partnership between steel trade associations, the U.S. Navy and the Federal Highway Administration.

U.S. railroads are an important component in the long distance movement of freight and people. Effective maintenance and repair of roadbed, railroad bridges and rolling stock is essential, and all are highly dependent upon the availability of sophisticated steels with unique specifications. In addition, and looking to the future, U.S. cities and regions have begun to explore seriously the possibility of using new “maglev” trains -- which use technologically sophisticated magnetic steels, and vast amounts of carbon steel plate for the rail beds -- as a cost effective means of moving large numbers of people quickly.

Public safety and economic activity in major urban areas depends upon reliable mass transit. Steel is a significant component of mass transit rail systems -- from the stainless steel found in our subway cars, to the electrical steel used for electric propulsion motors to the special steels found in the “hot” third rail in our subway systems to the carbon steel used for the rails themselves along the thousands of miles of track in our cities’ mass transit systems.

There are over 19,000 public and private airports across the United States. Steel is an important component of airport facilities -- from the structural steel framing in terminals to the reinforcing steel in runways, to the sound barriers and runway approach lighting structures.

Port construction and maintenance are steel-intensive, requiring large quantities of steel piling, plate, rail and structural units. In addition, support equipment, such as cranes, is steel-intensive.

In considering these varied uses of steel in our nation’s transportation infrastructure, it is also important to recognize that, in an emergency situation, problems would only be compounded if we were forced to rely on long offshore lead times. In addition, if

segments of the domestic steel industry are diminished (e.g., due to unfair trade), injury usually follows to the downstream sectors to which U.S. steel producers normally ship (think of rod/wire, wire/wire rope, etc.). Indeed, for some major products and applications that are important to homeland security, entire domestic manufacturing sectors are involved.

2. Energy Infrastructure

A typical refinery contains miles of specialty pipe, large sophisticated boilers and process pressure vessels, thousands of custom made valves and fittings -- all made from steel designed expressly for critical applications.

Pipelines, the vehicles by which petroleum and natural gas are delivered to refineries and then on to consumers, are made from technically demanding steel plate in wide and very heavy gauges. Prompt and effective maintenance and restoration of pipelines are vital to our national energy security infrastructure and to our national economy.

Electric power generation is an engine for our economy. Steel is not only present in the structures, but in the huge generators, which use large quantities of sophisticated electrical lamination steel sheet, and in the boilers, pressure vessels and pipe that is needed to produce and deliver the steam or water to the generators. Transmission towers, made entirely of steel, carry steel-containing high voltage electric cables and provide support for our nation's microwave, cellular and other communications equipment. Steel utility distribution poles provide the structures by which electricity is routed to commercial and domestic customers.

Conventional, high-permeability and high-permeability domain-refined grain-oriented electrical steels (GOES) is used in cores and core assemblies for electrical transformers (including power transformers, switchgear, step-up, step-down, and distribution transformers), which power and transport energy for the nation's electricity grid. GOES is used in both the large step-up transformers powering the grid by enabling the transport of electricity over great distances and smaller step-down transformers that power individual neighborhoods and businesses. Non-oriented electrical steel (NOES) is also critical for the electrical grid, because it is the used to make the large cores for electrical power generators. In addition, NOES is used in industrial applications and motors for hybrid and electric automobiles. Importantly, due to the injurious impact of unfair trade practices in recent years, there is today only one remaining domestic producer of GOES and NOES in the United States: AK Steel. It is also the only producer of these products in North America.

3. Health and Public Safety Infrastructure

Public health and safety dictate reliable and efficient sewage, wastewater treatment and management facilities. Steel components, such as tubular goods, tanks, culverts, storm water management and storm sewers are integral to the construction and operation of these facilities.

Safe, potable water is essential for all Americans. Steel is unsurpassed as a conduit for water. Relatively thick steel plate for pipe dominates, but thinner steel plate is also in great demand. Steel tanks meet zero tolerance leakage standards, and they are safer than other materials in tornadoes, earthquakes, mudslides and extreme temperatures.

Whether for flood control, irrigation, recreation, industrial or drinking water reservoir use, dams must be protected and maintained. Steel plays a vital role in certain types of dam structures.

In recognition of steel's unique properties to withstand fires, hurricanes and other natural disasters, steel is also being used increasingly in residential construction (framing, roofing, etc.). Steel is not only strong; it is also sustainable and environmentally responsible. In this regard, it is worth stressing that the U.S. steel industry has the highest recycling rate in the world.

4. Commercial, Industrial and Institutional Buildings

Buildings support vital elements of our nation's economic base. Steel is essential to the construction of commercial, industrial and institutional buildings (CIIBs). Steel construction can be faster and less expensive than other types, and high-rise structures can be built only from steel. According to John Knapton, a professor of structural engineering at Newcastle University in England, "tens of thousands of lives ... [were] saved by the structural integrity of the [World Trade Center] building. It had a lot of structure taken out, yet remained intact for more than an hour, allowing thousands to escape."

The construction industry is the largest single U.S. market for steel. Industrial, retail, education and office buildings are the largest sectors. Most of the structural, plate, sheet and reinforcing steel used in building construction must be fabricated before delivery to the construction site, then erected in place. There is no competitive steel fabrication and construction industry anywhere in the world that relies primarily on imported steel.

Pre-engineered building systems, which rely on steel for all their major components, are designed and fabricated in a factory environment, then assembled at the job site. These

systems are ideal for many low and mid-rise applications, including offices, manufacturing, retail, warehousing, worship and education, because they are cost effective, use flexible designs and can be completed relatively quickly.

As we consider these and other contributions of steel to our nation's infrastructure, we need also to be concerned about our ability to control specifications and standards. If we do not have sufficient U.S.-based production of numerous steel and steel-intensive products involved in infrastructure applications, our country's future would be at the mercy of other countries' standards. In some cases, the problem is as simple as sizes being different. If we were to lose control of our standards, the obsolescence factor would be huge, and we would, at best, be less able to make major repairs quickly in an emergency (e.g., think of the challenge, if not outright impossibility, of trying to supply "non-commercial" quantities of fittings, sections, tubulars, etc. in an emergency).

III. The Threat to U.S. National Security from Unfairly Traded Steel Imports

As noted in the introduction to this submission, the U.S. steel industry's ability to supply our defense establishment and our nation's critical infrastructure needs depends on the steel industry's continued ability to compete in its commercial markets and maintain a domestic manufacturing presence. However, repeated surges in imports of dumped and subsidized steel products from numerous countries in recent years have injured the U.S. industry and threaten further injury, putting our national security very much at risk.

Finished steel imports took a record 29 percent of the U.S. market in 2015, while domestic steel shipments declined by 12 percent, and capacity utilization averaged just 70 percent for the year. While total steel imports declined by 15 percent in 2016 as a result of a number of trade cases brought by the domestic industry against dumped and subsidized imports, foreign import market share still remained historically high at 25.4 percent for the year. Imports in 2017 are once again on the rise – with total imports up 19 percent in the first three months of the year compared to the same period in 2016, and finished steel imports taking 26 percent of the market.

These high levels of imports in recent years have been a critical factor forcing several steel companies to temporarily close major steel-making facilities. Employment in the steel industry declined by 14,000 jobs from January 2015 to December 2016, before a slight recovery in the first part of this year.

Foreign government interventionist policies in the steel sector have fueled massive and growing global overcapacity in steel, which the OECD has estimated to be more than 700 million metric tons. AISI estimates that more than half of that overcapacity – 425 million

metric tons – is located in China, where government market-distorting policies have produced a dramatic increase in the size of the Chinese steel industry.

The large volume of Chinese steel exports in recent years is the direct outgrowth of a dramatic increase in the size of the Chinese steel industry since 2000, to the point that it today represents approximately half of all global steel production.¹ Chinese crude steel production soared from 128 million MT in 2000 to 823 million metric tons (MT) in 2014 – an increase of 695 million MT – before declining slightly to 808 million MT in 2016.² In the first three months of 2017, however, Chinese crude steel production is once again up 4.6 percent compared to the first quarter of 2016.³ This massive expansion in capacity and production has been directed by Chinese government industrial and trade policies, as discussed below.

China leads the world not just in production and capacity increases, but in *excess* capacity levels. China’s official steel capacity levels reached 1,160 million MT in 2014,⁴ meaning it had excess capacity of 337 million MT. The China Iron and Steel Association (CISA) estimates that there is even more steelmaking capacity in China than the official government statistics report – approximately 1.25 billion metric tons of crude steel production capacity in China in 2014, compared with 823 million metric tons of actual production in 2014. That equals more than 425 million metric tons of excess capacity.⁵ AISI believes that overcapacity in China and elsewhere around the world is a significant factor contributing to the repeated surges in steel imports into the U.S. market in the past several years.

China’s substantial increase in steel production and exports since 2000 has been made possible, in large part, by massive government subsidies. The unprecedented growth in Chinese capacity is largely a result of direct and indirect government ownership and control over the steel industry, at the expense of market-oriented steel producers

¹ World Steel Association, “World crude steel output increases by 0.8% in 2016,” January 25, 2017, found at <https://www.worldsteel.org/media-centre/press-releases/2017/world-crude-steel-output-increases-by-0.8--in-2016.html>.

² *Id.*; World Steel Association, “Monthly Crude Steel Production 2015”; World Steel Association, “Monthly Crude Steel Production 2000.”

³ World Steel Association, March 2017 Crude Steel Production (April 24, 2017), found at <https://www.worldsteel.org/en/dam/jcr:49a14d93-0a03-499a-9f83-0baab3a1f16a/March+2017+Crude+Steel+Production+Table.pdf>.

⁴ The Ministry of Industry and Information Technology (MIIT) announced Chinese capacity of 1.16 billion metric tons (1.277 billion net tons) in 2014. Chinese steel production in 2014 was 823 million MT.

⁵ China Iron and Steel Association (中国钢铁协会), *Analysis of Key Points for the Development of Steel Enterprises in the Thirteenth Five Year Plan Period* (钢铁企业“十三五”发展重点分析) (Mar. 19, 2015), <http://www.chinaisa.org.cn/gxportal/DispatchAction.do?efFormEname=ECTM40&key=AmEIN1oxUDFRMAI1A2QHZg1pAGBRNVVjAzRSYAVnBDMGFQ9ADhVVZQMSD0hVQgVn>.

around the globe.⁶ Through various laws, policies, and industrial plans, the Chinese government for decades has directly subsidized its steel industry through the provision of grants, preferential loans, debt-for-equity swaps, tax refunds, and other preferential policies, as well as various forms of indirect support, such as restrictions on foreign investment.⁷ The Chinese government also intervenes in its steel industry to prevent the closure of capacity. Many older mills in China, which would likely close in a truly market-based environment, have been supported by local governments and continue to operate, intensifying global oversupply.

For many years Chinese steel consumption was increasing, and in recent years a significant portion of China's excess steel production was absorbed by the Chinese government's stimulus spending on fixed asset investment. But Chinese steel demand appears to have peaked in 2013. The World Steel Association has reported that Chinese steel consumption (apparent steel use) declined by 3.3 percent in 2014⁸ and by 5.4 percent in 2015,⁹ before increasing by 1.3 percent in 2016.¹⁰ Furthermore, the demand situation in China is expected to worsen over the coming decade. The POSCO Research Institute forecasts that steel demand in China will decrease steadily until 2025, due to the slowdown in the Chinese construction and manufacturing industries.¹¹

With China's domestic steel demand declining, the Chinese steel industry has increasingly relied on exports to consume surplus production. China exported a record 94 million MT of steel products in 2014, an increase of 52 percent from 2013.¹² That trend accelerated in 2015 with Chinese steel exports rising to 112 million MT, "an amount big enough to feed demand in Germany and Japan for a year and leave almost

⁶ See, e.g., *Perverse advantage: A new book lays out the scale of China's industrial subsidies*, *The Economist* (Apr. 27, 2013).

⁷ See generally Wiley Rein & Fielding LLP, *The China Syndrome: How Subsidies and Government Intervention Created the World's Largest Steel Industry* (July 2006); Wiley Rein LLP, *The Reform Myth: How China Is Using State Power to Create the World's Dominant Steel Industry* (Oct. 2010).

⁸ World Steel Association, 2015 Short Range Outlook, found at <http://www.worldsteel.org/dms/internetDocumentList/press-release-downloads/2015/Short-Range-Outlook-table-by-Region-2015-2016-12Oct2015/document/Short%20Range%20Outlook%20table%20by%20region%202015-2016.pdf>.

⁹ World Steel Association, 2016 Short Range Outlook, found at <https://www.worldsteel.org/media-centre/press-releases/2016/worldsteel-short-range-outlook-2016---2017.html>.

¹⁰ World Steel Association, 2017 Short Range Outlook, found at <https://www.worldsteel.org/media-centre/press-releases/2017/short-range-outlook-April-2017.html>.

¹¹ POSCO Research Institute, *Asian Steel Watch* (Jan. 2016) at 99-103.

¹² Ruby Lian and David Stanway, "Chinese Steel Exports to Stay High This Year - Industry Group," *Reuters* (Apr. 29, 2015).

9 million metric tons to spare.”¹³ In 2016, Chinese steel exports, while down slightly from 2015, continued at historically high levels in excess of 108 million MT.¹⁴

This massive increase in Chinese exports to the world has resulted both in increased imports of Chinese steel into the United States and in increased imports from third countries that have themselves received increased Chinese steel imports. In the case of direct steel exports to the United States, due to the imposition of trade relief by the Commerce Department in several antidumping and countervailing duty cases over the past few years, Chinese direct shipments have declined since 2014.

But while direct steel imports from China may be somewhat reduced in the most recent period, the high level of Chinese exports to the world continues to put pressure on the global steel market, and leads to increased imports from many third countries. Chinese exports to third countries are being further processed into downstream steel products that are then exported to the United States. For example, Chinese billets are being further processed in Turkey into long products which are then exported to the United States, while Chinese flat-rolled steel is being converted into pipe products in Korea which are then, according to Commerce Department determinations, being dumped into the U.S. market.

Exports of dumped and/or subsidized steel from countries geographically close to China, such as Korea and Japan, are due principally to Chinese oversupply being exported to those countries, as well as government subsidies, in the case of Korean producers. The Department of Commerce has determined that the Korean government provides significant subsidies to its steel producers. For example, last year the Department made an affirmative final CVD determination with respect to hot-rolled steel products from Korea.¹⁵ Furthermore, the Department has also determined that, “[a]s a result of significant overcapacity in Chinese steel production, which stems in part from the distortions and interventions prevalent in the Chinese economy, the Korean steel market has been flooded with imports of cheaper Chinese steel products, placing downward pressure on Korean domestic steel prices. This, along with the domestic steel production being heavily subsidized by the Korean government, distorts

¹³ “China’s steel exports now outstrip demand in any other country” Bloomberg (Jan. 13, 2016), *found at* <http://www.mineweb.com/news/iron-and-steel/chinas-steel-exports-now-outstrip-demand-in-any-other-country>.

¹⁴ “China steel exports fall from record in relief for global steelmakers” Reuters (Jan. 13, 2017), *found at* <http://uk.reuters.com/article/uk-china-economy-trade-steel-idUKKBN14X0RR>.

¹⁵ Countervailing Duty Investigation of Certain Hot-Rolled Steel Flat Products From the Republic of Korea: Final Affirmative Determination, 81 Fed. Reg. 53439 (Aug. 12, 2016).

the Korean market prices of [hot-rolled steel], the main input in Korean [oil country tubular goods] production.”¹⁶

In addition, the U.S. steel industry believes that part of the increase in steel imports from Vietnam recorded in U.S. government trade data may be due to Chinese producers’ efforts to circumvent AD/CVD duties on cold-rolled and corrosion-resistant steel products by shipping Chinese product to Vietnam for minor further processing. The Department of Commerce is currently conducting anticircumvention inquiries on both of these product categories.¹⁷

As a result of all these and other similar actions, the U.S. industry continues to suffer from the injurious impact of Chinese overproduction of steel that is exported to world markets.

In addition, the Chinese model of government intervention in the steel industry is being emulated in other countries, perpetuating the growing overcapacity problem. Vietnam and India, for example, both have explicit government plans to support the expansion of their steel industries and to increase their exports while restricting imports. As these plans are implemented, further injury will be suffered in the United States from dumped steel products.

IV. Responses to the Steel Import Crisis

As one of the most open markets in the world, the United States is often the target of dumping by steel producers from countries around the world. In many cases, these foreign producers are also subsidized by their governments.

To date, the U.S. steel industry has relied on our trade laws to seek to address the impact of unfairly traded steel imports in our market. While the antidumping and countervailing duty laws have provided some relief, because the resulting orders are necessarily country- and product-specific, they leave openings for steel products not subject to orders to continue to surge into our market.

¹⁶ Issues and Decision Memorandum for the Final Results of the 2014-2015 Administrative Review of the Antidumping Duty Order on Certain Oil Country Tubular Goods from the Republic of Korea, A-580-870, at 41 (Apr. 10, 2017).

¹⁷ Certain Corrosion-Resistant Steel Products From the People's Republic of China: Initiation of Anti-Circumvention Inquiries on the Antidumping Duty and Countervailing Duty Orders, 81 Fed. Reg. 79454 (Nov. 14, 2016); Certain Cold-Rolled Steel Flat Products From the People's Republic of China: Initiation of Anti-Circumvention Inquiries on the Antidumping Duty and Countervailing Duty Orders, 81 Fed. Reg. 81057 (Nov. 17, 2016).

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Accordingly, AISI recommends that the Administration use the current section 232 investigation to fashion a more comprehensive and broad-based program of action to safeguard America's national security.

Among the specific goals of this program should be to increase pressure on China and other countries around the globe to reduce steelmaking overcapacity.

V. Conclusion

The U.S. steel industry has been severely impacted by repeated surges in dumped and subsidized imports that have flooded the U.S. market in recent years. These surges are the result of foreign government interventionist policies in the steel sector that have fueled massive and growing global overcapacity in steel, particularly in China. If left unaddressed, this global steel crisis will threaten the very viability of the U.S. steel industry, and therefore will threaten the national security of the United States.

AISI greatly appreciates the attention being given by the Administration to the global steel industry crisis and its impact on the U.S. industry, and urges the U.S. Government to take the actions outlined above to address this dire situation.

Should you have any further questions regarding these comments, please do not hesitate to contact me at 202-452-7100 or by email at tgibson@steel.org. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Thomas J. Gibson". The signature is written in a cursive style with a large, prominent initial "T".

Thomas J. Gibson