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BY ELECTRONIC FILING AND HAND DELIVERY

The Honorable Wilbur L. Ross, Jr.
Secretary of Commerce
U.S. Department of Commerce
Attn: Bureau of Industry and Security
Office of Technology Evaluation
14th Street and Constitution Ave., NW
Washington, DC 20230

Re: ***Section 232 National Security Investigation of Imports of Steel: Written Comments of the American Line Pipe Producers Association***

On behalf of the American Line Pipe Producers Association (“ALPPA”), and its individual members, Stupp Corporation (“Stupp”), American Steel Pipe, Berg Pipe (“Berg”), and Dura-Bond, we hereby submit the following submission in response to the Department of Commerce’s (“Commerce”) request for comments in its *Section 232 National Security Investigation of Steel*.¹

I. INTRODUCTION

ALPPA is a domestic coalition of large diameter line pipe manufacturers. Together, its members account for the vast majority of large diameter line pipe production (above 16”) in the United States. ALPPA’s members produce line pipe for a variety of U.S. national security applications, including for oil, gas, chemical, water, and slurry pipelines. They also produce steel products for U.S. strategic defense, including for steel bridges and munitions.

This Section 232 investigation comes at a pivotal time for the domestic steel industry, in general, and the domestic large diameter line pipe industry, in particular. The large diameter line pipe industry continues to face a sustained surge in imports, largely driven by global overcapacity. ALPPA’s members have seen their market share decline and their capacity, production, revenue, investment, and employment fall. Their domestic steel suppliers have also suffered substantial harm. The erosion of a strong domestic large diameter line pipe industry not only limits the industry’s production of existing steel products to equip the U.S. military, respond to disasters, and modernize aging infrastructure, it also undermines its

¹ *Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel*, 82 Fed. Reg. 19,205 (Dep’t Commerce Apr. 26, 2017) (notice of request for public comments and public hearing).

development of new steel products to meet evolving national security needs. As further discussed below, the Secretary of Commerce (the “Secretary”) should conclude that imports of large diameter line pipe and other steel products threaten to impair U.S. national security, and recommend broad trade relief to effectively address this threat.

II. REQUEST FOR CONFIDENTIAL TREATMENT

ALPPA respectfully requests that the information contained in single brackets (“[]”) throughout this letter be treated as business confidential information and withheld from public disclosure pursuant to 15 C.F.R. § 705.6(a). The information contained in brackets constitutes company proprietary information, including trade secrets and commercial and financial information, the release of which to the public would cause substantial harm to the competitive position of the submitters. This company proprietary information is exempted from public disclosure by the Freedom of Information Act, 5 U.S.C. § 552(b)(4). This information is exempted from public disclosure in trade remedy cases, pursuant to 19 U.S.C. § 1677f(b). A non-confidential version of this letter with business confidential information redacted is being submitted concurrently with this business confidential version.

III. IMPORTS OF LARGE DIAMETER LINE PIPE THREATEN TO IMPAIR U.S. NATIONAL SECURITY

A. ALPPA Produces Products for U.S. National Security

Section 232 of the Trade Expansion Act of 1962 directs the Secretary to determine whether “an article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.”² In prior investigations, Commerce has defined “national security” broadly to include not only issues directly related to national defense, but also to “the general security and welfare of certain industries...that are critical to the minimum operations of the economy and government.”³ Commerce has made clear that “‘national security’ should encompass certain domestic economic concerns, in addition to national defense concerns.”⁴ These economic concerns include the demand requirements of 28 “critical industries,” which include the energy and water and wastewater systems sectors.⁵

² 19 U.S.C. § 1862(b)(3)(A).

³ U.S. Department of Commerce, Bureau of Export Administration, *The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security* (Oct. 2001) (“Iron Ore and Semi-Finished Steel Report”) at 5.

⁴ *Id.*

⁵ *Id.* at 16. Commerce has previously identified both pipelines and water transportation as “critical industries” for the minimum operations of the economy and government.



As Commerce has recognized,⁶ a broad interpretation of U.S. national security has support in both the statute and legislative history of Section 232. For instance, Section 232 directs the Secretary to “recognize the close relation of the economic welfare of the Nation to our national security.”⁷ Moreover, the legislative history of Section 232, including the legislative history of predecessor provisions, indicates that some members of Congress intended that “national security” should encompass certain domestic economic concerns, in addition to national defense concerns.⁸ As a result, consistent with Commerce’s practice in prior investigations, and the statute and its legislative history, the agency should continue to adopt a broad definition of U.S. national security in this proceeding.

ALPPA’s members produce a number of steel products for U.S. national security, as defined above. With respect to critical infrastructure, its members produce large diameter line pipe for oil, gas, chemical, water, sewage, and slurry pipelines. Specifically:

- Stupp manufactures steel line pipe and applies coatings for pipe with outside diameters ranging from 10” to 60” in grades of up to X-80 for the transportation of crude oil, natural gas, natural gas liquids, carbon dioxide, and refined products.
- Dura-Bond manufactures API straight seam double submerged arc welded pipe in diameters ranging from 24” to 42,” in grades of up to X-80, and in lengths of up to 80’ for the transport of oil, natural gas, and liquids.
- Berg produces longitudinally welded and spirally welded large diameter steel line pipe for the oil, natural gas, fuel supply, water, and construction industries. Berg manufactures API line pipe, ranging from 24” to 60,” in grades of up to X-80, and in lengths of up to 80’.
- American Steel Pipe manufactures API line pipe in diameters of 12”-24” to transport crude oil, oil products, natural gas and natural gas liquids throughout the United States.

Each of these line pipe products plays a vital role in promoting U.S. energy independence.

ALPPA’s large diameter line pipe has been used in major pipeline projects throughout the United States, including the Keystone Pipeline (transporting oil between the United States and Canada), Rover Pipeline (transporting natural gas to markets in the Midwest, Northeast, East Coast, Gulf Coast and Canada), Ruby

⁶ *Id.* at 5.

⁷ *See* 19 U.S.C. § 1862(d).

⁸ *See e.g.* S. Rep. No. 85-1838, at 12 (1958).

Pipeline (transporting natural gas from the Rocky Mountain basins to consumers in California, Nevada and the Pacific Northwest), Dakota Access Pipeline (transporting crude oil from the Bakken fields of North Dakota to Patoka, Illinois), and the Atlantic Coast Pipeline (transporting natural gas to Virginia and North Carolina). ALPPA's line pipe also has been used on projects involving the U.S. Government. For instance, in 2010, []]. The U.S. Army Corp of Engineers and other U.S. government entities were involved in this project.

ALPPA's members are also proud to supply non-pipe products to the U.S. military. Stupp, for example, started manufacturing bomb bodies for the Air Force and Navy in the early 1970s and continues to manufacture these products today. Stupp also produces steel bridges for U.S. defense applications. Moreover, Dura-Bond participates heavily in lock and dam fabrication work along the Ohio, Monongahela and Allegheny river systems, among others, for the U.S. Army Corp of Engineers. Dura-Bond also supplies steel pipe, sheet piling, H-Beams, and plate used to fabricate critical structures for the U.S. Navy, U.S. Coast Guard, Port Authority of NYNJ, and U.S. Army Corp of Engineers.

B. Imports of Large Diameter Line Pipe are Elevated and Growing

As is the case with virtually all steel products, U.S. imports of large diameter line pipe have increased significantly in recent years:⁹

- Although sizes of smaller **Korean** welded line pipe are under order¹⁰ and despite the sizeable drop in U.S. demand in 2016, Korean producers have continued to ship substantial volumes of large diameter line pipe to the United States. Korean producers now capture roughly 20 percent of the U.S. market, more than any other import source.

⁹ All U.S. import statistics for large diameter line pipe are derived from the U.S. International Trade Commission's DataWeb using the following HTS codes: 7305.11.1030, 7305.11.1060, 7305.11.5000, 7305.12.1030, 7305.12.1060, 7305.19.1030, 7305.19.1060, and 735.19.5000.

¹⁰ A small percentage of large diameter line pipe is covered under the current antidumping duty order on welded line pipe from Korea. *See generally, Certain Welded Line Pipe from Korea and Turkey*, Inv. Nos. 701-TA-525 and 731-TA-120-1261 (final), Publication 4580 (Nov. 2015). However, even this small segment of the domestic large diameter line pipe is not protected from dumped line pipe from Korea. Specifically, the Korean dumping orders on welded line pipe have failed to accurately capture the full magnitude of dumping by Korean producers, a fact underscored by Commerce's recent finding that a "particular market situation" exists in Korea such that the cost of raw materials in that country are distorted. *See* Issues and Decision Memorandum accompanying *Certain Oil Country Tubular Goods from Korea*, 82 Fed. Reg. 18,105 (Dep't Commerce April 17, 2017) (final results) at cmt. 3.

- **Japanese** volumes almost doubled between 2014 and 2016, increasing from 65,197 tons to 113,353 tons, notwithstanding the antidumping duty order on large diameter line pipe from Japan.¹¹
- **Turkish** volumes of large diameter line pipe, which are partially covered under the welded line pipe order, almost tripled during this same period, increasing from 34,272 tons to 116,395 tons.¹²
- **Greek** volumes of large diameter line pipe increased by 991 percent between 2014 and 2015, and remained significant last year, despite weakened U.S. demand.

U.S. imports of large diameter line pipe are continuing to increase.¹³ Specifically, U.S. import volumes of large diameter line pipe were almost 20 percent higher in the first three months of this year than they were during the same period last year. In fact, U.S. import volumes in 2017 are on track to exceed 2016 volumes by 36 percent.

These import surges are due, in large part, to rising Chinese excess steel capacity. Because a significant percentage of Chinese steel is subject to trade orders in the United States, Chinese producers are increasingly shipping greater volumes of dumped and subsidized hot-rolled steel, cut-to-length plate, and other steel products, to Korea, Japan, Turkey, and elsewhere. This unfairly traded steel is then being used to produce large diameter line pipe and other value-added products in Korea, Japan, Turkey, etc. for shipment to the U.S. market at lesser duty rates or, in many cases, duty free. Moreover, even in cases where producers in these countries are not purchasing raw material steel inputs from China, the steel inputs purchased must meet the “China price,” which translates into lower production costs and prices for their large diameter line pipe exports. As further detailed below, unless broad Section 232 trade relief is imposed, U.S. imports from Korea, Japan, Turkey, Greece, and elsewhere, many of which are sold at unfairly traded prices, are likely to continue rising.

It bears noting that while the United States’ large diameter line pipe market is open to imports, many of our largest trading partners have created a protected market for their domestic production. For instance, the World Trade Organization’s 2017 Trade Policy Review for Mexico indicates that current tenders for Mexican oil and gas pipeline projects issued by the National Hydrocarbons Commission impose a local content requirement of 25 percent and this requirement will reach 35 percent

¹¹ See generally, *Certain Welded Large Diameter Line Pipe from Japan*, Inv. No. 731-TA-919 (Second Review), Publication 4427 (Sept. 2013).

¹² As is the case with Korea, a small percentage of large diameter line pipe is covered under the current antidumping duty order on welded line pipe from Turkey. See generally, *Certain Welded Line Pipe from Korea and Turkey*, Inv. Nos. 701-TA-525 and 731-TA-120-1261 (final), Publication 4580 (Nov. 2015).

¹³ U.S. International Trade Commission’s DataWeb.



by the end of 2025.¹⁴ In practice, Mexico’s local content requirement for oil and gas pipeline projects may be as high as 50 percent.¹⁵ Furthermore, the Mexican government recently imposed antidumping duties of up to 56.44 percent on U.S. imports of large diameter steel pipe, functionally making U.S. pipe uncompetitive. These duties are severe and unjustified, as both the Mexican government’s dumping and injury findings lack support. In other words, while large diameter line pipe imports continue to overwhelm the U.S. market, other countries have imposed trade restrictions severely limiting entry into their markets. For this reason, any Section 232 remedy should include Mexico, unless and until Mexico agrees to alter its restrictions on U.S. imports of large diameter line pipe.

C. Imports Threaten the Economic Viability of the Domestic Large Diameter Line Pipe Industry and Its Supplier Base

These increased imports, which include dumped and subsidized line pipe, have resulted in dramatic declines in the domestic large diameter line pipe industry’s capacity, production, revenue, investment, and employment. To illustrate, [

] This year, [] [].

In 2015, the domestic industry was operating at a capacity utilization rate of only 37 percent. Since then, conditions have worsened. The industry is now operating at a capacity utilization rate of well under 30 percent – the lowest that it has been in years. [

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While some large diameter pipe operations have been idled, others have been shut down completely in response to the import surge. In May 2016, [

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¹⁴ World Trade Organization, Mexico Trade Policy Review, WT/TPR/S/352 (Feb. 15, 2017) at 115-116.

¹⁵ Export.gov, Mexico-Upstream Oil and Gas.

In 2014, U.S. Steel Tubular Products was compelled to close its McKeesport Tubular Operations, which had been in operation since the mid-1960s, because the company could no longer sustain its severe losses due to imports. The mill had manufactured 8 5/8" through 20" API line pipe for the oil and gas industry and underwent a massive modernization in anticipation of a market return. Instead, the U.S. market was inundated with imports from Korea and elsewhere and the mill was forced to close. Although Dura-Bond purchased the former USS McKeesport pipe mill in December 2016 and plans to restart the mill this summer, its success will largely depend on whether the import surge continues unabated.

This influx in large diameter line pipe imports has not only adversely impacted the financial and operational performance of the domestic industry, rising imports have also negatively affected its steel suppliers. As U.S. large diameter line pipe sales, capacity, and production have fallen, so too has the industry's purchase of the steel used to produce pipe, sending harmful ripple effects throughout the entire steel supply chain.

As detailed below, the erosion of a healthy large diameter line pipe industry threatens the ability of domestic steel producers to produce both new and existing products for U.S. national security applications, warranting an affirmative finding of threat in this investigation.

D. Rising Imports Threaten the Domestic Large Diameter Line Pipe Industry's Ability to Continue Producing Products for U.S. National Security Applications

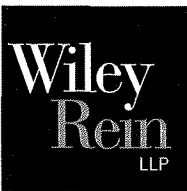
In prior investigations, Commerce has made clear that imports can threaten to impair U.S. national security in one of two ways.¹⁶ First, imports can threaten to impair U.S. national security "by fundamentally threatening the ability of U.S. domestic industries to satisfy national security needs."¹⁷ Second, they can threaten to impair U.S. national security by "fostering U.S. dependence on unreliable or unsafe imports."¹⁸ Both conditions are met here.

The domestic large diameter line pipe industry is gradually losing its ability to produce large diameter line pipe to equip the U.S. military, respond to disasters, and modernize increasingly aging infrastructure. As previously indicated, ALPPA's members supply a variety of different line pipe products for oil, gas, and other pipeline projects throughout the United States. They also produce steel munitions, bridges, and other products for U.S. military use. The domestic industry cannot keep producing these products if the import crisis persists. Domestic large diameter line pipe production and capacity have fallen significantly, and with domestic facilities idled and workforces reduced, the U.S. industry's ability to supply large diameter line pipe is gradually eroding. The same is true with respect

¹⁶ Iron Ore and Semi-Finished Steel Report at 6-7.

¹⁷ *Id.*

¹⁸ *Id.*



to its steel suppliers. These trends will continue if not worsen in the absence of trade relief.

The industry's ability to develop new steel products to meet evolving national security needs is also in jeopardy. ALPPA's members have made significant investments in recent years to produce the highest performance large diameter line pipe for the most demanding U.S. military and critical infrastructure applications. Stupp added a second mill to its operations in 2009, and has invested more than [] in facilities and equipment in the last 10 years. In 2012, American Steel Pipe invested \$80 million in a new facility to increase its capacity, only to subsequently idle one of its two mills because of the import surge. Berg made significant upgrades to its technology in 2013. Dura-Bond purchased the former McKeesport pipe mill in 2016 and has invested heavily in its facilities to add new processes and techniques. Their steel suppliers also have made critical investments to remain technologically innovative.¹⁹

Investments, expansions, and upgrades such as these are necessary to keep the domestic industry vibrant and strong. The health of the industry also depends on its ability to retain a skilled, experienced workforce, from chemists to engineers to mill operators. Yet, as President Trump recently acknowledged, if the present situation persists, "it may place the American steel industry at risk by undermining the ability of American steel producers to continue investment and research and development, and by reducing or eliminating the jobs needed to maintain a pool of skilled workers essential for the continued development of advanced steel manufacturing."²⁰

With the loss of U.S. production, capacity, and steelmaking capabilities comes a dangerous dependence on foreign steel to supply U.S. national security needs.²¹ According to a recent report by the Alliance for American Manufacturing:

Relying on foreign steel becomes a critical concern when the U.S. needs to increase military production in order to meet the demands of a current or impending conflict. Moreover, a reliable domestic steel production capability is vital for our critical homeland infrastructure...Without a domestic production capability, the United States would risk reliable steel supply for vital homeland infrastructure in a crisis or in the aftermath of a catastrophe, such as an earthquake or hurricane...The result of loss of our domestic

¹⁹ See generally, *Carbon and Alloy Steel Cut-to-Length Plate from Brazil, South Africa, and Turkey*, Inv. Nos. 731-TA-1319, 1326, and 1328 (final), Publication 4664 (Jan. 2017), *Carbon and Alloy Steel Cut-to-Length Plate from China*, Inv. Nos. 701-TA-560 and 731-TA-1320 (final), Publication 4675 (March 2017).

²⁰ See Presidential Memorandum for the Secretary of Commerce re: *Steel Imports and Threats to National Security* (April 20, 2017).

²¹ See Alliance for American Manufacturing: *Steel Import Surge Threatens U.S. National Security* (Spring 2006).

production capability would be reduced security preparedness in the face of higher costs, uncertain supply, quality concerns, and extended construction schedules.²²

A robust U.S. national security depends on a reliable source of domestic energy and the steel products necessary to transport that energy. However, the United States is becoming increasingly dependent on unreliable sources of supply to satisfy its large diameter line pipe needs. Korea and Turkey are two of the largest exporters of large diameter line pipe to the United States.²³ Yet, neither country is a “safe” foreign supplier,²⁴ given current geopolitical conditions. As such, the United States’ increasing reliance on both countries for large diameter line pipe is a threat to U.S. national security.

Given that imports threaten to impair the capability of the U.S. industry to satisfy national security needs, and the United States is becoming increasingly dependent upon unreliable sources of supply, the Secretary should conclude that imports of large diameter line pipe threaten U.S. national security.

IV. THE PRESIDENT SHOULD IMPLEMENT BROAD RELIEF TO ADDRESS THE STEEL IMPORT CRISIS

As discussed above, the U.S. national security implications of the domestic large diameter line pipe industry’s current state (and that of its steel suppliers) are significant. The sustained surge of large diameter line pipe imports into the U.S. market has had a crippling effect on the domestic industry and its steel suppliers. Imports have negatively impacted their production, capacity, and employment, undermining their ability to continue producing existing products for U.S. national security applications and to develop new products. Put simply, the United States is nearing the point where it will be depending on other countries for steel products that are essential to our national defense and critical infrastructure unless much needed action is taken to address the current steel import crisis.

To ensure that the large diameter line pipe industry, its supplier base, and the broader steel industry are strong and viable in the long-term, and continue meeting U.S. national defense and critical infrastructure needs, broad trade relief is necessary. Specifically, ALPPA recommends an across-the-board tariff on all steel products, including large diameter line pipe, from all countries. As part of this relief, the tariff should apply for three years or more, to allow U.S. investment and readjustments, and the Administration’s response should be designed to fully address the global overcapacity crisis, and its distortive impact on global raw steel

²² See Alliance for American Manufacturing: Steel Import Surge Threatens U.S. National Security (Spring 2006) at 6; *see also* Remaking American Security: Supply Chain Vulnerabilities & National Security Risks Across the U.S. Defense Industrial Base, Brigadier General John Adams, U.S. Army (Retired).

²³ See U.S. International Trade Commission’s DataWeb.

²⁴ Iron Ore and Semi-Finished Steel Report at 2.



prices and the U.S. large diameter line pipe industry. Foreign countries should not be able to use dumped and subsidized steel imports in the manufacture of value-added products, such as large diameter line pipe. In addition, any relief imposed should account for Mexico's prohibitive local content requirement for pipeline projects and other trade barriers, which have severely hindered U.S. large diameter line pipe producers from entering the Mexican market.

V. CONCLUSION

For the reasons discussed above, the Secretary should conclude that steel imports threaten to impair the national security of the United States, and grant much needed trade relief to domestic large diameter line pipe producers and the rest of the steel industry. A failure to grant broad relief will result in further harm to U.S. producers and workers, and continue to place U.S. national security at risk.

Should you have any questions regarding this submission, please do not hesitate to contact us.

Sincerely,

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