

**COMMENTS BY: GERDAU NORTH AMERICA**

**TO: THE OFFICE OF TECHNOLOGY EVALUATION, BUREAU OF INDUSTRY AND  
SECURITY, U.S. DEPARTMENT OF COMMERCE**

**IN RESPONSE TO: NOTICE REQUEST FOR PUBLIC COMMENTS ON SECTION 232  
NATIONAL SECURITY INVESTIGATION OF IMPORTS OF STEEL - DOCUMENT#:  
2017-08499**

**Submitted: May 31, 2017**



May 31, 2017

Mr. Brad Botwin  
Director, Industrial Studies  
Office of Technology Evaluation  
Bureau of Industry and Security  
U.S. Department of Commerce  
1401 Constitution Avenue, NW, Room 1093  
Washington, DC 20230

**RE: REQUEST FOR COMMENT: "SECTION 232 NATIONAL SECURITY INVESTIGATION ON THE EFFECT OF IMPORTS OF STEEL ON U.S. NATIONAL SECURITY" (DOCUMENT #: 2017-08499)**

Mr. Botwin,

Gerdau North America (Gerdau) wishes to thank the U.S. Department of Commerce for conducting this investigation into the effect of steel imports on U.S. national security. We welcome the opportunity to provide written comments.

Gerdau is the second largest producer of long steel in the United States, with more than 100 production plants in the country, including metals recycling facilities, 15 electric arc furnace steel mills, and downstream steel fabrication plants. We are located in 28 U.S. states, and directly employ approximately 10,000 Americans who proudly make the steel that supplies our nation's military and helps build our critical infrastructure.

Gerdau offers a diverse product mix of merchant bar quality, special bar quality, rebar, and wire rod products that are used for national security and critical infrastructure

applications. In addition, Gerdau's downstream operations provide steel fabrication services and specialized steel products. Our steel products are used in a wide range of critical applications, including in the construction of government buildings, security walls and fences, bridges, levees, locks and dams, military bases, barbed wire, water and wastewater treatment facilities, airport terminals, gun barrels, revolver cylinders, military vehicle components, mortar shells and projectiles, tank track components, tank track links, track link pens, and track shoes, just to name a few.

In addition to good jobs and economic prosperity, national security is a core reason why America must maintain a strong domestic steel industry. Simply put, the United States cannot afford to rely on offshore steel to supply its military, or to rebuild the nation's energy sources, transportation network, schools, water-works, bridges, airports and hospitals. Steel is at the base of our manufacturing economy, and a vibrant and innovative steel industry is critical to maintaining a competitive manufacturing industry, and the millions of high value jobs that it creates. By taking action to support the industry, the U.S. Department of Commerce and the Trump Administration have an opportunity to play a pivotal role in protecting our nation, the steel industry, its customers and the American workforce.

As noted in the hearing testimony, the American steel industry faces a severe threat from the global steel overcapacity crisis. In recent years, global steelmaking capacity has grown at an unprecedented rate. The world's steel consumption, however, has not kept pace, contributing to a massive gap between capacity and demand. Global

overcapacity currently exceeds 700 million metric tons, or more than seven times the annual consumption of the United States. This excess capacity strains the profitability of even the most efficient producers, making it impossible to make ongoing investments in our facilities and workforces.

The result of global overcapacity has been a flood of unfairly and illegally traded steel into the U.S. market. While domestic demand has slowly recovered from the lows of the financial crisis, all of that growth has been consumed by imports. The long products segment of the industry has been hit particularly hard, and continues to operate at utilization rates between 50 and 60 percent. This is simply not sustainable. Gerdau and its domestic competitors have been forced to lay off workers, reduce operating hours, and idle facilities, all while the U.S. maintains its status as the world's largest net importer of steel. Without meaningful action, hard-working, middle class Americans will continue to find themselves on reduced hours or out of work entirely.

It comes as no surprise that more than half of the world's steel overcapacity resides in China. While existing duties and orders currently prevent China from directly dumping massive quantities of steel into our nation, China's overcapacity still has a major impact on the U.S. market. China's exports drastically distort global trade flows and contribute to circumvention and duty evasion. China also impacts the U.S. industry by moving into downstream, steel-containing goods, further eroding the domestic steel customer base.

But this is not just a China problem. Turkey, Korea, and many other nations continue to harm the U.S. market and the steel industry workforce with their export-oriented overcapacities.

Gerdau is participating in a number of antidumping and countervailing duty trade cases, including current investigations dealing with wire rod and rebar. As these cases demonstrate, vigorous enforcement of our trade laws is extremely important. Strong preliminary and final margins can provide critical relief for domestic producers. But in the face of overwhelming excess capacity, the country-by-country trade case approach is inherently flawed. Investigations are costly and time-consuming, and come with uncertain outcomes. And even when cases are successful, relief is often short-lived. Immediately after orders are put in place, new foreign players emerge to consume market share and displace U.S. producers, undermining any relief that was provided. The fact is that significant overcapacity exists in a number of countries, and the U.S. has one of the most open and attractive markets. This emphasizes why a timely, broad-based, and impactful steel trade remedy is needed.

America is not alone in facing these challenges, and the U.S. Government's leadership has no doubt helped increase awareness of the overcapacity crisis. Restoring balance to the industry will require time and coordinated action by the global steelmaking community. To that end, we sincerely hope that in time the Global Forum on Steel Excess Capacity will help facilitate transparent, net capacity reduction agreements. But we cannot wait that long for relief. The time has come for action.

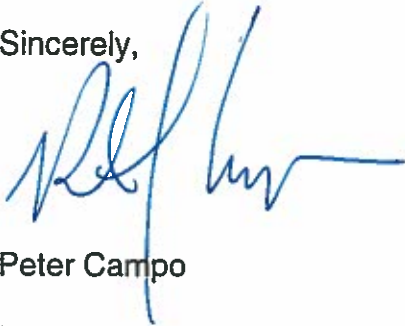
We cannot serve our military and defense industry customers if we cannot operate profitable businesses. America needs to ensure that its steel producers and their workers and customers are not driven out of business by offshore imports, to the detriment of our industrial capability and national security. As such, we support the prompt implementation of a broad-based remedy that includes all steel manufacturing and principle downstream (first stage) processing, including: pipe, tube, and structural tube; cold finished steel shapes (either turned and polished or cold drawn); fabricated steel for construction (structural and rebar); drawn wire and drawn wire products produced from wire rod; and coated and painted steel. While prompt implementation is a top priority, we do support negotiated bilateral agreements with nations with which we have positive, mutually beneficial steel trade relationships – most notably our North American trading partners.

There is substantial unused domestic steelmaking capacity, and an existing capability to quickly satisfy any projected national defense requirement. The United States has a vast steelmaking raw material supply, energy resources, a highly productive workforce, and access to capital and world-class technology. There is no reason why we should not be making more of the steel that we consume.

Thank you for conducting this investigation, and for your efforts on behalf of our industry.

We are available to address any questions you might have, or to provide any additional information that you require.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Peter Campo', with a long horizontal flourish extending to the right.

Peter Campo

President, Gerdau Long Steel North America