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: Section 232 Investigation of Steel Imports—Comments of the Metallia division of Hartree Partners, LP

Dear Director Botwin:

The Metallia division of Hartree Partners, LP is a continuation of the steel commodities import/export business with steel mills and customers located in the United States of America ("USA") that has existed for over 25 years. We respectfully submit these comments in connection with the recently initiated Section 232 investigation to determine the effects, if any, of imports of steel on the national security of the United States.\(^1\)

CRITERIA TO CONSIDER

To determine the effect on the national security of the imports of steel under this investigation, the Department of Commerce ("Department") is to consider the quantity of the article in question or other circumstances related to its importation together with the following factors:

1. Domestic production needed for projected national defense requirements;
2. The capacity of domestic industries to meet projected national defense requirements;
3. The existing and anticipated availabilities of human resources, products, raw materials, production equipment and facilities, and other supplies and services essential to the national defense;
4. The growth requirements of domestic industries to meet national defense requirements and the supplies and services including the investment, exploration and development necessary to assure such growth;

---

5. The impact of foreign competition on the economic welfare of any domestic industry essential to our national security;

6. The displacement of any domestic products causing substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity, or other serious effects; and

7. Any other relevant factors that are causing or will cause a weakening of our national economy.

FACTS

We will focus on the following five (5) basic steel products for the January to April timeframes this year versus last year depicting data published by the Department².

1. Blooms, billets and Slabs – feedstock for USA Mills
2. Galvanized Steel Sheets
3. Oil Country Goods – this is for the oil industry
4. Cold Rolled Steel
5. Hot Rolled Steel

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Import Volume (MT per Month)</strong></td>
<td>Jan - Apr 2016</td>
<td>Jan - Apr 2017</td>
<td>Increase/Decrease</td>
<td>Percent of Increase</td>
</tr>
<tr>
<td>1 All Steel Mill Products (Carbon &amp; Alloy)</td>
<td>2,269,962</td>
<td>2,782,726</td>
<td>512,764</td>
<td></td>
</tr>
<tr>
<td>2 Blooms, Billets and Slabs -- C &amp; A</td>
<td>339,836</td>
<td>621,717</td>
<td>281,882</td>
<td>55%</td>
</tr>
<tr>
<td>3 Sheets &amp; Strip Galv. Hot Dipped -- C &amp; A</td>
<td>209,371</td>
<td>264,611</td>
<td>55,240</td>
<td>11%</td>
</tr>
<tr>
<td>4 Oil Country Goods -- C &amp; A</td>
<td>70,634</td>
<td>224,646</td>
<td>154,013</td>
<td>30%</td>
</tr>
<tr>
<td>5 Sheets Cold Rolled -- C &amp; A</td>
<td>133,625</td>
<td>195,830</td>
<td>62,205</td>
<td>12%</td>
</tr>
<tr>
<td>6 Sheets Hot Rolled -- C &amp; A</td>
<td>231,631</td>
<td>140,671</td>
<td>(90,960)</td>
<td>(18%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Percentage Imported</strong></th>
<th>Jan - Apr 2016</th>
<th>Jan - Apr 2017</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 All Steel Mill Products (Carbon &amp; Alloy)</td>
<td>2,269,962</td>
<td>2,782,726</td>
<td>22.6%</td>
</tr>
<tr>
<td>2 Blooms, Billets and Slabs -- C &amp; A</td>
<td>15.0%</td>
<td>22.3%</td>
<td>82.9%</td>
</tr>
<tr>
<td>3 Sheets &amp; Strip Galv. Hot Dipped -- C &amp; A</td>
<td>9.2%</td>
<td>9.5%</td>
<td>26.4%</td>
</tr>
<tr>
<td>4 Oil Country Goods -- C &amp; A</td>
<td>3.1%</td>
<td>8.1%</td>
<td>218.0%</td>
</tr>
<tr>
<td>5 Sheets Cold Rolled -- C &amp; A</td>
<td>5.9%</td>
<td>7.0%</td>
<td>46.6%</td>
</tr>
<tr>
<td>6 Sheets Hot Rolled -- C &amp; A</td>
<td>10.2%</td>
<td>5.1%</td>
<td>(39.3%)</td>
</tr>
</tbody>
</table>

² SOURCE: U. S. Department of Commerce and Compliance. Table last modified on: May 30, 2017, with Licensing data collected through May 30, 2017 and Preliminary Census data compiled through April 2017. Data listed in order of descending volume imported during the last three months of Census data, including preliminary data. Steel mill categories are defined by 10-digit HTS code. Data extracted from the import licenses are not official Census data.
FACTUAL DISCUSSION POINTS

1) It is well known that USA steel demand exceeds production. Therefore, there is a demonstrable need for steel imports of the products as discussed in these comments.

2) Some regions of the USA are commercially disadvantaged to take delivery of domestic steel versus importing the steel where it is needed. Therefore, direct sales to ports into the Northeast and West Coast alleviate the financial burden of transporting domestically produced steel across the country.

3) This, in turn, generates a great number of jobs in the shipping, transportation and logistics industries as well as in the downstream steel-consuming industries.

4) There are types of steel products that domestic mills cannot make or chose not to make. This steel has to be imported to support the USA manufacturing jobs that in turn rely on these imports. In fact more manufacturing jobs were lost than steel jobs saved the last time a Section 201 “remedy” on steel imports was imposed. The same will happen again with steel import restrictions under Section 232 thereby weakening and undermining the USA economy.

5) A review of the import data depicted above (Line nos. 2 and 4, Column E) demonstrates that the increase in steel imports are largely explained by the following effects:
   a. 55% of the increase in steel imports depicted above has been made by USA steel mills themselves (in the form of Blooms, Billets and Slabs); and
   b. 30% of the increase in steel imports depicted above is in Oil Country Goods, reflecting the economic recovery the USA oil industry is currently experiencing.

When the above data is adjusted to eliminate these effects, the resulting increase in steel imports is negligible.

6) While concern has been raised about US steel mills operating at 70% capacity, history shows that as lead times are pushed out, prices are inflated and customers are put on allocation as soon as capacity increases beyond 75%.

7) Prices in the USA are already consistently 15-20% higher than all other global markets, including Western Europe as well as China.
CONCLUSION

In view of the foregoing, it is our view that the steel imports discussed above promote and support manufacturing jobs in the USA without any diminishing effect on the steel used directly for national defense purposes. If downstream users of steel were strictly beholden to domestic production, it would send more manufacturing out of this country, weakening the economy as a whole as well as the national security of the USA.

Therefore, we respectfully urge that there is no effect on the USA steel industry or the national security of the USA that warrants any further action by the Department in further limiting steel imports.

However, in the event that the Department acts to further limit steel imports, we respectfully request that the Department exempt any steel import commitments presently in effect.

Respectfully submitted,

Charles F. Cerria