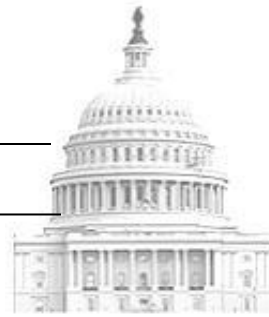




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INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

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May 26, 2017

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**Public Comments and Public Hearing on Section 232  
National Security Investigation of Imports of Steel  
AGENCY: Bureau of Industry and Security, Office of Technology Evaluation, U.S. Department  
of Commerce**

**Comments Submitted by  
Legislative Director Josh Nassar, International Union, UAW  
[SUBMITTED TO [Steel232@bis.doc.gov](mailto:Steel232@bis.doc.gov)]**

The more than one million active and retired members of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), welcome the opportunity to comment regarding your investigation of dumping steel in our domestic market, Section 232. We strongly urge the Trump Administration to expeditiously use tools it has at its disposal to stop the dumping of foreign steel into the U.S. market. This dumping has compromised our national security by significantly weakening the critical industrial base. Voluntary measures to curb dumping have proven to be woefully insufficient and traditional trade remedies have only had a marginal impact. We hope this inquiry into possibly using Section 232 authority will mark the beginning of rebalancing our flawed trade policies that have resulted in thousands of closed factories and millions of lost jobs, and have devastated communities throughout the country. We urge the Administration to assess its remedy on the amount of foreign electrical steel, partial and finished cores, and partial and finished transformers that may be imported into the U.S. Without addressing this supply chain issue, any remedy will be a hollow one for electrical steel and American national security interests.

The steel industry is one of many sectors that has competed on an uneven playing field for far too long. The results have been devastating for U.S. workers and domestic manufacturing in general. The U.S. lost 5 million manufacturing jobs between 2000 and 2014. Per the Economic Policy Institute's (EPI) paper titled, *Manufacturing Job Loss: Trade, Not Productivity, Is the Culprit*, EPI found that that between 2000 and 2007, 3.6 million jobs were lost due to trade deficits, mostly in manufacturing.

Competition is uneven in the steel industry because of the massive overcapacity of steel that exists in foreign countries. Several countries with large economies have produced more volume than their economy demands, forcing them to find export markets for the excess supply. Global overcapacity and trade policies have created extremely depressed pricing in the international market, causing foreign producers to target the U.S.'s favorable market to dump their steel into America.

Consequently, imports have taken a larger market share in recent years and domestic capacity utilization rates have been low, with the average to date for 2017 under 75%.<sup>1</sup> These unfavorable conditions led to the layoff of thousands of steel workers across the country over the past few years. Dumping by foreign competitors has had a negative impact on the electrical steel industry that threatens our very ability to produce this critical commodity. We know this firsthand as UAW members

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<sup>1</sup> American Iron and Steel Institute Weekly Raw Steel Production Report – Week ending May 20, 2017:  
<http://www.steel.org/about-aisi/statistics.aspx>

work for the sole domestic producer of electrical steel in the United States, AK Steel. UAW members who work for AK Steel are the only workers in the country that melt and finish electrical steel, also referred to as grain-oriented electrical steel (GOES). GOES is critical to the nation's electrical grid and our national security products made from GOES. Power transformers, switchgears, step-up, step-down, and distribution transformers are all necessary to complete the delivery of electricity to the entire country. AK Steel is forecasting a significant decline in shipments in 2017 due directly to the high level of imported electrical steel. As of March 2017, imports of GOES are up 54% since the same period a year before.<sup>2</sup> The only other remaining domestic producer, Allegheny Technologies (ATI), permanently ended their electrical steel operations in early 2016 due to these market conditions.

A recent Department of Energy (DOE) report pointed out that if the electric grid sustained substantial damages, the process of replacing equipment, such as large power transformers, would likely be costly and could potentially be delayed if certain key parts or materials are difficult to obtain. Due to the long lead time it takes to manufacture and acquire replacement parts and because of transformers' potential susceptibility to serious and widespread threats and hazards, large transformers pose unique vulnerabilities.

Stopping the surge of imported foreign steel is important and warranted. These practices have had a devastating impact on the GOES market. It has been rapidly deteriorating because of global overcapacity and dumped and subsidized products coming in from China, as well as Japan, Korea, and Russia.

To make matters worse, companies are not competing on a level playing field as several Chinese GOES producers are state-owned-enterprises (SOEs). Between 2007 and 2017, Chinese SOEs added roughly 750,000 metric tons of GOES capacity, which provided China with over 1,000,000 tons of GOES capacity.<sup>3</sup> At the same time, China has effectively blocked imports of electrical steel from its own market through questionable trade cases and suspected state pressure.

The UAW also urges the Department of Commerce to stop the downstream "end-run" to avoid remedies. We are concerned that if a trade remedy is assessed on electrical steel imports, electrical steel importers will side-step the duties by importing partial or finished cores and transformers comprised of dumped and subsidized foreign-made electrical steel. Case in point, AK Steel filed a circumvention case against China with the Department of Commerce last year which is still pending. The case alleges that China is circumventing antidumping and countervailing duties on cold-rolled steel coil and corrosion-resistant sheet by processing hot-rolled coil in Vietnam. Using this method, they avoid paying duties of up to 522%<sup>4</sup> and 451%,<sup>5</sup> respectively. These duties were put in place in the summer of 2016 after the domestic industry successfully brought trade cases against China's dumping and subsidization of those products.

Conventional trade cases have had limited success because imports from countries not facing trade case orders sky rocket and take the place of the imports that are subject to the enforcement action in the

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<sup>2</sup> Department of Commerce Import Data through March 2017

<sup>3</sup> Metal Bulletin Research Grain Oriented Steel Market Study by Brian Levich, July 2015

<sup>4</sup> Department of Commerce International Trade Administration Fact Sheet on Cold-Rolled Steel Flat Products: <http://enforcement.trade.gov/download/factsheets/factsheet-multiple-cold-rolled-steel-flat-products-ad-cvd-final-051716.pdf>

<sup>5</sup> Department of Commerce International Trade Administration Fact Sheet on Corrosion-Resistant Steel Products: <http://enforcement.trade.gov/download/factsheets/factsheet-multiple-corrosion-resistant-steel-products-ad-cvd-final-052516.pdf>

first place. Building up import data required to prove a domestic industry has been injured in a traditional case is not a viable option for U.S producers and workers looking to remain competitive today. They cannot afford to wait years for a remedy. Evoking powers under Section 232 could provide an effective means to combat the problem before it is too late.

Thank you for the opportunity to express our views on this important issue.

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