

Merfish Pipe Holdings, LLC

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May 31, 2017

The Honorable Wilbur Ross
Secretary of Commerce
1401 Constitution Ave NW
Washington, DC 20230

Mr. Brad Botwin,
Director, Industrial Studies,
Office of Technology Evaluation,
Bureau of Industry and Security,
U.S.A. Department of Commerce
Steel232@bis.doc.gov

Dear Secretary Ross and Director Botwin,

Please accept this communication as an objection to the United States Department of Commerce's ("DOC") making an affirmative decision regarding the Section 232 investigation on imported steel and in particular on imported steel pipe.

Secretary Ross stated at the opening of the Public Hearing that the purpose of the Section 232 investigation of steel imports is "to determine if imported steel impairs the national, economic, and military security of the United States." As a legal matter, a Section 232 investigation, does not apply to economic security. According to the Bureau of Industry and Security's Section 232 Investigations Program Guide, "the purpose of the investigation is to determine the effect of imports on the national security." The category considered in this investigation of all steel imports is much too broad to be considered a threat to national security. Included in this category are for example steel cords used in tires, rebar for cement reinforcement, and tin plate used for tin cans. Based on this guideline, it is clear that the broad category of all steel imports does not have an effect on national security and an affirmative 232 investigation is likely outside the scope of the law. Prior 232 investigations determined whether imports represent a threat to national security based on excessive dependence on imports from unreliable or unsafe sources, or threats to the viability of U.S. industries and resources.

Certainly the military uses steel in the deployment of weaponry to protect our country however war today is won with control of the air which uses specialty steels and little to no carbon steel. That is not to say that we will not need some involvement of our forces on the ground that need carbon steel but there is plentiful carbon steel resources in the USA to supply this steel.

If one is to say that we need to protect our steel making resources as a matter of national security then I would ask the DOC to make a thorough examination of the steel making industry and understand that a core problem of the steel industry is a company by company differentiation based on how that company was managed. It is the management of the various steel companies in the USA that create such divergent financial results.

STEEL MAKING ECONOMICS--The USA steel industry enjoys the highest priced steel in the World (currently as much as 30% higher than other World Steel producers (non-Chinese/Non-European)) and it has been this way for a very long time yet some of our steel mills cannot generate a profit and others do very well indeed so it seems this is an issue of management. Why do steel companies like Nucor, Steel Dynamics, and Commercial Metals operate profitably and re-invest in their companies while others struggle to make a profit? The DOC should also consider how Big River Steel was able to raise more than a billion USD to build a new steel mill (2016-2017) while some of the old line steel manufacturers cannot make a profit. Why should the USA impose a section 232 steel tariff to protect a handful of steel companies that have not been kept operationally current? Due to the 30% higher steel prices in the USA these steel mills are already getting protection that should allow them to invest for the future—why increase this price spread even more. Perhaps this is the “economic security” about which Secretary Ross was speaking and if so then it is imperative that the Section 232 recommendation be negative and that the free market be allowed to continue without interference.

FAIR TRADE--Steel and Steel Pipe Trade Actions represent a very substantial percentage of the Anti-dumping (AD) and countervailing duty (CVD) suits and subsequent orders. Over 52% of the currently active AD/CVD Cases involve steel products with some of these cases dating back to 1978, while the next largest user of AD/CVD is the chemical sector at only 12%. In fact there is very little steel entering the USA that is not impacted by these trade actions. And if one were to look at steel pipe one would find that there is a minimal amount of steel pipe entering the USA that is not covered by an AD/CVD order.

So what does this mean—the purpose of the existing 162 AD/CVD orders is to assure “fair trade” and to level the playing field by assessing a penalty on those offshore mills that trade unfairly. This further raises the question as to why the domestic steel industry cannot prosper when the grave majority of the steel coming into the USA is being fairly traded.

JOBS--I appreciate that the President was elected to office based on his promises to increase jobs in the USA but will applying a Section 232 tariff accomplish this? I suggest that a tariff on steel will actually cause a loss of jobs in the USA.

There are approximately 158,000 steel workers in the USA, while import steel supply chain employment has been shown to be 20-30 times that number and includes union and non-union stevedores, Customs brokers, ocean, rail and trucking company employees, warehouse workers, insurance carriers, and US port support businesses, to say nothing of the scores of downstream subcontractors performing services such as cutting to length, threading, or, in the energy sector, upsetting ends and threading and coupling. The full impact of the steel versus import services employment imbalance was fully realized back in 2001 when President George W. Bush

implemented a Section 201 safeguard for the steel industry and should not be forgotten. When creating policy we must consider all jobs in the USA not just steel manufacturing jobs.

If there is a true desire to allow USA companies to remain competitive, in our free market system, USA manufacturers should be able to buy their manufacturing steel raw materials at competitive world prices or they will surely perish. For example, why should a USA manufacturer of lawn mowers have their steel decks made overseas when they could manufacture the same steel deck in the USA with American labor using fairly traded imported steel?

PRODUCTS THAT THREATEN OUR NATIONAL SECURITY—Our Company specializes in the distribution of standard pipe—standard pipe (the usual specifications are ASTM A53/A135/A795/A106/A500) is used in construction and is not used in any military or energy application. Accordingly this product should be excluded from any Section 232 tariffs as construction steel pipe has no military or National Defense use what so ever. Further certain sizes within the standard pipe size range are made by only one pipe mill in the USA and as a result a Section 232 tariff on this product might cause severe shortages which would stymie construction projects and cost many USA jobs.

WORLD TRADE—Key to the relative peace the World has enjoyed since the end of the Second World War has been the sharing of commercial interests across geographical boundaries. I just finished an enjoyable two week vacation in Japan and heard on numerous occasions how the USA pressured Japan through a number of US Presidencies to open their borders to trade with USA businesses. Placing tariffs for economic reasons, which this effort seems to be driven by, goes against our historical open trading efforts and in the long run will likely backfire on the USA. Certainly we are opening the door to retaliatory actions by our trading partners on US goods, something we need to avoid as trade wars are very dangerous. Many a war has been fought over issues of business and I hope that this long term risk is considered as the Section 232 study is finalized.

In closing, I encourage contacting me if there are any questions about this communication. I can be reached at 713.867.0716.



Gerald Merfish
CEO/President
Merfish Pipe Holdings