

STEEL 232 INVESTIGATION PUBLIC HEARING

Wednesday, May 24, 2017

10:00 a.m. - 2:00 p.m.

U.S. Department of Commerce Auditorium
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PARTICIPANTS:

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Elizabeth Sangine, U.S. Geological Survey

Nicholas S.J. Karvonides, U.S. Department of Defense

Eric Mata

Eugene Cottilli, U.S. Department of Commerce

PANELISTS:

U.S. Congresswoman Marcy Kaptur (Ohio)

Yu Gu, First Secretary, People's Republic of China, Ministry of Commerce

Alexander Zhmykhov, Deputy Head of Economic Section, Trade Representation of the Russian Federation in the USA

Karl Tachelet, Director of International Affairs, EUROFER

Vitalii Tarasiuk, Minister-Counsellor, Embassy of Ukraine

David Rintoul, President, U.S. Steel Tubular Products, United States Steel Corporation

John Ferriola, CEO/President, Nucor Corporation

Roger Newport, CEO, AK Steel Corporation

John Brett, CEO/President, ArcelorMittal USA

Barbara Smith, COO/President, Commercial Metals Company

Thomas Gibson, CEO/President, American Iron and Steel Institute

Ward Timken, CEO/President, Timken Steel Corporation

Barry Zekelman, CEO/Chairman, Zekelman Industries

Dennis M. Oates, Chairman, Specialty Steel Industry of North America

Terrence Hartford, Vice President, ATI Defense

Lourenco Goncalves, CEO/President, Cliffs Natural Resources

John Adams, President, Guardian Six LLC

John Phelps Stupp, CEO/President, Stupp Bros., Inc.

Ryan Chadwick, Vice President/General Counsel, Ipsco Tubulars, Inc.

Tim Johns, Vice President of Manufacturing, Nippon Steel and Sumikin Cold Heading Wire Indiana

Byeong Bae Lee, President, Hyundai Steel America

Gary Horlick, International Trade Counsel, American Institute for International Steel

Robert Budway, President, Can Manufacturers Institute

Tracey Norberg, Senior VP and General Counsel, Rubber Manufacturers Association

Suzi Agar, President, Air Distribution Institute

John Cross, Steelscape, LLC

Jim Tennant, CEO, Ohio Coatings Company

Leo Gerard, International President, United Steelworkers

David Zalesne, Vice Chairman, American Institute of Steel Construction (AISC) and President, Owen Steel Company

Philip Bell, President, Steel Manufacturers Association

Bill Geary, Chairman, Cold Finished Steel Bar Institute and President, Nelson Steel Company

Edward Vore, Chairman, Committee on Pipe and Tube Imports and CEO of ArcelorMittal Tubular Products North America

Raymond Monroe, Executive Vice President, Steel Founders' Society of America

Mark Millet, President/CEO, Steel Dynamics

Alexander Maass, President, Maass Flange Corporation and Coalition of American Flange Producers

Robert Landry, Vice President/Chief Commercial Officer, Port of New Orleans

Joel Johnson, CEO, Borusan Mannesmann Pipe USA

1 PROCEEDINGS

2 MR. HILL: So for those of you who may not
3 know me, my name is Dan Hill. I'm the Acting
4 Undersecretary for the Bureau of Industry and Security
5 and I want to welcome you to our public hearing on 232
6 Investigation on Steel.

7 Joining us today is a panel of experts from
8 across the government and I'd like to introduce them
9 first. On my immediate left closest to me and then
10 working our way down the table is Matt Borman, our
11 Acting Assistant Secretary for Export Administration;
12 Peter Klason, who's with our Office of Chief Counsel;
13 Ericka Maynard, who is the person who has put all of
14 this together and deserves our thanks for doing a great
15 job. Thank you.

16 Next to her is Julie Al-Saadawi with the ITA.
17 Julie is our steel expert. Next to her is Liz Clark,
18 an economist from ITA. Both of them having been
19 advising them -- advising us on a regular basis as we
20 proceed with the investigation. And then we have Beth
21 Sangine from the U.S. Geological Survey, Nicholas
22 Karvonides from Department of Defense, and then Eric

1 Mata from the Defense Logistics -- Department of
2 Defense, Defense Logistics Agency.

3 I'd welcome everybody to today's public
4 hearing. It is now my pleasure and honor to introduce
5 our Secretary of Commerce.

6 Secretary Ross is a true friend of the Bureau
7 of Industry and Security. He has been tasked by the
8 President of the United States to be the voice of
9 business in the Trump Administration. Daily he ensures
10 that U.S. entrepreneurs and businesses have the tools
11 they need to create jobs, economic opportunity, and
12 they have a voice now in Washington in our Secretary.

13 Secretary Ross is a former chairman and chief
14 strategy officer of WL Ross & Company and has over 55
15 years of investment banking and private equity
16 experience. Mr. Ross has restructured over \$400
17 billion of assets and has been chairman or lead
18 director of more than 100 companies operating in more
19 than 20 different countries. We are very privileged to
20 have him leading the Department of Commerce during this
21 very important economic times.

22 Please join me in a warm welcome for the

1 Secretary of Commerce, Secretary Wilbur Ross.

2 (Applause.)

3 MR. ROSS: Good morning. To start, I'd like
4 to highlight a few members of our team who were
5 instrumental in putting together today's proceedings:
6 Acting Undersecretary Daniel Hill, Assistant Secretary
7 Matthew Borman, Mr. Brad Botwin, and Ms. Julie Al-
8 Saadawi.

9 Just a few weeks ago, the Department of
10 Commerce initiated a national security investigation of
11 steel imports authorized under Section 232 of the Trade
12 Promotion -- Trade Expansion Act of 1962. President
13 Trump then issued a memorandum directing the Department
14 to conduct the investigation expeditiously. This
15 begins with an evaluation of the current state of the
16 U.S. steel industry, as well as current imports of
17 steel products and raw materials.

18 The purpose of the investigation is to
19 determine if the steel being imported into this country
20 impairs our national economic and military security.
21 If we determine that steel imports are indeed a threat
22 to our security, the Department will recommend

1 responsible action to the President. Today we will
2 hear remarks of several American steel producers, as
3 well as numerous industry experts familiar with steel
4 trade and manufacturing. We hope the public will
5 provide us both with factual input, as well as
6 suggestions for potential remedies.

7 Key questions need to be answered. Most
8 importantly, does the problem rise to the level of
9 crisis sufficient to warrant action beyond existing
10 countervailing duty, anti-dumping cases? If the
11 President does decide to take action, should it cover
12 all steel from everywhere? What do we do in terms of
13 the 20 plus percent of steel imports from our NAFTA
14 partners? Should all products be covered? Is some
15 sort of tariff rate quota appropriate or a more broadly
16 based tariff? Are there products or countries that
17 should be excluded? Is there some innovative solution?
18 If we go the tariff route, should it be broadly applied
19 or a tariff schedule for groups of products?

20 I look forward to getting your inputs as we
21 collect more information.

22 Each panelist will be given five minutes to

1 speak. Then members of the United States Government
2 panel will ask questions related to the written and
3 oral submissions.

4 We are streaming the hearing online and also
5 will provide a transcript for later review.

6 We have a lot of panelists today, I think 37
7 all together, and so with that, let's get down to
8 business.

9 Thank you.

10 (Applause.)

11 MR. COTTILLI: Thank you, Mr. Secretary. And,
12 of course, once again we'd like to welcome all of you
13 to today's public hearing on the Bureau of Industry and
14 Security Section 232 national security investigation
15 into the effect of steel imports on U.S. national
16 security.

17 The Federal Register Notice was published on
18 April 26, 2017 and that set today as the date for those
19 who wish to testify on this matter. As the Secretary
20 indicated, 37 speakers will present testimony today.
21 If there is anyone who has not submitted comments for
22 the public record and would like to do so, we will

1 accept those comments through May 31st, which is one
2 week from today.

3 Just to quickly review the ground rules for
4 today's hearing, the panel -- those of you who have
5 been selected to testify will be called to the podium
6 when it's your turn. The order of speakers is listed
7 in the agenda that was provided when you checked in and
8 we'll be calling up the speakers in order. The
9 speakers will be asked to limit their testimony to five
10 minutes. A timekeeper is on hand and that person will
11 give you a reminder when you're nearing the end of your
12 time.

13 Please do not go past your allotted five
14 minutes as we hope to allow equal time for all who are
15 here to testify today. No outside equipment is allowed
16 during your testimony.

17 These proceedings, also as the Secretary
18 indicated, are being recorded and the transcript is
19 going to be posted on the Department of Commerce
20 website. The panel asks that when you do come up to
21 the podium, please identify yourself and the
22 organization that you represent prior to the beginning

1 of your statement.

2 We will not be taking any questions from those
3 testifying or from the audience during the hearing;
4 however, we may seek clarification on specific points
5 you've raised.

6 We now begin with our first speaker,
7 Congresswoman Marcy Kaptur from the state of Ohio.

8 MS. KAPTUR: Good morning. Please let me
9 express my appreciation to President Trump and his able
10 Secretary of Commerce, Wilbur Ross, for initiating this
11 hearing. I'm honored to appear before your
12 distinguished panel and say to those in the audience
13 that I appreciate being placed here at the start
14 because we have votes up on The Hill today.

15 My remarks issue a clarion call vital to our
16 nation's defense industrial base. Please help us save
17 the remaining modernized U.S. steel manufacturing and
18 let us begin in communities like Lorain, Ohio. America
19 today faces a national steel crisis. Rising,
20 unprecedented global overproduction coupled with unfair
21 dumping threaten the viability of our United States'
22 steel industry like few times before. Moreover,

1 declining domestic prices exacerbated by currency
2 manipulation and the uneven impact of the VAT tax
3 relished by our competitors bear down further on a
4 beleaguered industry.

5 Our steel communities cannot wait for long.
6 American steel needs action now.

7 I will place some additional articles in the
8 record, including one from the American Iron and Steel
9 Institute, Kevin Dempsey, General Counsel, and I will
10 give my recommendations, and then in the remaining time
11 attempt to summarize.

12 My recommendations are first that the panel
13 stop foreign dumping of steel on our market beginning
14 with tubular piping. Number two, to preserve our
15 modernized capacity so our nation can maintain our
16 strategic industrial and defense bases; third, to
17 develop bridge financing using the full executive power
18 of the Administration to secure first a modernized U.S.
19 steel production platform and capacity, along with
20 economic development and trade adjustment assistance to
21 communities and workers harmed by that continuing
22 dumping and figure ways to neutralize the impact, the

1 negative impact, of the VAT tax; finally, to prescribe
2 immediate retaliatory means to halt circumvention by
3 China, South Korea, Russia, India, Vietnam, and any
4 state-directed economy that continues to harm
5 production in our country.

6 According to Cleveland State University, Ohio
7 alone saw a raw steel production drop by 49 percent
8 since 2000. This occurred despite hundreds of millions
9 of dollars of investment and modernization in our state
10 and who actually bears this burden of washout? It is
11 the U.S. companies caught in a terribly unfair global
12 playing field and thousands of working families in
13 districts such as the one I represent all across
14 America's heartland, not just Ohio, but Indiana,
15 Michigan, Wisconsin, Pennsylvania, to name a few.

16 For years, many of us who have fought mightily
17 against unfair trade deals have seen our hardworking
18 neighbors brought to their knees. For years we've been
19 promised federal intervention to end predatory trade
20 practices, to stabilize local economies and achieve
21 open global markets. Much is at stake for America and
22 for Americans who have dedicated their lives to achieve

1 a competitive and highly efficient industry critical to
2 our future.

3 Last month, I wrote the Administration along
4 with Ohio Senators Rob Portman and Sherrod Brown on
5 behalf of the more than 700 newly idled U.S.
6 steelworkers and their families in Lorain, Ohio. They
7 were just notified that in less than two weeks, they
8 will permanently lose their jobs. This represents a
9 dagger through the heart of Lorain, Ohio.

10 Lorain is a town that once employed 12,000
11 hardworking men and women in the steel industry, and
12 despite over \$200 million invested in Lorain's steel
13 modernization by the industry with wage, health, and
14 pension benefits sacrifices by workers, hundreds more
15 of the remaining steel jobs have been disappearing in
16 the last two years. It feels as though the life of a
17 vibrant community is being drained out as imports flood
18 into our marketplace, even coming through import
19 portals like the Port of Cleveland right next door.

20 We cannot slow walk to a national response
21 that cedes the future to a rigged predatory set of
22 practices by other nations that win market shares by

1 violating the rules. Through no fault of their own,
2 workers lose their livelihoods to unfettered dumping on
3 our market and that steady drip of victims lay across
4 our communities, drowned by steel from South Korea,
5 China, Russia, India, and Vietnam.

6 For many decades, Lorain was one of America's
7 premier steel towns. It deserves to be so. It is my
8 understanding that U.S. workers now can produce a ton
9 of finished steel in under one man hour, a pace that
10 makes their operations the most efficient in the world.
11 So if that is true, why has America's steel been
12 battered by the continued jobs washout?

13 According to a 2016 report from Duke
14 University, China alone produces 2,300 million metric
15 tons of steel despite the fact that only 1,500 million
16 metric tons are necessary to meet global demand. That
17 is an 800 million metric ton overage globally just from
18 that country. Are the rest of the world's free market
19 steel producing nations to be buried under heaps of
20 Chinese dumped steel by an economy that is state run?

21 The U.S. Trade Representative's Office said in
22 2015 that China's capacity alone exceeded the combined

1 capacity of the United States, the European Union,
2 Japan, and Russia. Further, the U.S. racked up a trade
3 deficit of \$2.2 billion with Korea alone in 2016, not
4 including subsidized energy tariffs by state-owned
5 Korean Electric Power Corporation.

6 Additionally, tubular steel imports, the same
7 type of steel made in Lorain, rose by 86 percent from
8 2016 to 2017. So there seems to be demand, but
9 continuing unfair practices render the global steel
10 market unviable according to economists at Duke and
11 this adversely affects companies and workers in places
12 like Lorain.

13 I will place on the record the story of Thomas
14 Kelling, a fine American, one of the thousands of
15 steelworkers to lose their jobs due to unfair trade
16 practices. He's worked hard. He's been able to raise
17 his family. His three children, one of whom is looking
18 at college, has instead taken a job to help support the
19 family now.

20 After 22 years at the mill and facing yet
21 another layoff, Mr. Kelling is forced to start over and
22 fight for his job and his family while he pursues every

1 opportunity available. Believe me, the programs of the
2 federal government do not easily help him adjust to a
3 new future if there is to be one.

4 Sadly, his story is not unique. More than
5 14,500 American workers have lost their jobs in the
6 last two years in this industry as a result of our
7 inability to quickly address their plight and the
8 plight of this industry. Indeed, entire communities
9 suffer as families struggle, small businesses lose
10 customers, and local governments lose revenue.

11 It is my understanding that according to
12 Section 232, the Department of Commerce has 270 days to
13 complete an investigation. I urge this Administration
14 and this panel to expedite this artificial schedule and
15 work as quickly as possible to link to those workers
16 and those firms in communities such as I represent so
17 they do not face such a difficult future.

18 I can guarantee you the lives of Americans are
19 at risk and Ohio steelworkers and businesses simply do
20 not have 270 days. The time for action is now.

21 I appreciate the opportunity to appear before
22 you today, and Secretary Ross, thank you for expediting

1 this hearing.

2 MR. ROSS: Thank you, Congresswoman. I'd like
3 to assure you we have no intention of taking 270 days.
4 Our hope would be to complete the report by the end of
5 June.

6 MS. KAPTUR: Thank you. Thank you all very
7 much.

8 MR. COTTILLI: Thank you, Congresswoman. I
9 think we're ready for the next speaker --

10 MS. KAPTUR: Thank you.

11 MR. COTTILLI: -- Representative from the
12 Embassy of China. Thank you.

13 Questions? No further questions. Thank you
14 again.

15 MR. GU: Thank you, Mr. Chair. Good morning,
16 everyone. My name is Yu Gu and I'm from the Chinese
17 Embassy. I welcome the opportunity to present the
18 position of the Ministry of Commerce of China in this
19 investigation and the effects, if any, of steel imports
20 of the national security of the United States.

21 The Ministry of Commerce believes there is no
22 evidence that steel imports threaten to impair U.S.

1 national security. United States defense and the
2 national security requirements are plainly not
3 dependent on imports of foreign made steel. Simply
4 put, United States national defense and other critical
5 sectors need for steel can be and are readily satisfied
6 by U.S. domestic production.

7 First, your agency, as well as the U.S.
8 Department of Defense, have previously determined that
9 U.S. national defense requirements for finished steel
10 are very low. Recent statistics of the American Iron
11 and Steel Institute show that just 3 percent of the
12 total U.S. domestic steel shipments go to national
13 defense and Homeland Security. Clearly, current and
14 projected U.S. national defense demand for steel can be
15 readily satisfied by domestic production.

16 Moreover, the U.S. Department of Defense has
17 long established domestic procurement requirements that
18 apply to all steel used in critical national security
19 systems. Annual reports of U.S. domestic steel
20 producers show that they cover the steel supply for
21 national defense and national security applications and
22 the capacity and the shipments of steel of this

1 companies are -- exceed U.S. national defense and the
2 security requirements. Thus, steel produced
3 domestically in the United States remains in abundant
4 supply relative to U.S. national defense requirements.

5 Second, the United States imports steel from a
6 diverse array of more than 100 countries and
7 territories. The portion of imports from each
8 individual country is relatively low compared to total
9 importers. Canada, for example, the largest source of
10 imported steel, accounts for only 17 percent of steel
11 imports and of the vast majority of U.S. steel imports
12 nearly 70 percent are from close U.S. allies.

13 Furthermore, U.S. relies on imported steel is
14 declining. Your Commerce Department found that steel
15 imports have declined by more than 27 percent since
16 2014.

17 Third, the U.S. steel industry is healthy and
18 has the capacity to produce the steel needed to satisfy
19 the country's national security requirements. In
20 particular, U.S. producers have state-of-the-art
21 technology to produce high end, high value steel
22 products. The top domestic U.S. steel producers are

1 actively making significant new investments both
2 domestically and abroad. That increase the efficiency
3 of their domestic output and enhance their global
4 strength and competitiveness. Furthermore, given
5 current capacity utilization rates around 70 percent of
6 the U.S. steel industry has significant expansion
7 potential to continue providing ample supply for
8 national security needs.

9 The U.S. Government already provides domestic
10 producers with adequate trade protections. Over the
11 last 40 years, the U.S. initiated more than 200 trade
12 remedy investigations on imported steel products from
13 over 25 countries. These orders provide the U.S.
14 industry with full protection from imports of steel, as
15 well as generate revenue for the U.S. Treasury due to
16 high rates of duties.

17 First, the volume of imports of steel from
18 China have significantly declined in recent periods and
19 represent a very minimal portion of the U.S. steel
20 imports. Steel imports from China, which are primarily
21 low-end products sold to distributors and the
22 processing centers are down 66.4 percent since

1 September 2015.

2 Chinese steel imports plainly do not impact
3 U.S. --

4 MR. COTTILLI: Sir, time.

5 MR. YU: -- national security.

6 MR. COTTILLI: Time, please. Thank you.

7 MR. YU: Thank you.

8 MR. BORMAN: Our next speaker, come to the
9 podium, please.

10 MR. ZHMYKHOV: Good morning. My name is
11 Alexander Zhmykhov with the Trade Representation of
12 Russia in the USA. Thank you for the opportunity to
13 speak today on behalf of the Ministry of Economic
14 Development of the Russian Federation.

15 Currently, exports of a broad range of steel
16 products from Russia into the United States are subject
17 to substantial limitations imposed by an agreement
18 suspending the anti-dumping investigation on cut-to-
19 length carbon steel plate and by anti-dumping duties
20 against hot-rolled, flat-rolled carbon-quality steel.
21 These two remedies have had the effect of disciplining
22 imports of steel products from Russia to such an extent

1 that the Russian imports must be excluded from any
2 remedy recommendation in the current investigation. A
3 contrary result would unfairly subject imports of the
4 Russian steel to duplicative and severe limitations.

5 Regarding cut-to-length carbon steel plates,
6 in accordance with the Plate Suspension Agreement that
7 was put in effect in 2003, each signatory Russian
8 producer and exporter agrees not to sell its
9 merchandise subject to this agreement to any
10 unaffiliated purchaser in the U.S. at prices that are
11 less than normal values of the merchandise as
12 determined by the Department on the basis of
13 information submitted to the Department.

14 There is only one Russian producer who
15 provides necessary information to the Department and
16 has the possibility to sell subject goods to the USA.
17 The quantities of shipments of the product from Russia
18 to the United States plummeted by more than 25 times
19 from 252,000 tons in 1996 to 10,000 tons in 2016. The
20 Department issues the normal values which exclude the
21 risk of unfair trade practices by Russian import.

22 The U.S. market of hot-rolled coils and sheets

1 has been closed for the Russian exporters due to the
2 prohibitive level of anti-dumping duties of up to
3 184.56 percent since the end of 2014. Prior to that,
4 there was the suspension agreement in force. Russian
5 producers treated the agreement with duly respect,
6 although it was designed for non-market economy country
7 in 1999.

8 Also, in September 2016, less than three
9 quarters ago, the Department finished their anti-
10 dumping and countervailing investigations against
11 certain cold-rolled steel flat products with no
12 measures for the Russian originated products due to a
13 negligible amount of import, proving that import of
14 these goods from Russia didn't cause any injury to the
15 U.S. industry.

16 In light of the array of limitations that
17 already exist and have already severely reduced the
18 volume of imports of Russian flat-rolled carbon steel
19 products into the United States, we urge the Department
20 to use great caution in course of the current
21 investigation in order to ensure that the Russian
22 merchandise is not subject to excessive, redundant, and

1 conflicting restrictions.

2 The statute directs the President to provide
3 relief only to the extent the cumulative impact of such
4 action doesn't exceed the amount necessary to prevent
5 or remedy the serious injury. In the current case,
6 however, the Russian imports have already been so
7 drastically limited by the measures in force that
8 further limitations would be excessive in terms of the
9 amount necessary to prevent or remedy the injury found
10 by the Department. It would be unfair, therefore, for
11 the Department to recommend a remedy to the President
12 that is not necessary to fulfill the statutory standard
13 for the imposition of relief.

14 For the reasons outlined above, we
15 respectfully reiterate that there is no need for the
16 imposition of additional import restraints on the
17 Russian steel products. Additional remedies under
18 Section 232 would unfairly impose redundant and
19 potentially conflicting remedies on imports from
20 Russia. We respectfully ask the Department to abstain
21 from recommending any additional remedies on imports of
22 steel from Russia.

1 Thank you.

2 MR. BORMAN: Thank you. Let me see if the
3 Secretary or the panelists have any questions. No, I
4 don't think we have any. Okay. So no questions.
5 Thank you.

6 If we could have our next speaker come up,
7 please.

8 MR. TACHELET: Secretary of Commerce, Mr.
9 Ross, member of the panel, thank you for inviting me to
10 participate. My name is Karl Tachelet. I am Director
11 of International Affairs for EUROFER. Within EUROFER,
12 I'm responsible for EU trade actions covering imports,
13 as well as third-market excess. The EU not only import
14 around 25 million tons of finished steel, excluding
15 tubes, it also exports more than 20 million tons.

16 EUROFER companies are long-standing, reliable
17 suppliers of steel to the United States. Many of have
18 steel plants in the United States. The EU Government,
19 as well as industry, share the same concerns of global
20 steel overcapacity, excess steel production, and unfair
21 trading practices. EUROFER has been working with the
22 European Commission to tackle unfair, injurious import

1 surges using our trade defense instruments. If applied
2 without inhibition, EU trade defense sections aren't
3 effectively supporting our industry.

4 We have not considered measures of the sort
5 that you are considering in this investigation, but
6 more work is need to address the root causes discussed
7 in fora like OECD and the G-20 Steel Excess Capacity
8 forum. Concrete action must be taken collectively by
9 the EU, U.S., and other like-minded governments to
10 secure balance in global and regional markets. We do
11 not believe that restrictive, unilateral action based
12 on national security will allow for lasting solutions
13 we all need. However, as the U.S. pursues its
14 investigation, EUROFER believes the analysis of
15 national security must be narrowly tailored to focus on
16 direct threats to national security.

17 First, the analysis should focus on specific
18 steel products needed for specific uses directly tied
19 to national security, in particular defense
20 application. What do tin mill products used to cans
21 for food and beverages have to do with national
22 security? How real is the risk that one day the U.S.

1 will not be able to produce enough rebar or sections
2 for construction and infrastructure given its massive
3 scrap availability? In this regard, we know that many
4 of the subsectors identified by the Department of
5 Homeland Security as critical infrastructure
6 applications have little or no relevance to national
7 security needs.

8 Second, if a clear, direct national security
9 link exists, the investigation should determine whether
10 U.S. producers have sufficient capacity to meet the
11 needs of the Defense Department and critical
12 infrastructure applications.

13 Third, the investigation should consider
14 factors showing that import adjustment is not needed.
15 In particular, the consideration whether adequate
16 complementary imports are available from U.S. allies,
17 like the EU. If so, action should not be taken to
18 adjust imports. Furthermore, any import adjustment
19 should differentiate based on the threat posed to U.S.
20 national security by specific foreign steel suppliers.
21 Not all foreign sources of steel are the same with
22 respect to national security.

1 EUROFER companies are longstanding, reliable
2 suppliers of high-quality steels that are needed to
3 maintain U.S. national security and many have invested
4 in U.S. plants to make steel products employing
5 American workers. If the Bureau would not have
6 adequate information or sufficient information at hand
7 to perform this analysis, it could issue questionnaires
8 to users, U.S. producers and foreign producers of
9 steel.

10 A lack of information on consumption of
11 specific steels and U.S. producers' capacity to make
12 them is not a reason not to perform a meaningful
13 analysis. ITC regularly issues questionnaires and
14 trade remedy investigations. EUROFER is available to
15 contribute to such framework, including data, to ensure
16 that the investigation produces a focused analysis.

17 Thank you.

18 MR. BORMAN: Thank you. Any questions from
19 the panel? Thank you.

20 We're ready for our next speaker. Thank you.

21 MR. TARASIUK: Hello. I would like to thank
22 Department of Commerce and Secretary Ross for

1 permitting me to speak at this very important hearing.
2 My name is Vitalii Tarasiuk on behalf of the Economic
3 and Trade Office of the Embassy of Ukraine to the
4 United States. I'm here on behalf of the government of
5 Ukraine to share our views concerning this matter.

6 Ukraine and the United States are in good
7 relations on matters of national security and the
8 economy. Imports of steel are a normal feature of the
9 trades relations between our countries. Such imports
10 from Ukraine do not in any way threaten to undermine
11 the national security of the United States. To the
12 contrary, trading steel provides mutual benefits to
13 both countries. So we respectfully ask the United
14 States not to impose under measures under Section 232
15 against imports from steel from Ukraine.

16 The United States and Ukraine have maintained
17 a close diplomatic and security relationship since
18 Ukraine gained its independence in 1991. Ukraine has
19 closely cooperated with the United States on nuclear
20 nonproliferation issues, including giving up its
21 nuclear weapons. The U.S. Department of Defense has
22 assisted Ukraine in its defense and security reform,

1 including related to defense planning, policy,
2 strategy, and financing.

3 Ukrainian military officers attend U.S.
4 military schools to receive vital training,
5 instruction, and professional development. Ukraine has
6 contributed a large number of troops to Iraq to support
7 United States' efforts there. From 2003 to 2005,
8 Ukraine had the fourth largest number of foreign troops
9 in Iraq after the United States, United Kingdom, and
10 Poland. As a result of the illegal occupation of the
11 Autonomous Republic of Crimea and the city of
12 Sevastopol by the Russian Federation and its further
13 military invasion in certain areas of the Donetsk and
14 Luhansk regions, since 2014, slightly over 7 percent of
15 the territory of the Ukraine temporarily remains out of
16 control of the government of Ukraine. Under the
17 circumstances, maintaining a close cooperation in the
18 diplomatic and security fields is clearly in the mutual
19 interest of both of our countries.

20 The United States is not a major export market
21 for Ukrainian steel. Ukraine steel producers are
22 principally focused on regional markets in Eastern

1 Europe, the Middle East, and North Africa. Exports of
2 steel to the United States barely ranked 19th of all
3 export destinations in 2016.

4 As a result of the illegal expropriation of
5 Ukrainian companies' assets and property by the Russian
6 forces in certain areas of the Donetsk and Luhansk
7 regions of Ukraine in March 2017, a large part of
8 Ukraine's steel industry was put in uncertain position.

9 Ukraine's steel industry is under attack, both
10 physically and economically, by foreign-backed
11 separatists in the Eastern portion of Ukraine. In
12 March, a large segment of Ukraine's steel industry in
13 the Donetsk region was seized by the separatists. This
14 has put the Ukrainian steel industry in a very
15 uncertain position.

16 The viability and success of Ukraine's steel
17 industry is crucial to economic and political stability
18 of Ukraine. It is also vital to the bilateral U.S.-
19 Ukraine security relationship, which bolsters U.S.
20 strategic interest in the region.

21 The U.S. Government, in 2001, completed a
22 similar Section 232 investigation concerning imports of

1 iron ore and semi-finished steel. The Department of
2 Commerce concluded in that case that there is neither
3 evidence showing that the United States is dependent on
4 imports of iron ore or semi-finished steel, nor
5 evidence showing that such imports threaten the ability
6 of domestic producers to satisfy national security
7 requirements.

8 Applying the same methodologies, we are
9 confident that the evidence obtained in this case will
10 likewise show that the steel imports do not threaten
11 U.S. national security. Taking into account that the
12 United States and Ukraine are members of the WTO, we
13 would like to emphasize that any possible measures
14 should be in line with the obligations under the WTO.

15 We'll look forward to continued cooperation
16 with the United States Government in securing peace,
17 protecting international law, and stabilizing the
18 Ukraine economy. We do hope to continue to develop and
19 open a mutually beneficial trade and investment
20 relationship with the United States.

21 Thank you for the opportunity to testify here
22 today.

1 MR. BORMAN: Thank you. We're ready for our
2 next speaker. Thank you very much.

3 MR. RINTOUL: Good morning, Secretary Ross and
4 distinguished panel members. My name is David Rintoul.
5 I'm the president of United States Steel Corporation,
6 Tubular Business Segment. Thank you for the
7 opportunity to elaborate on the national security
8 consequences that significantly exacerbate the harm we
9 suffer when the U.S. fails to act against steel
10 products imported in violation of U.S. law.

11 I'm a proud 10-year veteran of U.S. Steel and
12 a nearly 40-year veteran of the steel industry. It is
13 no small matter that I speak about today. I hope you
14 will agree that, in fact, it's quite a big deal not
15 only for one of our nation's foundational companies,
16 but for the United States as a whole.

17 For more than a century, the iconic United
18 States Steel Corporation, born during America's
19 industrial ascendancy, represented the unique
20 ingenuity, competitiveness, and boundless aspirations
21 of our country. As one of the leading pioneers of the
22 American Century, U.S. Steel literally helped to lay

1 the foundation of our great cities, build the tools and
2 transportation infrastructure that unified the
3 continent, and heeded the call to arms, when as a
4 nation at war, we stood against the forces of those who
5 would forever change our way of life.

6 One aspect of our defense infrastructure that
7 is dangerously threadbare involves our country's
8 reliance on imported steel products known as oil
9 country tubular goods, otherwise known as OCTG. A
10 family of products that makes it possible for energy
11 companies to explore for, retrieve, and bring to market
12 oil and gas that America needs to guard its security
13 through a reliable and dependable supply of
14 domestically produced energy.

15 Today, imports make up approximately 50
16 percent of the OCTG market. Driven by Chinese
17 manufacturers over the last several years, and now
18 overtaken by plants in South Korea, foreign suppliers
19 have made it their mission to steal this market from
20 U.S. companies, well aware of the danger such a loss of
21 domestic capacity would pose to America's national
22 security. So you might ask how did we get it here and

1 how bad is it. Sadly, the answer is threefold.

2 First, the government of South Korea, China,
3 and elsewhere have deemed dominance in this market a
4 matter of their national security. To accomplish this
5 goal, they've plainly subsidized their domestic
6 industries, providing as much regulatory and other
7 support as needed, and worked steadily to undermine
8 U.S. efforts. And, for the record, the domestic market
9 in China is essentially -- and just -- sorry, in South
10 Korea, is essentially is nonexistent and in China, it's
11 minimal, at best.

12 Second, the results of this behavior by
13 countries in large -- in counties in large swaths
14 across America has been predictable and painful in
15 human terms and has left us with a long-term deficit
16 when it comes to this key manufacturing capability. In
17 the tubular business at U.S. Steel alone, this unfair
18 competition has resulted in the closure of 50 percent
19 of our mills since 2014 and forced us to lay off way
20 too many of our friends and colleagues as a result of
21 this and the harm is agonizingly real.

22 In 2014, we had more than 3,000 people working

1 as part of our team focused on tubular products and
2 production. At its low point 6 months ago, that number
3 had dwindled to 950, a reduction of over two-thirds.
4 Even today, as the energy market has begun a modest
5 turnaround, we've only been able to engage a total of
6 1,300 people in our business.

7 In the last two years alone, U.S. Steel's
8 tubular business has suffered severe financial losses.
9 Adding to this pain is the fact that during these
10 losses and while they occurred, imports from South
11 Korea, Mexico, and Russia continued to crush our --
12 cross our borders, including those from some of our
13 competitors who claim to be American, but closed all of
14 their American plants and brought pipe in from foreign
15 sources.

16 Which brings me to point number three. As a
17 nation, we need to understand that the traditional
18 remedies used in trade related matters from increased
19 import duties to more rigorous enforcement simply
20 weather in the face of the audacity of these foreign
21 companies and their government sponsors. While these
22 foreign companies and governments operate under the

1 guise of competition and fairness, their actions are
2 driven by a no holds barred ruthless focus on winning
3 control over the markets that Americans need to defend
4 the nation near and long-term threats.

5 Putting a stop to this foreign government
6 enabled encroachment into America's critical energy
7 independence infrastructure is no less a matter the
8 nation's security than building new generations of
9 ships and aircrafts and strengthening our cyber
10 defenses. They are all crucial. Simply put, if we as
11 a nation are hostage to the other parts of the world
12 for the development of key pieces of our energy sector,
13 then we can never lay claim to true energy
14 independence, which puts us at tremendous risk.

15 MR. BORMAN: Mr. Rintoul, if you could wrap up
16 your remarks, please. It's -- we're at five minutes.

17 MR. RINTOUL: I'm sorry.

18 MR. BORMAN: If you could wrap up your
19 remarks, thank you.

20 MR. RINTOUL: I've got two more sentences.
21 American companies have always strived when the playing
22 field is level and rules are clear. Honest competition

1 is at the heart of our democracy and we look forward to
2 a time in the near future when that norm once again
3 governs the marketplace. We must let truth, justice,
4 and the American way prevail.

5 Thank you.

6 MR. BORMAN: Thank you, sir. I think we're
7 ready for our next speaker.

8 And for all of you who have remarks that are
9 longer than you've submitted than you have time to get
10 in five minutes, those will all be in the record.

11 MR. RINTOUL: Thank you.

12 MR. BORMAN: Thank you.

13 MR. FERRIOLA: Good morning. I'm John
14 Ferriola, Chairman, CEO, and President of Nucor
15 Corporation. On behalf of Nucor and our more than
16 24,000 teammates, I would like to thank you for the
17 opportunity to appear before you today.

18 We welcome this investigation and addressing
19 the unprecedented crisis facing the U.S. steel industry
20 caused primarily by the massive global overcapacity and
21 historic import levels. This crisis must be resolved
22 if we are to continue supplying steel for U.S. national

1 defense and critical infrastructure applications.

2 As the largest steel producer and recycler in
3 the United States, Nucor is proud to supply our armed
4 forces with a wide variety of mission critical steel
5 products to keep our soldiers and our nation safe. For
6 example, Nucor bar products are used in Humvee
7 suspensions and track forgings for the Abrams Tank and
8 Bradley Fighting Vehicle. Our structural steel goes
9 into the Patriot missile system and are armored plate
10 protects soldiers and sailors in armored vehicles,
11 aircraft carriers, and destroyers.

12 In addition, Nucor steel supports the critical
13 transportation and energy infrastructure that is vital
14 to our entire economy.

15 We agree with President Trump that -- and I'm
16 quoting -- "core industries such as steel are critical
17 elements of our manufacturing and defense industrial
18 bases." That is why Nucor has invested significantly
19 to become a reliable supplier of these products.

20 Playing a role in our nation's defense
21 requires a long-term financial commitment. For
22 example, Nucor is one of only two steel companies in

1 the United States certified to produce Navy grade armor
2 plate for aircraft carriers, destroyers, and
3 submarines. Entering this market required purchasing
4 specialized equipment, hiring knowledgeable personnel,
5 developing advanced chemistries and processes, and
6 undertaking rigorous testing and certification
7 procedures to meet the Navy's requirements.

8 This is the type of continual investment that
9 is necessary to satisfy the rapidly evolving needs of
10 our armed forces. Unfortunately, global overcapacity
11 and unfairly traded imports threaten our ability to
12 invest. Production overcapacity in the steel industry
13 has reached crisis levels. There is more than 700
14 million metric tons of global steel overcapacity, more
15 than half of which is located in China alone. In fact,
16 China's state-supported steel industry now exports more
17 steel than is produced by all three NAFTA countries
18 combined.

19 China is at the heart of this crisis, but
20 governments in countries like Korea, Brazil, Russia,
21 and Turkey also do their part to drive excess steel
22 capacity. These governments continue to flood the

1 world with artificially cheap steel and much of it
2 finds its way to the United States where markets are
3 open and the government doesn't keep mills running for
4 political reasons.

5 A sustained surge of low-priced imports has
6 eroded the U.S. steel industry. Over the last decade,
7 shipments have fallen by approximately 20 percent and
8 nearly 20,000 workers have lost their jobs. In 2015,
9 the industry operated at a \$1.7 billion net loss, and
10 despite improving demand in 2016, American mills only
11 operated at around 70 percent of capacity.

12 U.S. steelmakers can barely maintain what they
13 have, let alone continue to invest in developing new
14 products. This threatens the industry's ability to
15 supply the advanced steel products that our military
16 relies on. Steel is used in national defense
17 applications, maybe a relative small share of our
18 overall sales, but these products are made at the same
19 facilities and by the same workers who make other
20 products.

21 A commercially healthy industry is vital to
22 ensure that a stable supply of products for national

1 security and critical infrastructure applications.
2 This includes the entire production chain beginning at
3 the melting stage and continuing through the finishing
4 and fabrication.

5 In a time of national crisis, the U.S. cannot
6 afford to rely on imported steel slabs from foreign
7 suppliers like China and Russia. National security
8 begins with primary steelmaking. Broad based action is
9 the only way to target all imports and all address the
10 root cause of the current crisis, chronic overcapacity
11 in countries that do not operate on a market basis.

12 In closing, we urge to find that steel imports
13 threaten our national security and to take broad action
14 that will ensure the long-term viability of our
15 nation's steel industry.

16 Thank you for your time.

17 MR. BORMAN: Thank you. I do have a question
18 for you. Could you speak a little bit to the
19 relationship between the capacity of the mills and the
20 investment that's generated by the various companies?

21 MR. FERRIOLA: Yes. You know, when you talk
22 about the utilization rates that are lower today,

1 there's a direct correlation between utilization and
2 profitability or ability to cover our fixed costs of
3 our operations is impacted when we have -- when we
4 operate at such a low capacity utilization. When we're
5 not making money, it's very difficult to continue to
6 invest in new machines and invest in our teammates in
7 order to help them be ready when we have a need for
8 national defense.

9 MR. BORMAN: Good. Thank you.

10 We're ready for our next speaker. Thank you.

11 MR. NEWPORT: Thank you, Secretary Ross. My
12 name is Roger Newport and I am the CEO of AK Steel
13 Corporation. I want to thank you for the opportunity
14 to testify on behalf of AK Steel and our 8,500 U.S.
15 based employees.

16 AK Steel welcomes the Department of Commerce's
17 Section 232 investigation of the serious threat posed
18 by imported steel to our national security. For
19 decades, the steel industry has battled global
20 overcapacity and the oversupply of U.S. imports, many
21 of them dumped and subsidized. Just since the
22 beginning of 2015, over 14,000 steelworkers have been

1 laid off and numerous production facilities have been
2 idled, including AK Steel's blast furnace and
3 steelmaking operations in Ashland, Kentucky.

4 Unfortunately, unfairly traded imports remain
5 a severe threat to the long-term viability of the
6 domestic steel industry. AK Steel is the only company
7 in the United States that produces a combination of
8 flat-rolled carbon steel, stainless steel, and
9 electrical steel products. While I can certainly speak
10 to the adverse impact of imports on each of these types
11 of steel, I would like to focus my remarks on
12 electrical steel.

13 AK Steel is the sole domestic producer of
14 grain-oriented electrical steel, or GOES, which is used
15 in cores and core assemblies for the production of
16 electrical transformers. Transformers are a key
17 component of our nation's electricity grid from the
18 large transformers that transmit power across the
19 entire grid to the smaller transformers that deliver
20 power to our homes and businesses.

21 AK Steel is also the sole domestic producer of
22 high-end non-oriented electrical steel, OR NOES,

1 products. NOES is also critical for electrical grid as
2 it forms the heart of massive generators that actually
3 create electrical energy. About 2,000 highly skilled
4 workers melt and finish electrical steel products at
5 our Butler, Pennsylvania and Zanesville, Ohio
6 facilities, and we also conduct extensive electrical
7 steel research and development at our new, state-of-
8 the-art research and innovation center in Middletown,
9 Ohio.

10 While we strongly believe that electrical
11 steel plays a crucial role in our national security, so
12 do many others. Pursuant to policy directives issued
13 by both President Obama and President George W. Bush,
14 the Department of Energy has identified electricity
15 transmission systems as infrastructure that is critical
16 to our national security and it requires urgent
17 attention.

18 The government has identified equipment
19 failure in aging infrastructure in the U.S. as threats
20 to our national security. Because virtually all
21 household and businesses rely on electricity, the
22 security and long-term viability of the U.S. electrical

1 infrastructure is a critical national imperative. A
2 secure reliable supply of electrical steel is necessary
3 to maintain the electrical grid. Major blackouts, such
4 as the one in San Francisco last month that shut down
5 the financial center of the city, demonstrate that the
6 lack of reliable electrical grid infrastructure is a
7 major threat to our national economy.

8 Major blackouts may occur as a result of grid
9 obsolescence, severe weather events like Hurricane
10 Katrina or Superstorm Sandy or cyber terrorist or other
11 attacks on the electrical grid infrastructure. A
12 secured domestic source of electrical steel is more
13 important than ever before and AK Steel has sufficient
14 production capacity to meet current and future
15 estimated demand within the U.S. and we can quickly
16 react to national emergencies as we did following
17 Hurricane Katrina.

18 Due to competition from dumped and subsidized
19 imports, the only other U.S. producer of GOES,
20 Allegheny Technologies, shuttered a plant and
21 discontinued GOES production in 2016. High-end
22 electrical steel is a very difficult product to make as

1 it requires a significant amount of dedicated capital
2 equipment and a sophisticated, well-trained workforce.
3 Therefore, if AK Steel were to exit the market, there
4 would be no operational electrical steel manufacturing
5 equipment in the United States and specialized labor
6 and related expertise in operations would be lost and
7 many of AK Steel's talented operators and researchers
8 would simply relocate to other businesses or
9 industries, foreign countries or become unemployed.

10 AK Steel strongly supports presidential action
11 to stem the surge of imported electrical steel. We are
12 very concerned that importers will simply sidestep the
13 relief that covers steel by using foreign electrical
14 steel to build cores and transformers outside the
15 United States, then simply import those cores and
16 transformers into the country. Therefore, to
17 effectively address the vital national security
18 interests of the United States and protect the domestic
19 electrical grid for the long run, the Department of
20 Commerce must include imported cores and transformers
21 in any relief that covers imports of electrical steel.

22 Without addressing this supply chain issue,

1 any remedy of electrical steel will easily be
2 circumvented. Keeping imports of electrical steel
3 cores and transformers at a reasonable level would
4 balance the interest of protecting our national
5 security with allowing a reasonable level of imports to
6 meet the ongoing needs of buyers of these materials.
7 Complete reliance on imports for these critical
8 products would ultimately lead to dependency on foreign
9 sources for the materials needed to maintain and
10 modernize the electrical grid.

11 Thank you for the opportunity to testify.

12 MR. BORMAN: Thank you. We're ready for our
13 next speaker.

14 MR. BRETT: Good morning. I'm John Brett,
15 President and CEO of ArcelorMittal USA. Thank you for
16 holding this hearing on the impact of steel imports on
17 national security.

18 Our country's defense and industrial base
19 depends on a strong and sustainable domestic steel
20 industry to supply our military and critical
21 infrastructure needs. Our company has a long and rich
22 history of supporting our nation's defense

1 capabilities. We are also a major supplier to the U.S.
2 energy industry.

3 Today I'd like to speak to the relationship
4 between supplying our military customers and our
5 broader commercial business, our efforts to meet the
6 demands of our energy customers, and our view of the
7 challenges facing U.S. and global steel producers.

8 Serving the needs of our nation's military has
9 been a long time priority of ArcelorMittal USA and our
10 predecessor companies. Today this tradition continues
11 as we support our nation's men and women in uniform as
12 the largest supplier of armored steel plate for
13 military applications on land and at sea. Our armored
14 plate products find applications in fighting vehicles
15 used by the Army and the Marine Corps. We also supply
16 steel to Navy aircraft carriers, submarines,
17 destroyers, and other ships.

18 Preserving the domestic steelmaking and
19 finishing capacity to provide a highly specialized
20 steel for defense purposes is, without a doubt, a
21 national security issue. However, the steel tonnage
22 directly used for defense applications is small

1 compared to that of the broader commercial market. As
2 large a supplier as we are to the U.S. military, our
3 sales for defense applications represent only 1 percent
4 of our total production.

5 Defense-related sales of steel alone are not
6 the determining factor in whether a steel mill is
7 sustainable. Instead, the commercial viability of the
8 steel operation is imperative for retention of that
9 operation's ability to serve the defense needs of the
10 nation. As you know, ArcelorMittal USA has joined with
11 other U.S. producers to bring several trade remedy
12 cases in response a flood of unfairly traded imports
13 from China and other countries. Our operations, which
14 produce steel for military applications, were not
15 immune from the negative impact of these imports.

16 We petitioned this Department and the ITC for
17 relief from unfairly traded imports of cut-to-length
18 plates from 12 countries after imports increased by
19 over 100 percent. The ITC found that, as a result, the
20 U.S. plate industry's operating income had dropped 75
21 percent. Our steel plate sales dropped by a third. By
22 2015, our plate operations were running at only 55

1 percent of their capacity and prices fell to the lowest
2 levels in more than 10 years.

3 When we're forced to price at levels that do
4 not cover our costs, then we are also not generating
5 the capital required to reinvestment in our operations,
6 and if we cannot reinvest, we cannot remain on the
7 cutting edge of new technology for the future. In
8 other words, the impact of the imports is felt
9 throughout our entire business, commercial and
10 military.

11 Staying on the cutting edge of new technology
12 is equally important for our energy customers since we
13 produce a full range of steel grades for the energy
14 transmission and distribution markets. We've been a
15 leader in developing the API X-70 steel grades
16 essential for U.S. pipeline projects. We have invested
17 significantly in the production of both plate and hot-
18 rolled steel for our U.S. line pipe customers. Our
19 ability to serve these markets is threatened when
20 competition from unfairly traded imports threatens a
21 sustainable business.

22 In addition to the plate case, it has been a

1 similar story on hot-rolled, cold-rolled, and
2 corrosion-resistant steel. U.S. imports of these
3 products increased 69 percent between 2013 and 2014.
4 The impact on our business was devastating.

5 Mr. Secretary, we appreciate the attention
6 this Administration has devoted to the state of the
7 steel industry. It was my honor to stand in the Oval
8 Office when the President announced this investigation.
9 Nonetheless, the United States must address the problem
10 of global excess steelmaking capacity or every other
11 action you or we take won't matter.

12 Chinese government policies have driven their
13 steel production to over 800 million metric tons last
14 year. In 2016, China exported 108 million metric tons.
15 These exports have direct negative effects on U.S.
16 producers. They also have an indirect impact by
17 displacing steel in other countries whose producers
18 then ship to the U.S. market or enter the U.S. as
19 downstream products made from cheap Chinese steel.

20 While China's the main culprit, we face
21 challenges from countries as diverse as Korea, Russia,
22 Turkey, and others. The result, we sell less steel, we

1 receive less money for the steel we do sell, and employ
2 fewer workers. Over the long term, this situation is
3 not sustainable.

4 We welcome this investigation because we need
5 solutions to unfair trade practices. As you consider
6 additional actions, please remember that we also need
7 to find a solution to the excess steel capacity that is
8 impacting global markets. An objective of any action
9 should include increasing pressure on China to change
10 the policies that led to the creation of non-economic
11 steel capacity and discourage other governments from
12 adopting similar policies.

13 Thank you.

14 MR. BORMAN: Thank you. I think we're ready
15 for our next speaker. Thank you so much.

16 MR. BRETT: Thank you.

17 MS. SMITH: Good morning. My name is Barbara
18 Smith. I'm the President and Chief Operating Officer
19 of Commercial Metals Company, a steel producer
20 headquartered in Irving, Texas. I appreciate the
21 opportunity to appear before you to discuss why high
22 levels of imported steel threaten the national security

1 of the United States.

2 CMC is one of the world's most technologically
3 advanced and efficient steel producers. We have
4 pioneered the micro mill technology which enables us to
5 produce rebar more efficiently and at the lowest
6 possible cost. The American steel industry as a whole
7 is as modern and competitive as any in the world. We
8 can provide the United States with nearly all the steel
9 products a modern industrial economy needs; however,
10 steel imports are seriously damaging our ability to
11 produce steel products in the United -- the United
12 States requires for national defense, critical
13 infrastructure, and our general economic strength.

14 Steel is essential to the national security of
15 the United States. The products CMC makes that is most
16 obviously vital to our national security is advanced
17 armor plate. CMC makes armor plate that is used in a
18 variety of applications, including tanks, mine
19 resistant ambush protected vehicles, and other military
20 vehicles. The lives of our soldiers literally depend
21 on this product. Among other projects for the Defense
22 Department, CMC was proud to supply the rebar used to

1 repair the Pentagon after the 9/11 terrorist attacks.

2 In addition to armor plate for military, CMC
3 produces a variety of specialized bar, rounds, angles,
4 and shapes that are used by the transportation, energy,
5 construction, and mining sectors. These are critical
6 infrastructure sectors that are vital to our national
7 security. However, CMC's most critical role in the
8 national security is as a major producer of rebar, a
9 product critical -- of critical importance to this
10 nation's infrastructure.

11 National security depends on economic
12 security. Economic security depends upon a broad-
13 based, vibrant and self-sufficient economy. Our
14 economy depends on a world-class system of
15 infrastructure connecting and supporting all economic
16 activity here at home and abroad.

17 Rebar is an essential product for national
18 security as this product is used to support every
19 aspect of our critical infrastructure. This includes
20 the roads, bridges, airports, power transmission lines,
21 and all the other critical facilities that we use every
22 day. God forbid that we are attacked on our own soil

1 without the capability to produce the necessary
2 products like rebar to restore our country.

3 Unfortunately, many of the world's major
4 producers, including Turkey, China, Taiwan, Japan, and
5 Mexico, make far more rebar than they need for the sole
6 purpose of export to other countries. These exporters
7 have taken full advantage of the open U.S. market as
8 rebar imports have increased by nearly 50 percent from
9 2014 to 2016. Growing imports have had a significant
10 effect on CMC's profitability, employment, and our
11 ability to innovate and invest.

12 In response to the flood of imports over the
13 past several years, CMC was forced to close 30 U.S.
14 locations since 2008 and to reduce our workforce by
15 4,000 jobs. Imports have also adversely affected our
16 ability to make new investments. CMC invested millions
17 in our technologically advanced micro mill in Mesa,
18 Arizona and in the building of the most modern rebar
19 mill in the world in Durant, Oklahoma. We were
20 planning to commission a whole series of micro mills,
21 which would have created thousands of high-paying jobs
22 across the United States. Unfortunately, competition

1 from imports has been so fierce that we had to put our
2 expansion plans on hold. The situation has gotten so
3 bad that the returns on a number of our investments
4 aren't even covering our cost of capital.

5 Allowing our steel industry to shrink further
6 will endanger our national security. If CMC cannot
7 continue to invest, it won't be able to produce the
8 armor plate we need for Army vehicles and other
9 military applications, the specialized plate and bar
10 products required for the transportation, energy,
11 construction, and mining sectors or the rebar needed
12 for every kind of infrastructure application.

13 This story is being repeated throughout our
14 industry. I'm afraid that the United States is nearing
15 the point where we will be depending on other countries
16 for the steel products essential to our national
17 security. This is a very dangerous proposition.

18 I urge you to conclude that steel imports
19 threaten the national security of the United States and
20 to recommend that the President take prompt and
21 comprehensive action to address this crisis.

22 Thank you very much.

1 MR. BORMAN: Thank you for your testimony.

2 Mr. Gibson is the next speaker. Thank you.

3 MR. GIBSON: Good morning, Secretary Ross, and
4 to the panel, I'm Tom Gibson. I'm the President and
5 CEO of the American Iron and Steel Institute and I
6 appreciate the opportunity to testify today.

7 A strong and viable domestic steel industry is
8 critical to America's national defense, national
9 economic security, and homeland security. Virtually
10 every military platform is dependent on U.S. produced
11 steels and specialty metals and applications range from
12 aircraft carriers to nuclear submarines to Patriot and
13 Stinger missiles, armor plate for tanks, and specialty
14 steels for every aircraft that's in production today.

15 These critical applications require
16 consistent, high quality domestic supply sources, but,
17 respectfully, based on -- you know, we heard some other
18 things this morning, national security is more than
19 weapon systems. Steel's importance to national
20 security must also be looked at in a broader context,
21 to include our nation's critical infrastructure. Our
22 military and our broader economy depend on

1 transportation infrastructure likes roads, bridges,
2 railroads, transit systems, and airports, all of which
3 are built with steel products such as rebar, plate,
4 sheet, and fabricated structural members.

5 Public health and safety require reliable and
6 efficient water and sewage systems that are built of
7 steel components, including tubular goods, tanks, and
8 culverts.

9 In addition, steel is critical to our energy
10 security. Our nation depends on a reliable domestic
11 energy source and on domestic steel products that are
12 necessary to develop and transport the energy. Oil
13 country tubular goods are essential to oil and gas
14 production and steel line pipe is needed to move these
15 energy supplies to market.

16 As we've heard, electrical power generation is
17 another critical national security need served by
18 steel. Grain-oriented electrical steels are a
19 principal raw material for power distribution and
20 distribution transformers, which are critical to the
21 grid. Non-oriented electrical steels are an important
22 raw material for use in critical infrastructure

1 including large cores and electrical power generators
2 and industrial applications for oil drilling and oil
3 and gas pipelines.

4 The U.S. steel's ability to supply our defense
5 establishment and our nation's critical infrastructure
6 needs depends on the steel industry's continued ability
7 to compete in commercial markets and maintain a
8 domestic manufacturing presence. Simply put,
9 commercial viability is a prerequisite for national
10 security availability.

11 Repeated surges in imports of dumped and
12 subsidized steel products from numerous countries in
13 recent years have entered the U.S. industry and spread
14 further injury, putting our national security very much
15 at risk. Finished steel imports took a record 29
16 percent of the U.S. market in 2015, and while steel
17 imports declined in 2016 as a result of success in a
18 number of trade cases, it still remains at a
19 historically high level, 25.4 percent last year, and in
20 2017, imports are on the rise again, with total imports
21 up 19 percent in the first three months of the year and
22 finished steel imports now taking 26 and last month 27

1 percent of the market.

2 These high level of imports have been a
3 critical factor forcing several steel companies to
4 temporarily close major steelmaking facilities.
5 Employment in the steel industry declined by 14,000
6 jobs from January 2015 to December 2016. Foreign
7 government interventionist policies in the steel sector
8 have fueled massive and still growing global
9 overcapacity in steel, estimated to be more than 700
10 million metric tons. More than half of that
11 overcapacity, 425 million tons, is located in China,
12 while government market distorting policies have
13 produced a dramatic increase in the size of the Chinese
14 steel industry to the point today that it represents
15 half of all global steel production.

16 This massive increase in Chinese capacity and
17 resultant increase in Chinese exports to the world have
18 resulted both in increased imports of Chinese steel to
19 the United States and increased imports from third
20 countries as Chinese exports to these countries are
21 further processed into downstream steel products that
22 are then re-exported to the United States. For

1 example, Chinese billets are being further processed in
2 Turkey into long products, which are then sent here to
3 the United States, while Chinese flat rolled steel is
4 being converted into pipe products in Korea, which are
5 then dumped into the U.S. market.

6 In addition, the Chinese model is now being
7 emulated in other countries as well, perpetuating the
8 growing overcapacity problem, causing further injury
9 from dumped steel products. To date, the U.S. steel
10 industry has relied on our trade laws to seek to
11 address unfairly traded steel imports into our market,
12 and while the trade laws have provided some relief,
13 they leave openings for steel products not subject to
14 orders to come in and reclaim that share, which is, I
15 believe, what we're seeing go on right now.

16 So, accordingly, AISI recommends that the
17 Administration use the current Section 232
18 investigation to fashion a more comprehensive and
19 broad-based program of action to safeguard America's
20 national security.

21 Thank for the opportunity to testify and I'd
22 be happy to take any questions.

1 MR. BORMAN: Thank you so much. We're ready
2 for our next speaker.

3 MR. TIMKEN: Good morning. My name is Tim
4 Timken. I'm the Chairman, CEO, and President of Timken
5 Steel. I'd like to thank Secretary Ross and the
6 members of the Commerce Department for having us here
7 to testify this morning on such a significant issue.

8 My great grandfather -- great-great
9 grandfather, H.H. Timken, established steel production
10 in Canton, Ohio in 1917. Generations of people from
11 this company have taken us from what used to be a
12 bearings only producer to a global steel company that
13 creates high performance steel for demanding
14 applications almost -- for almost every market.

15 As we celebrate our centennial year this year,
16 our 2,600 employees, like the generations before them,
17 take pride in making the cleanest steel in the world.
18 Our niche in the steel industry is special bar quality,
19 or SBQ steel, to serve customers across a wide variety
20 of industries. Our customers share two things in
21 common. First, their products endure a high degree of
22 stress and operate in harsh environments. They need to

1 be consistently high performing steel to be successful.
2 And second, our customers are vital to the national
3 security of the United States.

4 You'll find our steel in every kind of
5 military equipment and ordinance. For example -- an
6 example is work we've recently done with the U.S. Air
7 Force to improve the strength and toughness of their
8 bunker busting bombs. We deliver high performance
9 steel at a lower price, improving the effectiveness of
10 the weapon in eliminating its target and eliminating
11 collateral damage, while also reducing the total cost
12 to the American taxpayer.

13 There's a famous military quote that says if
14 you find yourself in a fair fight, you didn't plan your
15 mission properly. Well, one essential part of that
16 planning is to ensure that the military has the best,
17 most modern tools possible and American companies like
18 Timken Steel are delivering the type of innovation that
19 gives the men and women of the military an advantage in
20 completing their missions and returning home safely.

21 We also serve companies across a wide range of
22 industries, many of which have a vital role in

1 preserving and enhancing national security. You'll
2 find our products a mile below the Gulf of Mexico in an
3 oil string, in a million vehicle transmission that move
4 people and goods across the roads safely every day, and
5 in the landing gear of tens of thousands of aircraft
6 that touch down every day.

7 Our products are throughout energy,
8 transportation, and manufacturing, and they enable
9 customers to push the bounds of what's possible in
10 their products. Put simply, we like the tough stuff.
11 The harder, the better.

12 Our ability to serve customers who preserve
13 and enhance national security is dependent on the
14 domestic steel industry's continued economic viability.

15 The world has an overcapacity of steel, as
16 you've heard this morning, and many foreign competitors
17 export their steel to the U.S. shores, depressing
18 pricing and displacing our sales. We're not afraid of
19 fair competition. We have some of the best people and
20 assets in the world. Our employees not only can
21 compete, but they can out innovate and outwork anyone
22 on the world and the work of our engineers sets the

1 global standard for special bar quality steel.

2 You've heard this morning a lot of numbers.
3 There three that keep me awake at night, 700 million,
4 425 million, and 94 million. The world has 700 million
5 metric tons of steel overcapacity, 425 of which are in
6 China, and demand -- total demand in the U.S. market is
7 94. Imports are a very real issue for the U.S. steel
8 industry, particularly when foreign competitors don't
9 play by the rules.

10 As a company, we're using every competitive
11 tool we have to combat unfair imports. We commend the
12 Commerce Department for evaluating all the levers it
13 can pull as well. There is no one size fits all remedy
14 for this issue. With hundreds of steel products across
15 multiple countries, the remedy must be flexible enough
16 to address the complex nature of global steel trade.
17 We recommend assessing all of the tools in the remedy
18 toolbox, including tariffs, quotas, VRAs, and more, and
19 in some instances, a combination of remedies may be
20 necessary.

21 We appreciate your leadership on this issue.
22 All of us at Timken Steel take great pride in

1 contributing to the security of our nation and share
2 your belief that a strong steel industry is critical to
3 our national interests.

4 Thank you.

5 MR. BORMAN: Thank you for your testimony.
6 We're ready for the next speaker.

7 MR. ZEKELMAN: Thank you, Secretary Ross and
8 members of the Committee. My name is Barry Zekelman
9 and I'm the CEO and Chairman of Zekelman Industries.
10 Before I make my statement, I'd like to say that I find
11 it extremely ironic that Russian steel giant Evraz-
12 Severstal vacated all of its steelmaking assets here
13 and sold them because they couldn't make money due to
14 massively dumped imports.

15 Zekelman Industries is the largest pipe and
16 tube producer in North America. We produce over two
17 million tons of tubes annually, consuming almost 2.2
18 million tons domestically produced steels. Our
19 millions of miles of tubing are the threads that sew
20 the security blanket that covers our great nation.
21 Tubular products are critical to maintaining a strong
22 defense and essential civilian sectors of the U.S.

1 economy and is the backbone of our nation's
2 infrastructure.

3 In 2008, we produced 125,000 tons of hollow
4 structural steel tubing used for the border security
5 fence, which protects this country and its citizens
6 from illegal border crossings and illicit drug
7 trafficking. We produce fire and suppression pipe that
8 is routed throughout our buildings, schools, hospitals,
9 power plants, industrial plants, warehouses, military
10 bases. We produce the electrical conduit that provides
11 safe passage and routing to all of the wiring in the
12 buildings we see, especially in our datacenters,
13 mission critical military and space centers, power
14 plants, and transportation systems.

15 We make the pipes that carry water and waste
16 throughout all of our buildings in civil
17 infrastructure. Our military bases, airports,
18 transportation systems, and ports all rely on our
19 pipes. We produce the oil country tubular goods and
20 line pipe that is vital to the exploration and
21 extraction of oil and gas that provide us with the
22 energy to run our economic and military machine.

1 Our tube transports the fuel and gas to
2 planes, trains, automobiles, houses, and buildings for
3 heat, to fuel power generating turbines and to support
4 solar panels and wind turbines to propel clean energy
5 use. Our structural tubing is used for protective
6 posts which you see throughout this city and many
7 others for vehicle barriers. It used for buildings and
8 agriculture equipment to farm our fields and feed not
9 only the U.S. population, but the rest of the world.

10 Highway signage, guardrails, bridges,
11 electrical distribution towers, cell towers, railcars
12 are all made with our hollow structural tubing. The
13 very foundation of one world trade is sitting upon our
14 pilings. Our drawn over mandrel tubing is used for
15 hydraulic cylinders that makes movement in all
16 machinery possible, including mining equipment,
17 construction machinery, transportation, robots,
18 automation. Ask any military man if a hydraulic
19 cylinder is critical to their success. There's not one
20 piece of military equipment that doesn't have a tube in
21 it, not one, from gun barrels to rocket launchers to
22 helicopters to naval ships, tanks, armored personnel

1 carriers, the list is infinite.

2 Ask the people of Flint, Michigan if water
3 pipes are vital to their survival.

4 In sum, to ask if pipe and tube is vital to
5 our national security is not the right question. The
6 question is really how could our country possibly be
7 secure without it? Our economy and our military would
8 grind to a screeching halt without a vibrant domestic
9 tube industry. We employ tens of thousands of people,
10 provide income levels far superior than the minimum
11 wage victories touted of late.

12 In addition, our industry consumes over 20
13 million tons of flat-rolled steel produced in the
14 United States, the single largest category. So if we
15 go out of business, they go out of business. Imports
16 have decimated our industry, resulting in the closure
17 of a host of pipe and tube mills and throwing thousands
18 out of work. In the first quarter of this year,
19 imports in all pipe and tube categories exceeded 60
20 percent of domestic consumption, with some categories
21 rising above 70 percent and higher.

22 It would be the epitome of folly to allow our

1 nation to continue to permit imports to grow, putting
2 U.S. producers out of business and making our country
3 vulnerable due to its reliance on foreign producers in
4 China, Korea, Vietnam, and elsewhere.

5 My company strongly supports in the form of
6 duties and quotas. Trade remedy cases have not
7 addressed the problem of unfairly traded imports and
8 massive foreign overcapacity. Third country dumping is
9 rampant in our industry and a strong response is
10 essential to ensure ongoing viability of our industry.
11 We have to break the cycle of dependency on imported
12 pipe and tube and the only way to do that is by drawing
13 a hard line to prevent the cheating that will
14 undoubtedly go on even with quotas.

15 If we allow our domestic industry to
16 disappear, we'll only have ourselves to blame for
17 placing our country in an extremely vulnerable
18 position. We have the best and most efficient steel
19 and tube producers in the world. We should make it
20 here and put America first.

21 Thank you.

22 MR. BORMAN: Thank you, sir. We're ready for

1 our next speaker. Thank you.

2 MR. OATES: Good morning, Mr. Secretary and
3 good morning to all the panelists. My name is Denny
4 Oates. I'm Chairman of the Specialty Steel Industry of
5 North America, also known as SSINA. I'm also the
6 Chairman, President, and Chief Executive Officer of
7 Universal Stainless and Alloy Products.

8 SSINA is a Washington, D.C. based trade
9 association representing virtually all of the
10 continental specialty metals producers, which would
11 include high technology, high value stainless, and
12 other specialty alloy products. SSINA membership
13 includes almost all North American manufacturers of
14 stainless steel and nickel-based alloys including super
15 alloys. Other specialty metals, such as titanium and
16 titanium alloys, zirconium, and niobium alloys are also
17 produced by SSINA member companies.

18 There can be absolutely no doubt that the
19 domestic specialty metals industry is critical to the
20 national defense. Attached to my testimony is a report
21 entitled Specialty Metals and the National Defense.
22 This report summarizes the contributions of the

1 specialty metals industry to the national defense.
2 Also attached is a press release issued when that
3 report was made public.

4 The report proves unequivocally that specialty
5 metals are vitally important to virtually every U.S.
6 military platform. Without these specialty metals, the
7 U.S. military and Homeland Security forces would not
8 have the ability to fight a war, defend our borders or
9 protect our citizens from terrorism.

10 The press release quotes then Acting Deputy
11 Undersecretary of Defense Gary A. Powell who said, and
12 I quote, "There is no question that specialty metals
13 are critical to the national defense and the U.S.
14 specialty metals industry is a very important supplier
15 of these materials to various defense contractors and
16 myriad defense programs would be negatively impacted by
17 specialty metal supply disruptions."

18 Furthermore, Department of Defense studies
19 provide further evidence of the critical importance of
20 specialty metals to the national defense. A series of
21 reports entitled Defense Industrial Base Capability
22 Studies clearly show the applications which contain

1 specialty metals that are essential to meeting national
2 defense requirements and are critical components of
3 technologies that focus on 21st Century warfare.

4 A key concern, however, is that the domestic
5 specialty steel industry must be healthy and profitable
6 in order to supply the critical defense applications.
7 Simply put, the survival of the industry is dependent
8 upon the core commodity products produced by our
9 members. This includes basic stainless steel in the
10 form of sheet and strip, plate, bar, rod, ingot, and
11 billet.

12 The specialty steel industry cannot exist
13 simply by producing materials for defense applications.
14 While it is difficult for the specialty metals industry
15 to identify the exact percentage of our total
16 production which goes to specific defense applications
17 because many of our sales go through service centers or
18 distributors before they reach the end user, a
19 reasonable estimate would be about 10 percent. If
20 civilian applications, which play essential supporting
21 roles for defense such as aircraft, highways, power
22 plants, and related markets are considered, the

1 percentage is much larger, perhaps as much as 50
2 percent.

3 Let me be clear. The specialty steel industry
4 could not abandon manufacturing in the United States
5 and focus on technology development. It simply doesn't
6 work that way. Technology development travels with the
7 manufacturing process. Our steel mills basically are
8 our laboratories. It would be naïve to think that
9 manufacturing these materials could be transferred
10 abroad to countries like China, while technology
11 development remained in the United States. It wouldn't
12 work.

13 Import competition has taken a serious toll on
14 U.S. producers. In the 1970s, there were approximately
15 twice as many specialty metals producers in the U.S. as
16 today. We have battled unfairly traded imports for
17 decades. We have filed and won many anti-dumping and
18 countervailing duty cases. The Commerce Department and
19 the U.S. International Trade Commission reached
20 affirmative findings in an anti-dumping case last year
21 against imports of stainless sheet and strip from
22 China. We constantly monitor developments in the

1 products to determine whether additional trade cases
2 should be filed.

3 As I believe all of you are aware, there is
4 tremendous overcapacity worldwide to make stainless
5 steel. China alone has excess production capacity
6 equal to twice the size of the entire U.S. market.
7 That's excess production capacity equal to twice the
8 size of the entire U.S. market. And it remains to be
9 seen whether China will cooperate with the rest of the
10 world in the global steel forum simply to develop a
11 database demonstrating current production capabilities.

12 Global overcapacity, endemic dumping, and
13 foreign government subsidies all pose direct threats to
14 the U.S. producer and an associated threat to our
15 ability to provide the critical materials that are
16 essential to national defense.

17 In conclusion, let me express my sincere and
18 our industry's sincere appreciation for the efforts of
19 the Administration to recognize the threat to our
20 national security and to undertake this investigation
21 to determine how to deal with this very vital problem.

22 Thank you very much for having us.

1 MR. BORMAN: Thank you for your remarks.

2 We're ready for our next speaker.

3 MR. HARTFORD: Good morning, Mr. Secretary and
4 members of the panel. I'm Terry Hartford, Vice
5 President of Defense for Allegheny Technologies
6 Incorporated. ATI is a U.S. based manufacturer of
7 advanced specialty materials including nickel-based
8 alloys, super alloys, titanium alloys, and stainless
9 steels. These metals are the building block of our
10 defense industrial base.

11 ATI is one of the largest and most diverse
12 specialty metals and components manufacturers in the
13 world. Virtually every major military aerospace and
14 helicopter platform contains an ATI specialty steel or
15 a vacuum melted nickel-based alloy or titanium alloy,
16 including the Joint Strike Fighter, the F-18, the
17 Apache, Blackhawk, and Chinook helicopter programs.
18 Our materials are also utilized in the production of
19 land-based military vehicles such as the Abrams Tank,
20 naval vessels in their nuclear propulsion systems,
21 missiles and rockets, armor, and munitions.

22 The applications of these materials are wide-

1 reaching, and in many instances, these materials are
2 sole sourced and not substitutable. Many of these
3 applications involve the use of proprietary materials
4 that we have developed directly with the Departments of
5 Defense, the Air Force, and the Army. These are not
6 off-the-shelf items. In fact, it is their superior
7 performance under the most severe operating conditions
8 that enable our defense system to function at high
9 levels of performance and reliability.

10 ATI applauds the Administration's willingness
11 to study the relationship between steel imports and
12 national security in this investigation. To understand
13 that relationship, however, requires an understanding
14 of the operations of companies like ATI that are
15 leaders in the development of specialty materials that
16 will power our military into the future.

17 ATI grew through investment, technology
18 development, and innovation into the diverse specialty
19 metals producer that it is today. A core business
20 segment, however, is stainless steel production. Like
21 most U.S. specialty steel mills, the ability to sell
22 stainless steels into the commercial market requires us

1 to be cost competitive to sustain our business.
2 Companies like ATI cannot exist simply by producing
3 materials for leading-edge defense applications. The
4 production of materials for all defense applications
5 represents in our case about 10 percent of our
6 production. Thus, the future of the industry is
7 dependent on the viability of all of its business, not
8 just defense related production.

9 The equipment used to make materials for
10 defense applications is the same as the equipment used
11 to produce materials like stainless steel for large
12 volume non-defense applications, including
13 infrastructure projects. It is the efficiencies
14 provided by these larger volume, non-defense related
15 businesses that sustain the development and production
16 of leading edge specialty metals for defense
17 applications.

18 The economic welfare of our high volume
19 stainless steel operations directly impacts our ability
20 to serve the needs of national defense. It is in
21 connection with these operations that imports directly
22 affect our ability to serve the nation's defense needs.

1 For more than 40 years, the U.S. stainless steel market
2 has been targeted by unfair imports. Over that period,
3 we have made significant investments and also relied on
4 the trade laws to respond to these challenges from
5 illegally traded imports. Most recently, ATI and the
6 other stainless flat-rolled producers were forced to
7 confront a Chinese state-owned juggernaut whose
8 stainless production capacity is nearly eight times the
9 size of the U.S. market and who has excess capacity
10 which is more than double the size of the U.S. market.

11 The recent import surge from China between
12 2013 and 2015 created conditions in the stainless flat-
13 rolled market that forced ATI to close our Midland,
14 Pennsylvania facility in 2015, with the loss of
15 hundreds of jobs. Through the use of the trade laws,
16 we are able to obtain anti-dumping and countervailing
17 duties against China that should restore temporarily
18 some fairness to the marketplace, but this remedy came
19 after the closing of our Midland plant.

20 The fundamental structural problem of
21 overcapacity, however, remains and continues as a
22 direct threat to our company. ATI's revenues come

1 primarily from commercial markets complimented by
2 significant positions in defense. ATI recently
3 invested \$1.2 billion to build the world's most
4 advanced hot rolling and processing facility in
5 Brackenridge, Pennsylvania. We will be processing some
6 of our most sophisticated specialty alloys at that
7 facility, many of which will be the foundation of our
8 future military programs. The new mill, however, to
9 operate profitably and efficiently needs to be able
10 to produce stainless steel in commercial volumes. If
11 our commercial markets continue to be victimized by
12 unfairly traded imports, we will not be able to operate
13 our mills at level of profitability and return on
14 investment that will permit us to invest in the
15 research and development in the high performance metals
16 so critical to our national defense.

17 This investigation must recognize the linkage
18 between our national defense needs and result in a
19 remedy that enables our specialty metals manufacturers
20 to achieve the returns on investment in the commercial
21 markets that will support the R&D of high technology
22 specialty materials that are vital to our national

1 defense. This means targeting the fundamental issues
2 of overcapacity and unfair trade that have plagued our
3 commercial stainless steel markets without doing harm
4 to the existing trade laws, as well as the domestic
5 sourcing requirement for specialty metals that has
6 ensured a U.S. source of critical materials necessary
7 to meet our military needs.

8 Thank you very much.

9 MR. BORMAN: Thank you, sir. We're ready for
10 our next speaker.

11 MR. GONCALVES: Good morning, Secretary Borman
12 and members of the panel. My name is Lourenco
13 Goncalves and I serve as Chairman, President, and Chief
14 Executive Officer of Cliffs Natural Resources, a
15 company -- we're headquartered in Cleveland, Ohio.
16 Thank you for the opportunity to speak here today.

17 During its 170 years of existence, Cliffs has
18 been the largest supplier of iron ore to the steel
19 mills in the United States. We currently own and
20 operate four of the seven active iron ore mines in the
21 country, directly employing approximately 3,000
22 Americans. In stark contrast to the Australian iron

1 ore mines, which almost entirely produce and sell iron
2 ore sinter feed fines to China and other countries,
3 Cliffs' operations in the United States exclusively
4 produce iron ore pellets.

5 While iron ore fines feed sinter operations
6 that contribute immensely to the well-known air
7 population problem in China, the pellets we sell to our
8 domestic clients make the American steel industry one
9 of the most, if not the most, environmentally friendly
10 in the entire world. Chinese noncompliance with
11 minimum environmental standards is the most absurd,
12 unfair, and unacceptable advantage the Chinese have in
13 exporting their excess steel.

14 I will speak today both in my capacity as
15 Cliffs' Chairman and CEO and from decades of experience
16 in the steel industry. Prior to joining Cliffs, I
17 served as CEO of two other American companies, Metals
18 USA Holdings, a leading national steel service center
19 company, and California Steel Industries, the biggest
20 steel supplier on the West Coast of the United States.

21 In light of my 10 years at Metals USA and my
22 active role in the previous cases under Sections 201

1 and 232 back in 2001 when I was at California Steel, I
2 would like to confront a very important part of the
3 problem that has never been properly addressed and
4 which is now a full-blown crisis. The problem is the
5 role played by some domestic service centers and the
6 steel buyers as enablers of the entire steel import
7 crisis by providing a home within the United States for
8 illegal steel import.

9 Dumped steel products do not find their way to
10 this country spontaneously, nor do these imports swim
11 to U.S. shores. Every steel product that enters the
12 country is brought here because a steel trader,
13 distributor, service center or end user will buy or
14 already bought that steel.

15 Some steel buyers, traders, and service
16 centers by design acquire dumped and illegal subsidized
17 steel and in many cases intentionally circumvent duties
18 and tariffs assigned to steel products. These bad
19 players know exactly what they are doing, but they do
20 it anyway because they feel they are beyond reach. As
21 evidence, e-mails sent from traders to steel buyers in
22 the United States offering to navigate around duties

1 applied to steel from China and South Korea have been
2 submitted, along with a written version of my remarks.

3 Let me be clear. Any American company or
4 individual who is complicit in such a scheme must be
5 held accountable. These steel buyers are no different
6 than recipients of stolen goods after a robbery. While
7 these recipients did not directly perpetrate the
8 initial crime, it is nonetheless an offense to
9 knowingly acquire stolen goods. Their only real
10 concern is not to be caught. They do not care that
11 artificially cheap products negatively affect the
12 health of the domestic iron and the steel industry, and
13 by extension, the military readiness of the United
14 States.

15 While not all service centers and steel buyers
16 act as domestic enablers of illegal trade, the ones
17 providing dumped and circumvented steel products a
18 destination within the United States must be punished.
19 Any real solution to our important crisis must include
20 a commitment by the federal government to directly
21 confront the American companies and individuals that
22 facilitate the trade of illegal steel imports by

1 ensuring that these products find a home within the
2 United States.

3 In closing, I would like to remind the
4 panelists that the worst enemy is the one that pretends
5 to be a friend. Some of these perpetrators use a
6 speech very similar to ours despite their actions. If
7 any of these individuals do have the courage to show up
8 here today, please ask them if importing illegal steel
9 is part of their business model and if so, why they
10 continue to do that. I am sure that they will not
11 accept accountability because their illegal short-term
12 profits are a lot more important to them than the
13 military readiness of the United States.

14 Thank you once again for the opportunity to
15 speak here today.

16 MR. BORMAN: Thank you for your testimony.

17 I think at this point, we'll take a 10-minute
18 break, so we'll reconvene at 11:50 with Mr. Adams as
19 the next speaker.

20 (Recess)

21 MR. COTTILLI: All right. Thank you very much
22 for returning to your seats so quickly. We are going

1 to reconvene if everyone -- we can close the doors,
2 please, we will reconvene now for the second half of
3 today's hearing. Thank you once again for joining us.

4 Thank you all very much.

5 Mr. Borman?

6 MR. BORMAN: Okay. Why don't we proceed with
7 our next speaker, Mr. Adams? Is he here? He is here.
8 Thank you. You're already up there. Go ahead.

9 MR. ADAMS: Good morning, Mr. Secretary,
10 distinguished panelists. Thank you for the opportunity
11 to share my views on the effects of the national
12 security of the imports of steel.

13 I applaud the Administration's initiation of
14 this Section 232 investigation. As a 30-year retired
15 Brigadier General of the United States Army with a
16 background in strategy and intelligence and as a lead
17 author of the 2013 study of the U.S. defense industrial
18 base remaking American security, my experience and
19 research convinced me that imports of cheap and
20 subsidized steel from our strategic competitors put our
21 nation's security at risk by eroding the U.S. steel
22 industry's position as a fundamental building block of

1 our national security infrastructure. I therefore
2 advocate concerted action at all levels of government
3 to preserve a strong domestic steel industry.

4 Our nation's security rests on a military
5 equipped with the technology, weapon systems, and
6 platforms needed to protect our nation, supplemented
7 with logistical and critical infrastructure. From
8 nuclear powered submarines to aircraft carriers and
9 from main battle tanks to mine resistance vehicles,
10 steel shields are a nation and the lives of our
11 warriors. A healthy domestic steel sector, including
12 the many small and specialty manufactures that depend
13 on steel, is critical to sustaining the capabilities
14 needed to preserve our national security.

15 The glut of low-priced steel in the world
16 market resulting in large part from China's, Russia's,
17 and other potentially hostile trading partners' actions
18 undermines the ability of American made steel to fairly
19 compete in the marketplace. Left unchecked, the
20 current steel market situation will continue to result
21 in plant closures, mass layoffs, and the loss of key
22 technology and manufacturing know-how.

1 In this insecure world, the need to build more
2 defense platforms in a hurry may come sooner than we
3 would like as China expands its global presence, a
4 situation in which China exercises market control over
5 global steel is all the more alarming. There is more
6 to this issue than lowest cost is best. While low
7 prices for steel can reduce defense acquisition costs,
8 irreparable damage to our domestic steel industry and
9 loss of steelmaking capacity will increase defense
10 industrial based dependency on China and other
11 potentially hostile governments.

12 It is a myth that steel will always be
13 available for U.S. defense requirements. Domestic
14 steel makers' health depends on the health of their
15 commercial sectors. Conversely, the overall health of
16 domestic steelmakers is not contingent on defense
17 production. If the commercial market is disrupted, the
18 defense production sector cannot survive.

19 Reliance on foreign sources of steel
20 especially from strategic competitors results in
21 uncertain supply for critical national requirements,
22 especially in a crisis. In 2004, on duty in Iraq, I

1 witnessed our warriors apply jury-rigged armor plates
2 often sent by their families to their vehicles to
3 protect against IEDs. When DoD asked foreign suppliers
4 to up-armor American vehicles, they put our
5 requirements in their months' long queue. Only
6 American steel companies subject to rated orders
7 scheduled in weeks rather than months supplied armored
8 plate for the up-armored vehicles that protected our
9 warriors from IEDs.

10 We must take urgent action to address these
11 risks, take aggressive action to safeguard America's
12 economic and national security by recommending remedies
13 to the President that will yield a meaningful
14 opportunity for U.S. producers to recapture lost market
15 share and rebuild broken supply chains, take a broad
16 view of steel products that are necessary for our
17 national security. While the first products that come
18 to mind are ships and tanks, we must also consider and
19 include steel used to construct America's logistical
20 and critical infrastructure. Everything from our
21 electrical grid and transformers to real networks and
22 underground water systems.

1 Focus on the entire supply chain, including
2 everything from iron to semi-finished steel products.
3 A semi-finished steel slab constitutes roughly 90
4 percent of the cost of a finished hot rolled steel
5 product. Thus allowing for the importation of foreign
6 slabs, despite a 232 safeguard remedy, could undermine
7 the goal of stabilizing and protecting steel
8 production.

9 We must ensure that the entire supply chain of
10 iron and steelmaking in the United States benefits from
11 actions resulting from this investigation. We must
12 establish enforceable mechanisms for the elimination of
13 global overcapacity in the steel sector and implement
14 rules to counter anti-competitive behavior of state-
15 owned entities, especially in China. We must
16 proactively apply our trade enforcement laws to provide
17 relief from market distortions before plants are forced
18 to close and capacity is irreparably lost. We must
19 rigorously apply domestic sourcing policies in our
20 procurement -- government procurement of steel.

21 Our goal is to maximize domestic capabilities
22 combined with supplies from unquestionably reliable

1 foreign partners. The one supplier in whom I have
2 complete confidence is Canada. Not only do we
3 currently have a steel surplus with Canada, but we
4 share a border and have synergistic economic and
5 national security interests. However, treating Canada
6 as a unique partner under Section 232 relief measures
7 requires that Canada also align its trade enforcement
8 efforts with ours.

9 Mr. Secretary, I applaud the Administration's
10 initiation of this Section 232 investigation and has
11 indicated to recommended actions to adjust steel
12 imports so that they will not put our national security
13 at risk. We needed concerted action to address the
14 risks to our domestic steelmaking capacity before we
15 lose it, especially to our most dangerous, long-term
16 strategic competitors and to ensure that the U.S. steel
17 industry remains a strong and ready foundation for our
18 national security.

19 Thank you, sir.

20 MR. ROSS: Thank you for your testimony.

21 MR. BORMAN: If I could ask one question just
22 for some of those who may not be familiar. Could you

1 give us a quick summary of what a rated order is for
2 those who may not be familiar with that term?

3 MR. ADAMS: A rated order requires the
4 American producer to bump the U.S. defense requirement
5 to the front of the line. So it's a -- it is a
6 safeguard in itself. It allows the producer to advance
7 steel armored plate, for example, right to the front
8 before all the orders that they've already received.

9 MR. BORMAN: Good. Thank you for your
10 testimony.

11 MR. ADAMS: Thank you.

12 MR. BORMAN: We're ready for our next speaker.
13 And while our next speaker is coming up, we've moved
14 our timekeeper right up here to the front row. So if
15 the speakers could keep an eye, when you see the yellow
16 sheet up, you're at one minute and when you're to the
17 red sheet, you're at your five minutes.

18 MR. STUPP: Good morning, Secretary Ross and
19 panel. I'm John Stupp, President and CEO of Stupp
20 Brothers, Inc., and CEO of Stupp Corporation, our steel
21 pipe manufacturing division. I also represent the
22 American Line Pipe Producers Association, ALPPA. I'd

1 like to thank you for this opportunity to testify today
2 and explain how imports of large diameter line pipe
3 threaten U.S. national security.

4 Stupp was founded in 1856 and has been
5 supplying products to the U.S. military since the Civil
6 War. Back then, it was iron classing for gunboats and
7 helped secure the lower Mississippi. During World War
8 I, Stupp provided fabricated steel sections for
9 maritime vessels, and during World War II, Stupp built
10 Bailey bridges and LCTs. We also make bomb bodies,
11 which is a rated product, for the Air Force and Navy
12 beginning in the early 1970s and continue to make those
13 products today.

14 In 1952, Stupp began manufacturing pipe in
15 Baton Rouge, Louisiana to supply invasion pipe to
16 support the Korean War effort. We then turned our
17 efforts to the energy business and have made
18 significant investments over time, including adding a
19 coating plant in 1994, and in 2009, we added another
20 pipe making facility.

21 Stupp is strongly committed to producing the
22 highest quality line pipe and has done so for decades,

1 while also exclusively using domestic steel. Stupp,
2 together with American Steel Pipe, Berg Pipe, and Dura-
3 Bond make up ALPPA, a domestic coalition of large
4 diameter line pipe manufacturers. Together we account
5 for the vast majority of large diameter line pipe
6 domestic production. Our members produce for a number
7 of U.S. national security applications, including for
8 oil, gas, jet fuel, chemical, water, and slurry
9 pipelines, all of which are vital for our
10 infrastructure. We also produce specific products for
11 U.S. strategic defense, including steel bridges and
12 munitions.

13 We are proud to produce steel products that
14 protect our citizens and critical infrastructure.
15 However, unprecedented global steel overcapacity and a
16 continuing surge of pipe imports made from dumped
17 foreign steel are threatening our ability to continue.
18 This Section 232 investigation comes at a pivotal time.
19 The domestic steel industry faces a growing import
20 crisis driven by global overcapacity. This affects
21 line pipe as well, as governments in China, Korea, and
22 Turkey and elsewhere have provided their producers with

1 massive subsidies to expand capacity and production far
2 in excess of their demand, resulting in a severe supply
3 glut.

4 The large diameter line pipe industry and our
5 domestic steel suppliers are being directly harmed as a
6 result. This is not just a China problem. We face
7 damaging imports of line pipe from Korea, which now has
8 well over 20 percent of the U.S. market, Japan, where
9 imports have almost doubled, as well as Turkey and many
10 other sources.

11 The harm is evident from our drastically
12 reduced production, revenue, investments, steel
13 purchases, and employment. In 2015, which was a strong
14 consumption year, the domestic industry was operating
15 at well below capacity, and in 2016, conditions became
16 much worse. The industry is now operating at less than
17 30 percent of capacity. This is unsustainable and it
18 directly threatens our national security. Our ALPPA
19 members have been forced to idle their mills and
20 dramatically reduce their workforces.

21 The U.S. national security implications are
22 substantial. The industry is losing its ability to

1 produce large diameter line pipe needed to modernize
2 the aging infrastructure. Without a healthy and
3 prosperous steel and pipe making industry, the U.S.
4 could not replicate the big inch and little big inch
5 pipe lines that fuel the allied victory in World War
6 II.

7 Thank you.

8 MR. BORMAN: Thank you for your testimony.
9 We're ready for our next speaker.

10 MR. CHADWICK: Good afternoon, Secretary Ross
11 and members of the panel. Thank you for the
12 opportunity to speak at this hearing.

13 My name is Ryan Chadwick and I am the Vice
14 President and General Counsel of TMK IPSCO. TMK IPSCO
15 is one of the largest producers of steel pipe for the
16 energy industry in the United States. Our energy
17 related products include oil country tubular goods and
18 line pipe up to 16 inches. We also produce standard
19 pipe, industrial pipe, and structural steel products.

20 TMK IPSCO has 1.6 million tons of annual steel
21 pipe producing capacity at our facilities in
22 Pennsylvania, Kentucky, Ohio, Arkansas, Iowa, Oklahoma,

1 Nebraska, and Texas. Approximately 75 percent of our
2 pipe production capacity is for welded pipe. The
3 remainder for seamless pipe. TMK IPSCO currently
4 employs 1,370 employees at these facilities and at its
5 headquarters and R&D facility in Houston, Texas. At
6 full capacity, TMK IPSCO would employ over 2,600
7 individuals in the United States.

8 According to the U.S. Energy Information
9 Administration, net imports of petroleum products
10 account for 25 percent of U.S. consumption of petroleum
11 and U.S. natural gas production is equal to about 99
12 percent of U.S. natural gas consumption. Our country
13 has made great strides on the path to energy
14 independence. However, dependence on imports of steel
15 pipe to support this critical energy infrastructure
16 leaves our country less able to independently provide
17 for its energy needs and less secure.

18 Our pipeline infrastructure, as well as aging,
19 with much of it installed prior to 1970. We must have
20 a secure supply of steel pipe to repair and maintain
21 this pipeline infrastructure.

22 Over one-third of electricity generation in

1 the United States is powered with natural gas,
2 increasing the need to assure the security of steel
3 pipe supplies to support the transmission of natural
4 gas to these generation facilities.

5 Total steel pipe production in the U.S. is
6 approximately 10 percent of total steel production in
7 the United States by tonnage. A healthy domestic steel
8 pipe industry helps ensure a healthy domestic steel
9 industry.

10 After final AD and CBD duties were implemented
11 in 2010 against Chinese steel and steel pipe, Chinese
12 steel overcapacity was redirected to other countries,
13 such as South Korea. After 2010, we saw a steady
14 increase in imported steel pipe manufactured by foreign
15 companies able to take advantage of reduced steel
16 prices caused by steel overproduction at unprofitable
17 Chinese companies. By 2013, producing welded pipe
18 became largely unprofitable for TMK IPSCO and many
19 other domestic producers.

20 The gap between U.S. and Chinese hot-rolled
21 prices expanded to as much as \$340 a ton last year and
22 as of May 11th this year was \$266 a ton. The Chinese

1 steel coil prices warp the world's steel market outside
2 the United States, lowering prices to well below the
3 U.S. coil price. It is very difficult and often
4 impossible to compete with foreign steel pipe producers
5 that have an advantage -- such an advantage and lower
6 input costs. In some instances, foreign steel pipe has
7 been priced close to the prices for domestic steel
8 coil. If the status quo is maintained, many of the
9 steel pipe production facilities in the United States,
10 particularly for welded pipe, will remain or become
11 money losing operations.

12 If the Administration takes action on imported
13 steel under Section 232 and does not take action on
14 imported steel pipe, the resulting influx of cheap
15 steel pipe imports is likely to drive many domestic
16 producers out of business because there will, at the
17 same time, be a significant increase in U.S. steel coil
18 prices for domestic steel prices.

19 Both TMK IPSCO and a strong consensus of the
20 U.S. steel pipe industry at the CPTI annual meeting
21 last week in Washington, D.C. agree that quotas rather
22 than tariffs only might be a better choice for relief

1 under Section 32. Please consider whether these quotas
2 should be based on 2010 and 2011 levels of imports, a
3 period after relief from massive Chinese imports and
4 before the onslaught of imports from many other
5 countries.

6 Thank you.

7 MR. ROSS: Thank you for your testimony.

8 MR. BORMAN: And we're ready for the next
9 speaker.

10 MR. JOHNS: Good afternoon. Thank you for
11 this opportunity. My name is Tim Johns, Vice President
12 of Manufacturing for Nippon Steel & Sumikin Cold
13 Heading Wire Indiana, Inc. We say NSCI.

14 NSCI is a newly established manufacturer of
15 steel wire for automotive cold heading and forging
16 processes. Located in Shelbyville, Indiana, NSCI is
17 scheduled to open in October of 2017 and begin
18 production of steel wires starting in January of 2018.
19 This is an exciting opportunity for us and our
20 community. The then Governor Mr. Mike Pence was so
21 excited to speak at our groundbreaking last summer.

22 When fully operational, NSCI's production

1 facility will directly employ approximately 70 people
2 in Shelbyville. NSCI is unique in that it will not
3 follow others by simply importing finished steel wire
4 from Japan. Rather, the company will import the raw
5 material, that is high quality wire rod, from Japan and
6 produce finished steel wire in the United States.
7 However, in order to do so, NSCI needs access to a
8 reliable supply of high quality Japanese steel wire.

9 At NSCI, if NSCI is not able to import these
10 materials, the company will be forced to shut down
11 because the wire quality needed for the production of
12 fasteners and other safety critical auto parts can be
13 achieved only with the high quality wire rod available
14 from Japanese manufacturers. The quality of this wire
15 rod produced by the Japanese manufacturers is
16 unavailable in the United States.

17 In short, Japanese wire rod is superior to
18 wire rod produced elsewhere because only the Japanese
19 manufacturers have demonstrated the ability to
20 consistently meet the precision and performance
21 requirements of fastener and other safety critical auto
22 part manufacturers. These downstream manufacturers

1 require wire rod that is both extremely durable, but
2 also lightweight.

3 The Japanese wire rod manufacturers are
4 uniquely able to meet these contradictory requirements
5 due to their advanced methods of controlling for
6 surface defects, inclusions, and size tolerances.

7 NSCI intends to win business from its
8 downstream U.S. customers based on the quality and
9 reliability of our products. Imports duties on wire
10 rod from Japan will compromise the viability of our
11 business and lead to the elimination of many jobs in
12 Shelbyville and the surrounding area. Further, such
13 duties would cause serious damage to automobile and
14 fastener supply chains in the United States,
15 potentially affecting the jobs of thousands of people
16 throughout the country.

17 To block imports of Japanese wire rod will
18 simply lead to the export of U.S. jobs and the import
19 of finished products we make here. For these reasons,
20 I urge you to find that Japanese wire rod is integral
21 to the U.S. economy and that such imports do not
22 compromise the national security of the United States.

1 Thank you.

2 MR. BORMAN: Good. Thank you for your
3 testimony.

4 MR. LEE: Good morning. My name is Byeong Bae
5 Lee. I'm President of Hyundai Steel America located in
6 Greenville, Alabama. Hyundai Motor Manufacturing
7 Alabama, LLC or HMMA is a U.S. automobile manufacturer
8 located in Alabama. Kia Motors Manufacturing George,
9 or KMMG, is a U.S. automobile manufacturer located in
10 Georgia.

11 Hyundai Steel operates a steel processing
12 center in Alabama that processes cold-rolled and
13 corrosion-resistant steel for HMMA, KMMG, and for the
14 suppliers of parts to those companies. All three
15 companies are affiliated with Hyundai Steel of Korea, a
16 Korean producer of various steel products.

17 Hyundai has invested about \$2.8 billion in the
18 three establishments, with a plan of future investment
19 of \$3.1 billion. HMMA employs 3,500 American workers
20 and KMMG employs 3,000 American workers. IN 2016, HMMA
21 and KMMG together purchased 378,000 metric tons of
22 cold-rolled and corrosion-resistant steel, 108,000

1 metric tons were purchased from domestic steel
2 producers, and 270,000 metric tons were imported from
3 Korea and Japan.

4 Hyundai Steel America is a steel processing
5 center. Hyundai Steel employ 170 employees. Going
6 forward, Hyundai Steel plan to purchase about 40
7 percent of the cold-rolled and corrosion-resistant
8 steel from domestic steel producers. The balance will
9 be imported from Korea and Japan and other sources.

10 HMMA and KMMG have to plan to invest about
11 \$3.1 billion in upgrading and expanding their U.S.
12 manufacturing operations. The investment in these
13 automobile facilities was based on the assumption that
14 HMMA and KMMG would be able to purchase high quality
15 cold-rolled corrosion-resistant steel from domestic and
16 imported source. Roughly 10 percent of Hyundai Steel
17 requirements are not available from domestic steel
18 manufacturing in the quality and tolerance
19 requirements. Hyundai's access to steel is threatened
20 by this action. This action also threatens by
21 investment already made by Hyundai, as well as the
22 planned investment.

1 For automakers like HMMA and KMMG, by far the
2 most important factor in purchasing cold-rolled and
3 corrosion-resistant steel are product quality and
4 product uniformity. HMMA and KMMG prefer to purchase
5 from U.S. suppliers where the steel is available and
6 meet these quality requirements.

7 Both HMMA and KMMG require increased quantity
8 of Advanced High Steel and Ultra High Strength Steel.

9 These high strength steel are difficult to produce and
10 not all domestic steel producers produce these
11 qualities in the dimensions and to the tolerances
12 demanded by KMMG and HMMA.

13 The investment in KMMG, HMMA, Hyundai Steel
14 have increased employment and provide jobs and economic
15 activity in the communities where they are located that
16 previously did not exist. At the same time, these
17 investments demand the ability to also access high
18 quality import of cold-rolled and corrosion-resistant
19 steel. As noted, some of these grades and qualities
20 are not available from U.S. producers.

21 Existing trade remedy law already protect the
22 domestic steel industry. Further restriction are not

1 necessary.

2 Thank you.

3 MR. BORMAN: Thank you for your testimony.
4 We're ready for our next speaker.

5 MR. HORLICK: Thank you, Mr. Chairman. I'm
6 Gary Horlick on behalf of AIIS. Our 108 members
7 include steel importers, steel exporters, railroads,
8 port authorities, unions, stevedores, and many other
9 logistical functions.

10 Three points. First, the best indicator of
11 the future of the American steel industry is where
12 sophisticated investors put their money. One group of
13 investors just opened a brand new steel mill, 1.5
14 million tons, actually a little more, in Arkansas,
15 having spent a billion dollars. You've already heard
16 this morning about other new facilities being opened.
17 This is not an industry that's going to disappear.

18 Second, the use of Section 232 must be treated
19 with extreme care. Conventional wisdom is that it's
20 only been used twice. Both of those were minor uses in
21 the '70s. The only real use was once. From 1959 to
22 1973, the U.S. solely to please important domestic

1 politicians, put import quotas on the import of crude
2 oil. From that period, what that meant -- had three
3 direct consequences.

4 First, we pumped out our own reserves. By
5 1973, we were a net importer, having always, always
6 been a net exporter, and just in time for the oil
7 embargo. Thank you. Policy failure.

8 Second, during that 14-year period, American
9 industry, companies like steel mills, paid 50 to 75
10 percent more for crude oil than their competitors in
11 Europe and Japan and we didn't get a thank you note.
12 It had major competitive influence.

13 Third, somewhat anticipated -- the first two
14 could've been foreseen -- was that we gave Canada, a
15 close ally, an exemption. The Minister of Oil from
16 Venezuela, then a close ally, flew to Washington in
17 1959 and said, "Give us an exemption." We said no. He
18 didn't go back to Caracas. He flew straight to Riyadh
19 and founded OPEC.

20 So this is a cautionary tale for use of 232.
21 That was under a prior statute. I think it was 252,
22 but I'm not sure.

1 Third, and finally, your analysis of national
2 security has to include the near certainty of
3 retaliation because there will be retaliation. The
4 most obvious target for retaliation is U.S. arms
5 exports. We export approximately \$20 billion a year.
6 Numbers are fuzzy and lumpy, so it's a rough guess.
7 There are lots and lots of competitors out there who
8 would love to sell their airplanes instead of ours and
9 that's probably the most likely target.

10 Defense production in the U.S. depends
11 completely for economics on foreign sales. Without the
12 foreign sales, none of the projections works. The
13 costs of the planes goes up. Sorry.

14 The next obvious target is U.S. agriculture.
15 There are -- every major crop in the U.S. depends on
16 exports for its economic viability. The -- there are
17 over 600,000 very extended families producing cattle in
18 this country, several hundred thousand producing pigs,
19 hundreds of thousands more corn, wheat, soybeans, et
20 cetera. They have been the targets of retaliation.
21 They will be the targets of retaliation. If you're
22 looking at the national security of the U.S., please

1 include food.

2 Thank you.

3 MR. BORMAN: Thank you for your testimony.

4 MR. BUDWAY: Good afternoon, Mr. Secretary.

5 My name is Robert Budway. I'm the President of the CAN
6 Manufacturers Institute. On behalf of the metal can
7 manufacturing industry, thank you for giving us the
8 opportunity to testify on why the Commerce Department
9 should exclude tinplate from tariffs or other
10 restrictions.

11 Our industry relies on a mix of domestic and
12 imported steel. If imported tinplate steel is subject
13 to a tariff or restriction, our industry and our
14 American workers will be at a severe competitive
15 disadvantage. It is important to note that CMI member
16 companies employ 10,000 American workers to produce 24
17 billion steel cans annually. The can manufacturing
18 industry is responsible for 36 billion in total
19 economic activity, pays \$1.7 billion in taxes
20 federally, and \$1 billion in state taxes.

21 Tinplate steel is a unique type of steel that
22 is predominantly made for can making. Approximately 2

1 percent of all steel is tinplate. The U.S. Department
2 of Commerce and the ITC recognize tinplate steel as a
3 separate category requiring its own consideration and
4 examination. Please note tinplate is not used in any
5 defense or national security applications.

6 Tariffs and trade restrictions against
7 tinplated steel will have a severe economic impact in
8 our industry and our U.S. based manufactured employees.
9 The dominant issue is U.S. tinplate steel production
10 does not meet domestic demand. In 2016, U.S. demand
11 was 1 -- 2.1 million tons, while domestic supply was
12 1.2 million tons. This means only 58 percent of
13 domestic demand can be met by U.S. tinplate producers.

14 There's been a noticeable decline in the
15 quality of domestic tinplate. The rejection rates of
16 domestically produced tinplate are approximately 300
17 percent to 500 percent higher versus our foreign
18 suppliers. Additionally, only 50 percent of domestic
19 steel deliveries are on time. A possible tariff or
20 restriction would harm or interfere versus competing
21 packaging materials, which are not subject to tariffs.
22 Even a small increase in the price of our raw materials

1 will create a destructive competitive disadvantage,
2 forcing possible closures of can manufacturing plants
3 in the U.S. and negatively impacting the 10,000
4 workers, their families, and communities.

5 One could easily foresee where finished cans
6 or even filled cans with food product made overseas
7 could be imported at a lower cost than U.S. produced
8 cans.

9 Finally, let me say the vast majority of steel
10 cans that we manufacture are used for canned food,
11 which offers an affordable solution for feeding our
12 country. Access to affordable nutrition for 42 million
13 Americans that live in food insecure households,
14 including 13 million children. Those on government
15 food assistance, including the USDA SNAP program,
16 formerly known as food stamps, consume canned fruits
17 and vegetables at even higher rate than the average
18 American at a cost 20 to 50 percent lower.

19 Tariffs or trade restrictions would have a
20 harsh consequence on those less fortunate and diminish
21 the value of taxpayer-funded federal food assistance
22 programs.

1 We are confronted with a U.S. tinplate steel
2 industry that delivers significantly lower quality,
3 ships chronically late, is -- and is unable to satisfy
4 U.S. demand. We really have no choice but to turn to
5 foreign suppliers. The American can manufacturing
6 industry requests the Administration exclude tinplate
7 products from its investigation and any future tariffs
8 or actions.

9 Thank you.

10 MR. BORMAN: Thank you for your testimony. We
11 have our next speaker who should be Tracey Norberg.
12 Thank you.

13 MS. NORBERG: Good afternoon, Mr. Secretary
14 and distinguished members of the panel. I'm pleased to
15 be here today to share with you the unique perspectives
16 of the tire manufacturing industry.

17 I'd like to first just take a quick minute and
18 explain the initial submission that we made identified
19 our organization as the Rubber Manufacturers
20 Association. Coincidentally, we changed our name
21 yesterday, which is sort of a unique timing issue, but
22 we are today the U.S. Tire Manufacturers Association

1 and so the testimony that I have submitted today
2 reflects that new branding.

3 The USTMA represents the 10 manufacturers with
4 manufacturing operations here in the United States. In
5 order to be a member of our trade association, indeed
6 tire manufacturers need to manufacture here. Our
7 members include Bridgestone Americas, Incorporated;
8 Continental Tire the Americas; Cooper Tire & Rubber
9 Company; The Goodyear Tire & Rubber Company; Kumho
10 Tires USA; Michelin North America; Pirelli North
11 America; the Kum -- I'm sorry -- Sumitomo Rubber
12 Industries; Toyo Tire Holdings of America; and Yokohama
13 Tire Corporation.

14 In the United States, our members employ over
15 100,000 workers, operate 55 manufacturing plants, and
16 operate in 19 states. We generate over \$27 million in
17 annual sales here in the U.S.

18 I was particularly interested that Secretary
19 Ross asked folks testifying today to identify areas
20 that could be exempted from this investigation and I
21 would ask that you consider exempting tire cord quality
22 wire rod from this investigation due to the unique

1 manufacturing and quality performance requirements that
2 tires have, and I'd like to explain that to you today.

3 Tire manufacturing is vital to the U.S.
4 economy both in civilian and military applications.
5 Millions and millions of Americans and millions of tons
6 of goods each day rely upon tires performing safely
7 across the country. Our members have a direct interest
8 in this investigation because of the steel that we use
9 in our tires.

10 Virtually all of the steel wire rod that's
11 consumed in tire manufacturing is actually manufactured
12 not domestically, but is imported due to the unique
13 needs of tire manufacturers for a high-quality carbon
14 steel product that is free from defects and can add
15 unique strength and performance properties to tires.
16 It is our understanding that domestic steel mills
17 cannot meet these requirements today and it is vital
18 for the tire industry that these materials continue to
19 be imported for our products.

20 Depending on the outcome of this
21 investigation, potential remedies could have a
22 significant impact on the domestic tire manufacturing

1 industry. In particular, any activity or any
2 restriction that curtails the availability of the
3 supply of tire cord quality wire rod or bead wire could
4 negatively affect the ability of the U.S. tire
5 manufacturing industry to make tires here. Any such
6 trade constraint could potentially have a cascading
7 negative impact across the U.S. economy.

8 Our products are used to transport goods and
9 services throughout this country, and in addition, the
10 U.S. military depends on the tire manufacturing
11 industry to supply tires to protect our national
12 security.

13 Tires contain a number of highly engineered
14 components, including high carbon steel, as I
15 mentioned. The steel in tires is manufactured to very
16 strict specifications and must be -- meet these
17 specifications in order to ensure the strength,
18 durability, air retention, and other requirements of
19 the tire, and this tire rod contains a .8 percent
20 minimum carbon content. It has a low alloy content and
21 has a very low -- small diameter and generally free of
22 surface defects. The high carbon content and

1 consistent surface quality are required to assure
2 performance of tires to stringent requirements. All
3 types of modern tires contain steel and actually truck
4 tires contain a greater percentage of steel due to the
5 higher load and durability requirements of truck tires.

6 Military and related vehicles of course also
7 have demanding performance requirements and we ask that
8 these materials be recognized in your investigation.

9 Tires are actually certified to meet very,
10 very stringent requirements in the United States and
11 they're widely recognized as being the most stringent
12 tire standards in the world. These tire standards
13 require that tires perform very durably over an
14 extended period and in fact with very low air pressure
15 required. So the tires we make here today must have
16 this steel in order to perform safely both for our
17 military and civilians.

18 Given the unique needs of tire manufacturers,
19 we ask that you exclude tire cord quality wire rod from
20 this investigation, recognizing the unique needs of
21 domestic manufacturing.

22 MR. BORMAN: Thank you for your comments. Can

1 we have the next speaker, please?

2 MR. KARVONIDES: I have a question.

3 MR. BORMAN: Oh, sorry.

4 MR. KARVONIDES: The last couple of speakers
5 have mentioned that it's not available U.S. production
6 capability and capacity to make those products. I'm
7 interested to hear afterwards from the producers, U.S.
8 Steel, Nucor, and others, that do make steel here if
9 they think they can make steel for either your products
10 or canning or other speakers who spoke about the lack
11 of U.S. production capability and capacity.

12 MS. NORBERG: I think this issue has been well
13 understood in the anti-dumping context, and in fact,
14 tire cord quality wire rod was excluded from the
15 previous investigation in 2001 due to these unique
16 performance requirements in the inability of the U.S.
17 domestic industry to --

18 MR. KARVONIDES: Okay. I'd be interested in
19 hearing from the U.S. manufacturers about that. Thank
20 you.

21 MS. NORBERG: Thank you.

22 MS. AGAR: Secretary Ross and honorable

1 members of this panel, my name is Suzi Agar and I'm
2 with ADI, the Air Distribution Institute. ADI is a
3 nonprofit organization that was formed in 1947 to
4 promote steel products and fittings for the heating,
5 venting, and air conditioning industry. Currently
6 there are 16 members within our organization who run
7 over 36 manufacturing facilities throughout the United
8 States. We proudly employ over 5,000 full-time workers
9 and 150 part-time workers.

10 A key product used by ADI members is light-
11 gauged corrosion-resistant steel, commonly known as
12 CORE. Specifically, we utilize hot-dipped galvanized
13 steel in coil form, which conforms to ASTM A653 grade
14 CS, Type B. It also has a zinc coating of the most
15 popular use of G-30.

16 Please note that first and foremost, the key
17 products we import are not in any way tied to the
18 national defense industry. Our products are not used
19 for armor, defense vehicles, ships, aircrafts or
20 infrastructure. The HVAC products we manufacture are
21 predominantly used for the housing industry and for the
22 construction of light commercial buildings.

1 For decades, domestic mills have vacated the
2 residential HVAC market by choice. Because most
3 domestic mills are governed by a tons-per-hour pay
4 scale, it's simply not profitable nor advantageous for
5 them to produce light-gauged steel or aluminum.
6 Rightfully so, they have focused their production on
7 fabricating heavier gauged metals. These metals are
8 used for the appliance, automobile, heavy construction,
9 tube and pipe industries. They are not favorable
10 because of the higher prices they command, but also
11 because they are more taxing to produce.

12 There is neither the demand nor the desire for
13 domestic mills to produce light-gauged metals and
14 aluminum. The scarce availability of domestic light-
15 gauged metals, coupled with the high prices they
16 charge, is directly reflected in the average yearly
17 totals that ADI members produce -- purchase from
18 domestic mills. Approximately 77,000 tons of
19 galvanized metal and 960 tons of aluminum, all 010, 012
20 thickness, on a yearly average, ADI members purchase
21 approximately 200 tons of these same type light-gauged
22 metals from foreign sources.

1 ADI members also have a need for multiple
2 widths of steel. There are many types of steels that
3 we purchase that are currently available from only one
4 domestic mill within the United States. We would
5 prefer to purchase from domestic mills, but due to
6 restricted availability and pricing, we are basically
7 forced to find mills outside of the United States.
8 Many just choose not to work with us.

9 Because of the tariffs already added from the
10 2015 anti-dumping lawsuit, our members, and therefore,
11 our U.S. consumers, are already feeling the effects of
12 higher priced steel. Additional tariffs and
13 restrictions from a second action will drive prices up.
14 Domestically, prices have increased between 16 percent
15 between 2015 and '16 and an additional 10 percent in
16 2017 alone.

17 We would anticipate a serious disruption and
18 probable scarcity of metal if we were forced to buy
19 higher steel from either within or outside the U.S.
20 This would also escalate the probability of the housing
21 industry to seek alternatives to ducted HVAC systems.
22 Additionally, jobs would be lost due to the lack of

1 demand four our affordable products.

2 We truly believe and support President Trump's
3 initiative to prepare America for adequate readiness in
4 the event of a national security event. We do not want
5 our types of light-gauged metals to interfere with
6 domestic mills being able to react quickly if there was
7 a crisis. We're sympathetic to the intent of this
8 investigation; however, U.S. manufacturers like
9 ourselves are truly in a unique niche, the production
10 of light-gauged HVAC ductwork and fittings.

11 We need readily accessible as well as
12 reasonably priced steel. We respectfully ask that you
13 exclude light-gauged aluminum and galvanized metals in
14 the 010 to 012 thicknesses from this Section 232
15 investigation. We respectfully appeal to the U.S.
16 Government to give our industry consideration by not
17 imposing additional tariffs, adding restrictions or
18 prohibiting our ability to purchase light-gauged metals
19 from foreign markets.

20 Thank you, Secretary Ross and honorable panel.

21 MR. BORMAN: Thank you. I do have a question
22 for you.

1 Could you elaborate a little bit on your
2 statement that says you have the members buying
3 approximately 77,000 tons of galvanized metal and
4 aluminum from a domestic supplier, but then roughly
5 200,000 tons from foreign sources? And it said -- your
6 testimony said pricing availability, but could you
7 elaborate on that?

8 MS. AGAR: We sent a survey out to the ADI
9 members and asked them to provide information on an
10 anonymous basis of how much they do buy domestically in
11 the 010 and 012 thicknesses and then how much they also
12 buy from foreign markets. So significantly less on the
13 domestic side for the lighter gauge and more from the
14 foreign.

15 MR. BORMAN: But did the data give you a sense
16 as to how much of that was price versus availability?

17 MS. AGAR: It -- pricing was a part of it, for
18 sure, and I would say readily availability as well.

19 MR. BORMAN: All right. Thank you. Okay.
20 We're ready for our next speaker then.

21 MR. CROSS: Good afternoon. My name is John
22 Cross, President of Steelscape, An American company

1 that manufactures coated and painted steel for U.S.
2 companies.

3 Steelscape has facilities in Washington State
4 and California, together employing over -- almost 400
5 men and women in productive, high-paying jobs. If the
6 President were to institute broad based restrictions on
7 steel imports, it would jeopardize the viability of
8 Steelscape itself and in the process, threaten the
9 livelihood of 400 employees. Let me tell you why.

10 Steelscape is structured to import the raw
11 material that we use to produce our coated and painted
12 steel. This imported substrate does not only not
13 threaten the country's national security, but actually
14 promotes it by permitting Steelscape, a U.S. steel
15 manufacturer, to participate productively in the U.S.
16 economy.

17 Steelscape has two facilities, one on the
18 Columbia River in Kalama, Washington, and one located
19 in Rancho Cucamonga, California. Both facilities
20 produce coated steel products, but not from liquid
21 steel. Our Kalama facility transforms hot-rolled coils
22 into cold-rolled and galvanized coils, while our Rancho

1 facility purchases cold-rolled steel to produce
2 galvalume coils. Both facilities also paint most of
3 the coated steel they produce. A large portion of
4 Steelscape's output ships to ASC Profiles, an
5 affiliated American company which uses our steel to
6 manufacture steel profiles and building components for
7 commercial and residential use in the Western United
8 States.

9 Both Steelscape facilities need imported steel
10 substrate to make their coated products. The Kalama
11 site is located literally alongside the Columbia River,
12 a deep-water port facility which allows ocean going
13 vessels to discharge directly from the dock to
14 Steelscape storage yard. Shipping costs from
15 Australia, for example, range from \$60 to \$100 per ton
16 less than rail rates from U.S. mills east of the
17 Rockies.

18 Sourcing steel from West Coast producers is
19 also problematic for us. There are only two or three
20 suppliers of hot-rolled steel on the West Coast and
21 they're focused on supplying their own downstream needs
22 and customers. The dynamics of the West Coast market

1 are such that all flat-rolled producers in the market
2 have to import a large portion of the raw material they
3 use from abroad. Steelscape is no different.

4 Steelscape is subject to another structural
5 restriction that prevents it from purchasing raw
6 material from U.S. mills. Any steel substrate that
7 Kalama would buy from domestic suppliers would have to
8 arrive by rail, which Kalama cannot accommodate due of
9 space and capital limitations.

10 In addition, domestically produced steel does
11 not compete with imported steel for Steelscape's
12 substrate business. Steelscape requires imported steel
13 to survive as an American producer of coated steel
14 products. The proof of this is this. Last year, when
15 the Commerce Department imposed almost 30 percent
16 dumping duties on hot-rolled steel from Australia,
17 Steelscape did not replace its Australian hot-rolled
18 steel with a single ton of domestically produced hot-
19 rolled. Instead, we imported hot-rolled and cold-
20 rolled substrate from other countries to meet our
21 needs. By doing so, Steelscape was able to remain a
22 going concern, saving nearly 400 jobs.

1 And it is not only Steelscape jobs that would
2 potentially be at risk. As I mentioned, much of
3 Steelscape's production goes to ASC Profiles, which
4 uses the coated steel to produce metal building
5 components. If ASC could not provide reliable, high
6 quality steel from Steelscape made from imported
7 substrate, its operations and another 230 jobs could be
8 at risk.

9 The steel substrate that Steelscape must
10 import from Australia and other countries does not
11 threaten the security of the United States steel
12 industry. Rather, it helps the industry survive and
13 prosper. Further, that steel is not for any defense or
14 national security use. It's simple, flat-rolled steel
15 that we coat and paint, ship for use in commercial and
16 residential buildings throughout North America. This
17 kind of steel has no impact on the United States'
18 national security requirements.

19 Steelscape, in short, needs to import steel in
20 order to produce steel in the U.S. We ask the
21 Department to consider the special situation of
22 companies such as ours, companies that depend on

1 imported steel to survive as American steel producers.

2 Thank you.

3 MR. BORMAN: Thank you for your testimony.

4 MR. TENNANT: Good afternoon, Secretary Ross,
5 distinguished panel. My name is Jim Tennant. I'm the
6 CEO of Ohio Coatings Company, or OCC, located in
7 Yorkville, Ohio, which is on the Ohio-West Virginia
8 border.

9 OCC is a domestic U.S. producer of tinplate.
10 Tinplate products are used in food and beverage cans,
11 paint cans, aerosol cans, and other similar products.
12 OCC operates a world-class 133,000 square foot
13 electrolytic tinplate manufacturing facility with a
14 capacity to produce 250,000 tons per year of the
15 highest quality tinplate available anywhere.

16 When OCC plant opened in 1997, it was the
17 first templating mill that was constructed in North
18 America in over 30 years. OCC employs 66 American
19 workers who live in Ohio and West Virginia. Those jobs
20 and the very survival of OCC as a U.S. tinplate
21 manufacturer are threatened if imports of tin-mill
22 black plate, the steel substrate used to produce

1 tinfoil, are restricted as a result of this
2 investigation.

3 OCC is owned by TCC, a Korean producer of
4 tinfoil, and Esmark. The total investment to date in
5 OCC is \$80 million. The investment in this mill and
6 its continued operation was conditioned on the ability
7 to import some of the black plate substrate necessary
8 to produce tinfoil.

9 Black plate is a specialty steel that was
10 developed and designed for the production of tinfoil.
11 It has no other significant uses. Besides OCC, there
12 are three other domestic producers of tinfoil in the
13 United States: ArcelorMittal, U.S. Steel, and USS-
14 POSCO or UPI. The volume of tinfoil and black plate
15 required directly for national defense needs is limited
16 and OCC believes that the existing domestic capacity is
17 adequate to meet current and projected national defense
18 requirements.

19 Unlike our three competitors in the tinfoil
20 market, OCC does not have its own captive supply of
21 black plate. Rather, OCC is dependent on purchasing
22 black plate in the merchant market. The only domestic

1 producers of black plate, however, are also our
2 competitors in the tinplate market, primarily Arcelor
3 and U.S. -- ArcelorMittal and U.S. Steel. As a West
4 Coast producer, UPI is not a viable supplier of black
5 plate for OCC.

6 Sourcing of 100 percent of our black plate
7 requirements from our competitors is not a viable
8 option for OCC. Unless we're able to continue to also
9 purchase high quality black plate from import sources,
10 OCC may have to close its doors.

11 In 2012, RG Steel, our former parent company
12 and source of OCC black plate, went through bankruptcy
13 and was liquidated. Until the third quarter of 2016,
14 OCC obtained its black plate from ArcelorMittal,
15 Costco, and from Japanese suppliers. The only viable
16 domestic supplier at this point is ArcelorMittal. OCC
17 is no longer able to import black plate from Korea and
18 Japan and has not done so since the third quarter of
19 2016 as a result of the anti-dumping and countervailing
20 duty actions against cold-rolled.

21 As a result, OCC continues to purchase black
22 plate from ArcelorMittal and from some import sources,

1 but OCC lacks sufficient raw materials to maintain its
2 efficiency. In 2015, OCC operated at 60 percent of
3 capacity, declining to 50 percent in 2016 as a result
4 of the anti-dumping and countervailing duty orders. In
5 the first quarter of 2017, OCC is operating at 40
6 percent of capacity because of shortages of black plate
7 substrate.

8 Moreover, despite U.S. Steel's assurances
9 before the International Trade Commission that they
10 could supply black plate, U.S. Steel has never even
11 offered competitively priced black plate to OCC as
12 compared to offers from ArcelorMittal or other
13 suppliers. U.S. Steel offers have been at prices that
14 were higher than the current market price for finished
15 tinplate. So clearly U.S. Steel's not interested in
16 supplying OCC due to the fact that we compete with them
17 in the tinplate market.

18 OCC cannot survive with ArcelorMittal as its
19 only supplier. If OCC sourced all of its black plate
20 from ArcelorMittal and that plant were to have any kind
21 of a shutdown, fire, strike, et cetera, OCC would shut
22 down. Secondly, ArcelorMittal is OCC's direct

1 competitor in the tinplate market. They will always
2 prioritize their own needs ahead of ours. Any further
3 import restrictions on black plate would be devastating
4 to OCC and would threaten its survival as a U.S.
5 producer.

6 To the extent that this proceeding is
7 designing an industrial policy towards the steel
8 industry and steel users, thought must be given to the
9 cost of shutting out imported steel needed to
10 supplement domestic production and to support
11 downstream users of steel. Restrictions on import to
12 black plate have weakened not strengthened the U.S.
13 industry.

14 Thank you.

15 MR. BORMAN: Thank you for your remarks.
16 Please, our next speaker. Please, Mr. Gerard, come up.

17 MR. GERARD: Speaker Ross and panel members, I
18 want to tell I'm really excited about being here. The
19 Steelworkers Union has been having this fight for 45
20 years, trying to get fair trade in steel. In the last
21 15 years, the steel industry went from producing 125
22 million tons a year to slightly over 85 million tons a

1 year.

2 Our union, since 2012, has filed 86 trade
3 cases or participated in 86 trade cases. We won 81 of
4 them. Why did we win? We win because they cheat.

5 Included in my formal testimony is a document
6 that looks like this called Chinese Steel Overcapacity.
7 In five different U.S.-China consultations on steel,
8 China promised five times to reduce its capacity. That
9 first one, they were producing roughly the same amount
10 of tons as America. By the time we got to 2014, after
11 breaking their promise five times that they would
12 reduce capacity, they were now producing 1.2 billion
13 tons and as some of the earlier speakers said, that
14 that 1.2 billion tons ends up with, depending on which
15 economist you want to accept, somewhere between 400 to
16 700 million tons of overcapacity that is flooding the
17 market.

18 I have way too much to say and too little time
19 to say it, but the reality is that when we're going to
20 talk about the steel industry, we need to talk about
21 the complete industry. We need to talk about the basic
22 materials from iron to steel, products that are

1 included like silicone metal, manganese, and chromium
2 and that are needed to make the alloys.

3 When we look at what's going on, I was going
4 to talk about all the different things that steel ends
5 up being a part of, whether it's the food chain or the
6 water supply. We have close to two million miles of
7 water pipe in America. I don't think there's a person
8 that lives in the Northeast that hasn't experienced a
9 waterline break from waterline pipes that could be 50,
10 60, 80 or 90 or 100 years old. That affects our
11 national security.

12 I could talk about all the steel that goes
13 into defense industry and talk about how that affects
14 our national security. I could talk about that period
15 of time that went from 125 million tons to 85 and the
16 tens of thousands of workers that lost their jobs and
17 the communities that were destroyed. I could talk
18 about the need for specialty steel. I could talk about
19 the need for electric steel to make sure that our
20 transformers and our transformer lines are modernized
21 and brought up to speed.

22 I can talk about the need to grow our steel

1 industry back. I'm sick and tired of hearing people
2 come in and say if you want fair trade, we might have
3 to bring a trade action against you in agriculture.
4 Our union's been fighting for fair trade in steel now
5 for 45 years.

6 The reality is that the trade laws, honored
7 panel, do not work. They do not work. We filed dozens
8 of cases on the same issue. The remedy is put in.
9 When the remedy expires, we have to do the same thing
10 or the industry finds that -- foreign industry, the
11 cheaters, as Mr. Goncalves said, they find a different
12 way to cheat whether they circumvent or do something
13 else.

14 For a long time, I thought the best way to do
15 this is to tell those cheaters three strikes and you're
16 out. The most valuable thing on the planet for a
17 company from offshore is access to this market and
18 we've been giving it away for free.

19 I give an example of -- maybe Marcy Kaptur
20 mentioned it while I wasn't here. U.S. Steel invested
21 hundreds of million dollars in making a brand new OCTG
22 pipe mill in Lorain, Ohio. The thing had never gotten

1 to full capacity because as we're doing that, the South
2 Koreans built a brand new, state-of-the-art mill. We
3 filed a trade case. We won the trade case. And you
4 know what they did? They increased their production
5 and increased their destination as U.S.

6 Why could do that? They don't drill one inch
7 in their own country. They knew that if they did that
8 and shipped into America, there was nothing we could do
9 about it because they continued to get subsidies from
10 their government. So therefore, we've got an OCTG mill
11 that is the state-of-the-art that's hardly working at
12 all.

13 So, members of the panel, we need to make sure
14 that as you do your review, you review the complete
15 steel industry, you review why it doesn't work, you
16 review why we've been pushed down to 85 million tons.
17 You need to look at all the different kinds of steel.

18 I say to people often when you drive by a
19 steel mill and you see the rows of steel in the air,
20 they might look all the same, but most of them are all
21 different. They're scientifically engineered. You go
22 into a modern steel mill and from the front end to the

1 back end, you might not see a human being, but that
2 mill will roll out at one-tenth of one inch of
3 deviance, almost perfect, for its customer, and if we
4 can't earn the price of the cost of capital, then what
5 will happen? We're already down to the bare minimum of
6 85 million tons and our industry has been under attack,
7 as I say, for 45 years.

8 And I want to make one other quick point.
9 We're a binational union. We have members on both
10 sides of the border. Canada's one of the few countries
11 that's always been there to stand by the United States.
12 Indeed, our national security intelligence relationship
13 with Canada is truly unique.

14 We share an uncontested border. We have
15 intelligence sharing relationship known as Five Eyes
16 and is limited only to five countries. We have the
17 North American Aerospace Defense, NORAD, and its
18 existence of more than 60 years.

19 We respectfully request that Canada be
20 excluded from this because it's been considered -- for
21 those 45 years that I've been talking about, it's been
22 considered as part of the North American steel industry

1 and considered as part of the American steel industry.

2 Last point. I wish this happened in more
3 places, but we actually have a trade surplus with
4 Canada. I'd love to have a trade surplus with Japan,
5 South Korea, India, China, and we can maybe get there
6 if we enforce modernized trade laws.

7 Thank you very much for your time.

8 MR. BORMAN: Thank you for your comments. Can
9 we have the next speaker, please?

10 MR. ZALESNE: He was on such a good roll. I
11 enjoyed that running into my time as well.

12 Good afternoon. My name is David Zalesne and
13 it is my privilege to speak here today on behalf of the
14 American Institute of Steel Construction. I'll start
15 by thanking the Administration and Secretary Ross for
16 initiating this investigation and also the members of
17 the panel for your work on it.

18 My focus today is on construction. AISC is a
19 nonprofit, nonpartisan, technical institute and trade
20 association that has served the structural steel design
21 community and construction industry since 1921. AISC
22 develops industry standards, specifications and codes

1 for steel construction, conducts technical research,
2 and operates programs for education, technical
3 assistance, and quality certification.

4 Together with the affiliate -- with our
5 affiliate, National Steel Bridge Alliance, AISC
6 represents more than 1,000 U.S. businesses involved in
7 the structural steel industry and has more than 40,000
8 professional affiliate and student members. AISC
9 estimates that the U.S. structural steel industry
10 directly supports about 200,000 jobs, most of which
11 involve skilled labor.

12 Steel fabricators provide a critical
13 intermediary role in the structural supply chain,
14 positioned between the mills that produce steel plate
15 and shapes, and the cranes that lift steel columns,
16 beams, girders, and trusses into place at construction
17 sites. Fabricators convert steel produced at the mills
18 into site-ready pieces, operating plants where
19 sophisticated equipment and skilled craftspeople cut,
20 drill, fit, and weld components to meet the plans and
21 specifications for each project.

22 Fabricators invest in both physical assets and

1 human assets because while some fabrication processes
2 can be automated, most of the labor and fabrication
3 plants is in fitting and welding, which are difficult
4 skills to automate on custom designed projects.
5 Equally important, fabricators are entrusted with the
6 design drawings for projects and drawings that show the
7 forces the buildings are designed to resist, both
8 natural forces and forces that can be introduced by
9 actions designed to damage or bring structures down.

10 In short, fabricators are responsible for
11 steel that goes into projects from high-rise towers in
12 Manhattan to dams in California, from wastewater plants
13 in Michigan to power plants in the Gulf states, from
14 bridges crossing the Mississippi River to ports
15 handling cargo on the coasts. Indeed, our company
16 based in South Carolina was entrusted with the
17 structural steel for the U.S. Capitol Visitors Center
18 and also entrusted with the security enhancements that
19 were designed into that structure after the terrorist
20 attacks of 9/11 to protect members of Congress in the
21 event of a future attack.

22 For most of the long history of the American

1 steel industry, major projects like bridges, high-rise
2 towers, and secured government facilities were
3 routinely fabricated in American plants. However,
4 following the passage of NAFTA, fabricators working in
5 the Northeast saw an immediate erosion of domestic
6 market share in cities like Boston and New York, as
7 Canadian fabricators rushed into those areas.

8 Then as the Chinese steel industry grew,
9 Americans were shocked to see steel for the Bay Bridge
10 in California fabricated in China. Almost overnight,
11 the American construction market became a rich target
12 for foreign steel industries, and while oversight was
13 focused on imports of mill steel, foreign companies
14 were bringing steel in the U.S. market as fabricated
15 products with virtually no resistance.

16 Today, offshore access to American
17 construction markets has become so soft that on one
18 major project in New York City, steel plate made in
19 China was shipped to a fabricator in Mexico, fabricated
20 into building components there, brought freely into the
21 U.S. under NAFTA rules, shipped 3,000 more miles to New
22 York City, and somehow, all of that offshore material,

1 labor, and freight was priced below domestic
2 fabricators' cost.

3 According to Commerce Department statistics,
4 imported fabricated structural steel has increased by
5 136 percent in the past 5 years, far in excess of the
6 growth of the U.S. construction market. Fabricated
7 steel is being imported not just from China, but from
8 Canada, Mexico, Italy, the UK, and even the UAE, among
9 many other places, and because fabricated steel is
10 imported for specific projects and not as a commodity,
11 it is exceptionally difficult and expensive for
12 individual fabricators to prove a violation of trade
13 laws through traditional trade case procedures.

14 Turning to the specific areas of investigation
15 under the statutory language of Section 232, AISC
16 respectfully requests the Department make the following
17 five findings. First, that domestic production and
18 fabrication of structural steel is necessary for
19 national defense and security requirements. In this
20 context, we're talking not just about traditional
21 military installations and equipment, but the security
22 and integrity of our infrastructure, buildings,

1 bridges, power plants, water treatment facilities, and
2 other major projects built with steel.

3 If it is important to have an American
4 structural steel industry to build these projects, then
5 trade policy involving steel imports must address both
6 produced steel as melted and poured product and also
7 fabricated components to be effective.

8 Second, there's ample capacity in the domestic
9 structural steel industry to meet national marketplace
10 requirements. Many fabricators have invested in both
11 their equipment and human resources and they can handle
12 major projects. They also have the ability to grow as
13 current markets -- as markets expand, but steel
14 fabrication is an incredibly risky and competitive
15 industry even in good markets. It's virtually
16 impossible to operate successfully when markets are
17 undercut by below cost offshore fabrication.

18 Third, the close relation between the nation's
19 economic welfare and national security is undermined by
20 foreign tactics to obtain easy access to domestic steel
21 construction markets.

22 Fourth, the domestic structural steel industry

1 supports high wage, skilled labor jobs, a strong tax
2 base, and stable employment opportunities. Unlike
3 offshore fabricators, American fabricators offer
4 market-based wages and healthcare benefits to their
5 employees, comply with detailed safety and environment
6 regulations in their plants, and pay significant
7 federal, state, and income taxes, local sales taxes and
8 use taxes and payroll taxes. This all adds to domestic
9 fabricators' costs, which can only be recovered if they
10 can be passed on to the marketplace. So when offshore
11 fabricators with none of these costs have open access
12 to the same marketplace, domestic fabricators are at an
13 obvious disadvantage.

14 Of course, one of the reasons why attaching
15 Buy America requirements to infrastructure is
16 incredibly important, even if infrastructure is
17 financed by non-government sources.

18 Finally, while prior government efforts to
19 counter illegal steel dumping and illegal subsidies
20 under trade agreements and WTO rules have all been
21 well-meaning, they have proven largely ineffective to
22 address imported fabricated steel. Offshore producers

1 have responded to tariffs on mill-produced steel by
2 moving products downstream to the fabricated level,
3 hurting both fabricators and producers. And again, it
4 is exceptionally difficult for individual fabricators
5 to prove a violation of trade laws through traditional
6 trade cases on individual construction projects.

7 With respect to relief, the Secretary asked
8 for innovative remedies. One, we have no -- AISC has
9 no specific recommendation on tariffs and quotas except
10 to say that they must be extended downstream if they're
11 going to be effective. Our suggestion with respect to
12 innovative remedies would be for Commerce to designate
13 classes of structures that are strategically sensitive
14 or important, high-rise towers, power plants, port
15 facilities, bridges, and attach domestic fabrication
16 requirements to those projects.

17 On behalf of AISC, I appreciate the interest
18 and look forward to working with the Department in any
19 capacity where we can be of assistance.

20 Thank you.

21 MR. BORMAN: Thank you so much.

22 Can we have our next speaker, please? Thank

1 you.

2 MR. BELL: Good afternoon. My name is Philip
3 Bell and I'm President of the Steel Manufacturers
4 Association, also known as the SMA. I would like to
5 thank Secretary Ross and the panel for the opportunity
6 to share ideas with you this afternoon regarding the
7 Department's Section 232 investigation into the
8 national security effects of imported steel.

9 On a personal note, I would also like to thank
10 Secretary Ross for taking time out of his busy schedule
11 to address the members of both the Steel Manufacturers
12 Associations and the American Iron and Steel Institute
13 at our annual members conference.

14 The SMA is a Washington, D.C. based trade
15 association that is the voice of steelmakers that rely
16 on the electric arc furnace, or EAF, steelmaking
17 technology, which is the dominant steelmaking
18 technology used in America. SMA's membership contains
19 a variety of EAF steel producers including some of the
20 nation's largest steelmakers and employers, such as
21 Nucor, Steel Dynamics, Gerdau, Commercial Metals, and
22 Charter Manufacturing.

1 As 21st Century steelmakers, our members
2 utilize post-consumer recycled ferrous scrap in their
3 principal feedstock, turning this waste into world-
4 class steel. SMA members accounts for over 75 percent
5 of domestic steelmaking capacity and directly employ
6 more than 60,000 workers in 43 states and 125
7 congressional districts.

8 It is imperative to our national security that
9 the United States have a strong, viable domestic steel
10 industry with sufficient productive capacity to meet
11 both defense and commercial needs. We cannot rely on
12 foreign steel producers to arm and protect our military
13 forces and to rebuild and maintain our nation's
14 critical infrastructure. Steel is vital to our
15 national defense, but beyond direct defense
16 applications, steel is the engine of economic activity
17 and employment that is of critical importance to the
18 United States.

19 Imports of steel, quite simply, present an
20 existential threat to the American steel industry. The
21 volumes of imported steel today have impaired demand
22 for U.S. produced steel, forced reductions in domestic

1 production, and diminished return on capital
2 investments. U.S. steelmaking production capacity
3 utilization has hovered under 75 percent for many
4 years. We believe that capacity utilization of 85
5 percent or higher is necessary to allow steelmakers to
6 ensure a reasonable return on capital employed, operate
7 at full employment levels, make necessary capital
8 investments, investment in research and development,
9 and also officially operate the hot end or the melted
10 and poured part of steelmaking, as well as the cold
11 end, the finishing part of steelmaking.

12 Even after the 1999 to 2001 steel prices
13 capacity utilization levels rebounded back to that 85
14 percent threshold, the ability of SMA's members to meet
15 episodic national defense requirements and to improve
16 and make capital investments for tomorrow depends
17 entirely on today's demand for their U.S. produced
18 steel. SMA members are the safest, most productive,
19 and most sustainable steelmakers in the world, and we
20 can compete with anyone on a level playing field.

21 The United States also has the world's most
22 open markets and the SMA supports free and fair trade.

1 The same openness, however, should not be extended to
2 illegally traded, dumped and subsidized steel. Over
3 the last decade, global steelmaking capacity has grown
4 at an unprecedented rate. The world's steel
5 consumption, however, has not kept pace, contributing
6 to a large and increasing gap between global capacity
7 and demand.

8 The effects of global overcapacity have been,
9 quite simply, to flood the U.S. market, typically
10 unlawfully, with imported steel. Import market
11 penetration has come as a great price to the U.S. steel
12 industry and the U.S. economy. From January 2015 to
13 the end of 2016, the steel industry employment has
14 declined by 14,400 workers. As the domestic steel
15 industry has been weakened, tax revenues have been lost
16 and our national security has been impaired.

17 Based on research done by Georgetown Economic
18 Services, using an estimate nationwide average annual
19 steelworker income of \$61,465, the SMA estimates that
20 the U.S. federal government has forgone an average of
21 \$13,000 in federal income tax for each steelworker.
22 For each 1.5 million tons of steel imported into the

1 United States, the federal government will forgo an
2 estimated \$9 million in tax revenue. As applied to job
3 losses since 2015, this is estimated to be \$190
4 million.

5 SMA comments the diplomatic efforts to reduce
6 global steel production and while the United States may
7 need to act unilaterally to ensure that its steel
8 producers, workers, and customers are not driven out of
9 business by unfairly traded imports, it is our hope
10 that like-minded countries can join with us in our
11 support of free and fair trade and the rule of law.

12 We also hope that the 232 process will serve
13 as a catalyst to explore creative and meaningful
14 remedies that will deal with underselling,
15 overcapacity, and other market distortions that impact
16 our entire steel supply chain.

17 Thank you.

18 MR. BORMAN: Thank you for your testimony.

19 Thank you.

20 Next speaker, please.

21 MR. GEARY: Good afternoon, Mr. Secretary and
22 members of the panel. Thank you for allowing us to

1 present.

2 I'm Bill Geary, Chairman of Cold Finished
3 Steel Bar Institute and President of Nelson Steel
4 Company. The Cold Finished Steel Bar Institute is a
5 Washington, D.C. based trade association representing
6 U.S. producers of cold finished steel bar. Cold
7 finished steel bar is incorporated into a wide range of
8 consumer, industrial, aerospace, and military products.
9 Essentially any product that contains a motor or moving
10 part contains one or more components produced from cold
11 finished steel bar.

12 The U.S. cold finished steel bar industry
13 produces high-quality products on an efficient, cost
14 competitive basis, using highly trained workers under
15 environmentally safe and sound conditions.

16 The following is a summary of national defense
17 related materials and applications provided by cold
18 finished steel bar producers. Projectiles and shell
19 cases are produced from cold finished steel bars.
20 These are used primarily for the A-10 Warthog and the
21 Apache and Blackhawk attack helicopters. Cold finished
22 steel bar is also present in armored vehicles in the

1 form of door hinge pins, shafts, gears, engine parts,
2 suspension parts, rocket fuel rods, steering and
3 braking systems, and bomb fin adaptors.

4 Guns, smart bombs, and military aircraft all
5 contain numerous parts produced from cold finished
6 steel bar, and lastly and maybe most importantly, M-16
7 rounds are produced from cold finished steel bar.

8 Cold finished steel bar producers also provide
9 materials for civilian applications, which provide
10 critical support functions essential to the national
11 defense and the fight against terrorism. In
12 transportation, cold finished steel bar is present --
13 excuse me -- in numerous auto parts, airline seat
14 parts, locomotive axles, and jet ramps. In
15 infrastructure, cold finished steel bar is present in
16 bridge parts, wire supports for concrete, sewer pipe
17 parts, and rebar tie wire.

18 In power generation, cold finished steel bar
19 is present in bolts for wind turbines, wire for
20 electric transmission towers, numerous oil and gas
21 applications, and numerous mining industry
22 applications.

1 Like much of the steel industry, CFSBI member
2 companies are facing extraordinary challenges from
3 foreign producers. We believe there is widespread
4 dumping in the U.S. market. China and other countries
5 have built substantial excess production capacity
6 frequently with government subsidies. We face
7 competitors which have never had to make a profit to
8 survive thanks to government handouts.

9 The U.S. market for cold finished steel bar
10 has declined precipitously. We estimate that within
11 the last 45 years, the demand for cold finished steel
12 bar in the United States has gone from 2.5 million tons
13 to about 1 million tons per year today. This reflects
14 the loss of our much of U.S. customer base.

15 Unless the underlying commercial production of
16 cold finished steel bars is healthy, competitive, and
17 profitable, CFSBI companies would be unable to survive
18 and would not be able to provide critical materials
19 essential to the national defense. For this reason, we
20 respectfully urge that any remedy determined in this
21 Section 232 case apply not only to cold finished steel
22 bars that we produce, but also to downstream component

1 parts made by our customers and are then incorporated
2 into subassemblies, motors, and various manufacturing
3 systems. It is absolutely critical for the CFSBI to
4 continue being a viable part of this country and its
5 national defense.

6 I thank you for your time and welcome any
7 questions.

8 MR. BORMAN: I don't think we have any
9 questions, so thank you for your testimony. Ready for
10 the next speaker. Thank you.

11 MR. GEARY: Thank you.

12 MR. VORE: Good afternoon. Tip of the hat to
13 the panel for your stamina. I think we all appreciate
14 it.

15 Secretary Ross and the panel, my name is
16 Edward Vore. I'm pleased to be here in my capacity as
17 the Chairman of the Committee on Pipe and Tube Imports,
18 also known as CPTI. I also serve as the CEO of
19 ArcelorMittal Tubular Products North America, but today
20 I'm here to speak on behalf of the entire U.S. pipe and
21 tube industry as the Chairman of the CPTI.

22 CPTI is the leading trade association for the

1 steel pipe and tube industry in the United States. It
2 was founded in 1984 and responds to the damage being
3 done to domestic producers by imported products.
4 Regrettably, notwithstanding our organization's efforts
5 over three decades, the domestic pipe and tube industry
6 has continued to decline as imports take more and more
7 market share.

8 Today, CPTI has 40 members with 123 facilities
9 in 32 states. Our members employ more than 35,000
10 workers. Thousands more workers are currently laid off
11 awaiting better economic conditions that would allow
12 employers to recall them.

13 Although 2016 provided some respite for the
14 domestic pipe and tube industry in the sense that
15 imports declined from its peak in 2015 and '14, imports
16 still took more than half of the U.S. market in 2017
17 and 2017 is not looking good. Imports are up 55
18 percent so far, which portends badly for the domestic
19 producers.

20 Our industry is a critical supplier to a
21 number of important sectors in the U.S. economy,
22 including agriculture, construction, infrastructure,

1 and manufacturing. I'm here today, however, to
2 underscore that a healthy pipe and tube industry is
3 vital to the nation's defense and security.

4 First, pipe and tube have direct military
5 applications such as casing for munitions and are also
6 essential components of piping systems in jets, ships,
7 military vehicles, weapon systems, and prefabricated
8 buildings.

9 Second, pipe and tube are critical to our
10 nation's energy security. Oil wells, for example, use
11 pipe and tube products like drill pipe and oil country
12 tubular goods and both oil and natural gas are
13 transported through pipelines made of line pipe.
14 Petroleum products like gasoline, which is essential to
15 virtually any military action, are also refined in
16 facilities made almost entirely of pipe and tube.

17 Third, pipe and tube are important to national
18 security because they are used in the transmission of
19 critical fluids and gases for fire protection,
20 industrial production, heating and cooling, and water-
21 gathering systems.

22 Finally, pipe and tube are an integral part of

1 the overall steel industry. Seamless pipe and tube is
2 made from steel billets. Welded pipe and tube is made
3 from flat-rolled steel. Domestic pipe and tube
4 companies tend to buy these inputs from domestic
5 sources. Foreign pipe and tube producers buy their
6 steel from foreign suppliers.

7 We estimate the domestic pipe and tube makers
8 account for as much as one-third of the consumption of
9 U.S. made hot-rolled steel. If domestic pipe and tube
10 manufacturers were to go out of business, U.S. steel
11 producers would be hard-pressed to fill the resulting
12 void in demand.

13 The Reagan Administration recognized the
14 importance of including pipe and tube in its voluntary
15 restraint agreements, as did the second Bush
16 Administration when crafting a safeguard remedy. The
17 Trump Administration should do the same.

18 According to the publication SteelBenchmarker,
19 Chinese export prices for hot-rolled steel in 2016 were
20 \$453 a ton, whereas U.S. prices were \$671 a ton.
21 China's state-owned enterprises don't care about
22 profits and will continue producing at a loss in order

1 to maintain production and employment.

2 If the Administration were to address only
3 basic steel products and not pipe and tube, the
4 domestic differential would likely increase,
5 potentially making domestic pipe and tube less
6 competitive than it already is. CPTI, therefore,
7 favors a remedy for all flat-rolled steel and billets
8 extending to pipe and tube and associated components
9 like couplings and nipples, as well as fabricated
10 products such as pipe spools and pipe modules.

11 On behalf of the nation's makers of pipe and
12 tube, as well as their workers, I'm grateful for this
13 opportunity to present you with this testimony and
14 would be pleased to answer any questions either now or
15 in written submission.

16 Thank you.

17 MR. BORMAN: Thank you for your remarks.
18 We're ready for our next speaker.

19 MR. MONROE: Good afternoon. Raymond Monroe
20 with the Steel Founders' Society of America. Thank
21 Secretary Ross and the panel for opening this
22 investigation. Also, thank you for the tremendous

1 Trump bump we got after the election in November. We
2 saw markets really improve dramatically through
3 December and have remained fairly strong through April,
4 although May is beginning to look pretty iffy for us.

5 In -- on September 9, 2003, Amite Foundry, one
6 of our companies, took steel from the World Trade
7 Center, re-melted it and cast the valve stem for the
8 USS New York. That is typical of what we do in the
9 steel casting industry. We make custom engineered
10 products by melting steel and pouring it into molds to
11 make custom shapes. So we're a very small part of the
12 industry. There's about a 10 million ton a year
13 melting casting industry. We make about a million tons
14 and that's in a steel industry, of course, that's over
15 100 million tons. So we're really small producers.

16 The U.S. steel foundries have seen a
17 significant reduction in the number of plants and in
18 the employment. Since 2000, we've reduced our plants
19 by 80. There's about 200 plants left. We can now make
20 about 1.4 million tons a year of capacity. We're only
21 operating at about a million tons. So we're only at
22 about 60 percent of capacity and we've lost about

1 500,000 tons of capacity since 2000. That means we've
2 also closed 80 plants and about 8,000 workers. So
3 we've lost about a third of the industry over the last
4 30 years.

5 In terms of national security, like the valve
6 stem, we make critical components for the Department of
7 Defense. We work with the Defense Logistics Agency
8 because they're not well-equipped to buy engineered
9 products like castings and so we've worked with them
10 for the last 30 years and we've identified in their
11 database over 10,000 parts that require steel castings
12 and 75 of our member companies in the United States of
13 the 200 foundries that are still left make Department
14 of Defense parts. So we make over 10,000 parts and
15 they go in virtually every weapon system.

16 Atchison, which is a partner company with
17 Amite, makes the turret ring for the M-1 tank. That's
18 what kept them alive in the 1980s, and they've worked
19 with us because we work with the Army to develop a new
20 armored steel to try and provide IED protection. We're
21 developing that with Atchison Castings in Atchison,
22 Kansas. Their sister company out in Tacoma, Washington

1 is the only qualified producer of high strength steels
2 for the Navy for the Virginia class submarines. There
3 are other non-domestic sources, but they're the only
4 domestic source.

5 A great deal of that is the result of
6 globalization. The intended consequence of
7 globalization is to expand the supply chain and allow
8 you to have both more efficient production and a wider
9 range of technologies available and most of our
10 customers and the military have gained the benefits of
11 globalization of the supply chain, but that came at an
12 unintended cost. When you had regional economies,
13 there were always 2 or 2.5 suppliers for each specialty
14 component because you need some redundancy in the
15 supply chain and you wanted some competitive pressures
16 to keep prices under control.

17 With globalization, we've reduced the number
18 of suppliers in regional economies, certainly in the
19 U.S. economy, to one for each one of these specialty
20 products and that one foundry is vulnerable because if
21 their commercial business becomes poor, then they no
22 longer have the capability of making the specialty

1 products that defense needs. That's really
2 problematic.

3 Amite Foundry closed last year, the one that
4 made the valve stem. Atchison and Tacoma are both
5 operating at near 50 -- only 50 percent of capacity and
6 the only thing that's keeping Tacoma foundry running is
7 the work that they're doing for the Navy for the
8 Virginia-class submarine. So it's really a challenge
9 for us.

10 So if we look at what globalization has done,
11 we look at -- we're in advanced manufacturing. We make
12 specialty products and because of that, when we've had
13 unfair trade cases, the current rules based trading
14 system is ill-configured to allow us access to get
15 trade remedies. It costs too much. It takes too long
16 and we get no direct relief. It costs over half a
17 million dollars to pursue a case and it takes two years
18 to get a resolution.

19 If I have a \$10 million specialty steel
20 market, that system is inaccessible to me. Even if I
21 get it, then enforcement's problematic because of
22 people shifting. We kid around that it's like playing

1 a game of whack-a-mole. You restrict one product and
2 then they go upstream or downstream to import another
3 product.

4 So we really are deeply concerned that there's
5 no small claims court, no expedited availability, no
6 way of -- we've got members who have a clear case of
7 trade violations and yet there's no system that allows
8 them to get any relief under our current trade rules.

9 Thank you.

10 MR. BORMAN: Thank you for your testimony and
11 we're ready for the next speaker.

12 MR. MILLET: Well, if you would, pass on my
13 gracious thanks to Secretary Ross and distinguished
14 members of the panel. Thank you for your patience and
15 your precious time today.

16 For the record, my name is Mark Millet. I'm
17 the President and CEO of Steel Dynamics, known as SDI.
18 I was one of the three cofounders of the company in
19 1994.

20 Our company produced 9.3 million tons of steel
21 in 2016, with 7,400 associates, yet we have an annual
22 capacity of 11 million tons. That underutilization was

1 a direct effect of imported steel.

2 Over the last five years, we've made
3 approximately \$2 billion of capital investments,
4 including a \$1.65 billion investment on a 3.5 million
5 ton plant in Mississippi, previously owned by Severstal
6 of Russia. We are a major scrap company. We're also
7 one of the largest galvanized sheet producers, the
8 second largest structural producer, and the leading
9 rail producer in the U.S. today.

10 Our products are vital to our national and
11 economic security. They go into national defense,
12 military installations, transportation infrastructure,
13 building construction, and autos. Our Mississippi
14 plant is a major steel supplier to oil country tubular
15 goods and line pipe mills in Texas.

16 The steel import problem stems from global
17 overcapacity, but I think perhaps more accurately it is
18 the irresponsible actions of sovereign states that
19 continue production regardless of demand to maintain
20 employment. In America, it's simple. We produce the
21 order. We produce the demand. If demand drops, we
22 curtail production. We reduce work hours. We idle

1 plants.

2 We must recognize that 70 percent of the
3 global steel capacity today is in state hands. This
4 must be addressed through a global solution. For
5 example, we filed anti-dumping and countervailing duty
6 cases in 2015 on corrosion-resistant sheet and cold-
7 rolled steels. Duties of over 100 percent eliminated
8 direct Chinese imports of each product by over 100,000
9 tons per month. However, just last month, in April
10 2017, 460,000 tons of corrosion-resistant sheet and
11 230,000 tons of cold-rolled sheet were imported, almost
12 50 percent more than before we filed those cases. In
13 addition, more than 700,000 tons of steel pipe and tube
14 were imported in April alone.

15 We are playing a game of whack-a-mole. We hit
16 the Chinese with duties and Chinese steel goes to 10
17 other countries to become cold-rolled steel, corrosion-
18 resistant sheet steel or pipe. We're also seeing our
19 market for structurals erode as massive quantities of
20 fabricated structurals are imported. Big international
21 companies, such as Bechtel and Fluor, are fabricating
22 whole plants in China.

1 Between 2013 and 2017, imports doubled more --
2 doubled from 850,000 tons to 1.7 million tons and they
3 keep growing today.

4 World Steel Dynamics released a study on April
5 13, 2017 on the international hot-rolled market. I
6 will attach it to our written comments, but the study
7 said that Chinese export prices were about \$400 a short
8 ton, which it stated was \$100 a ton below Chinese
9 marginal costs. They're losing real money.

10 The study said that U.S. domestic prices were
11 \$640 a ton, \$240 or 60 percent higher than the Chinese
12 export price. This is why SDI favors quotas at the
13 2010 or 2011 volume of imports. The U.S. and the rest
14 of the world must cut off subsidized and dumped Chinese
15 steel exports to stop this game of whack-a-mole and to
16 get China to truly shutter excess capacity now, not 5
17 or 10 years from now. To do otherwise would truly
18 jeopardize and our national and economic security.

19 And I sat there hearing the testimony today,
20 I'm reminded of President Roosevelt. Just before or
21 just prior to going into World War II, he addressed the
22 nation. He urged that they were the arsenal of

1 democracy. He knew that it was the infrastructure and
2 the productivity of the American people that would win
3 World War II, and indeed, he was right.

4 Today, the productivity of the American worker
5 is by far better than ever has been before and is far
6 better than any other country in the world. We have to
7 make sure that it has a manufacturing base to operate
8 in tough times in the future.

9 So thank you.

10 MR. BORMAN: Good. Thank you for your
11 remarks.

12 MR. MILLET: Could I address the one question
13 that came up earlier --

14 MR. BORMAN: Sure, absolutely.

15 MR. MILLET: -- on -- I think the question was
16 regarding certain products cannot be imported into the
17 U.S. and certainly there are products that can't be
18 imported. They can be imported, but they're not
19 manufactured in the States today. I would tell you
20 that it's a very, very small volume. They're easily
21 identifiable and can certainly be separated from the
22 rest of the products and should not be the basis of any

1 broad policy.

2 I think it's illustrative perhaps to consider
3 why those products aren't made today, and as Mr. Gerard
4 said earlier, you know, we used to make 125 million
5 tons of product in this country. Today it's 85 million
6 tons.

7 When we cofounded SDI in 1993, there were 55
8 principal steel companies. Today, there are only 15.
9 The good side of that is the American steel industry
10 has become incredibly efficient. We can compete with
11 anyone in the world. The integrated mills are down to
12 one man hour per ton or less. The electric arc furnace
13 industry is down to about .3 man hours per ton. We can
14 compete with anyone, yet the industry, many cannot make
15 the cost of capital today.

16 The consequence is that we are unable -- some
17 of our industry are unable to reinvest in their
18 facilities and make those high cost niche markets.

19 MR. BORMAN: Thank you. All right. We're
20 ready for our next speaker.

21 MR. MAASS: Good afternoon. I am Alexander
22 Maass, President of Maass Flange Corporation. I'm here

1 on behalf of the Coalition of American Flange
2 Producers, its members and employees. Thank you for
3 the opportunity to appear before each and every one of
4 you here today.

5 We fully support this Section 232
6 investigation on steel imports and urge the Secretary
7 of Commerce to find that these imports are threatening
8 to impair our country's national security and that
9 assertive action must be taken.

10 Maass Flange Corporation is a U.S.
11 manufacturer of stainless steel and alloy flanges
12 formed 35 years ago in 1982 and we are located in
13 Houston, Texas. Our products are used to strengthen
14 and connect pipes, valves, pumps, and other equipment
15 for piping systems. Maass Flange is a fully integrated
16 forging and machining manufacturer, with the most
17 diversified offering of stainless steel and alloy
18 products. We offer a complete line of both small and
19 large diameter flanges in a full range of pressure
20 classes and in various grades of material.

21 Maass Flange together with Core Pipe Products,
22 Inc. are the founding members of the Coalition of

1 American Flange Producers. We are a domestic coalition
2 of flange manufacturers and produce steel flanges to
3 numerous national security applications. Because our
4 products are resistance to the harshest applications,
5 they are used in Navy ships, submarines, warfare
6 products, aviation jet refueling systems, national
7 refining chemical manufacturing plants, nuclear power
8 reactors, turbine power and coal gasification
9 generation, and liquid natural gas recovery. We also
10 sell to utility companies who use our products for the
11 national power grid.

12 A critical component of the infrastructure
13 that protects the United States and its citizens, our
14 flanges are also used to assemble pharmaceutical
15 equipment vital to the production of development of
16 medicines that prevent and respond to epidemics.
17 However, import of steel, including stainless steel and
18 alloy flanges, into the U.S. market threatens our
19 ability to supply products for these and many other
20 national security implications. This is why we are
21 today to urge Commerce to find that imported steel is
22 threatening to impair the national security and that

1 action such as a comprehensive tariff or quota system
2 on all steel products are needed to significant
3 restrain these imports.

4 In our industry, imports have often entered
5 the market in disruptive massive waves at a time rather
6 than predictably throughout the year. For example, we
7 have seen Indian producers ship substantial year-and-a-
8 half supplies of stainless steel flanges to our
9 customers over a period of a single quarter last year,
10 but this is not just about India. We see the same
11 disruptive behavior from China, the Philippines, South
12 Korea, and many others.

13 As these imports surge into the U.S. market,
14 our capacity to supply our customers, invest and our
15 production revenue and employee numbers suffer greatly.
16 Just last month, Ameriforge Group, Inc., another U.S.
17 producer of stainless steel and alloy flanges filed for
18 Chapter 11 bankruptcy protection. That decision, we
19 are sure, was not in -- no small part as a result of
20 imports coming into the United States and displacing
21 American production and business.

22 Moreover, the injury of these imports cause

1 our industry to -- cause our industry is confirmed by
2 the existence of past anti-dumping orders on imports of
3 stainless steel flanges from India and Taiwan and
4 ongoing investigations. Currently, the International
5 Trade Commission is in the final phase of anti-dumping
6 investigations on carbon steel flanges from India,
7 Italy, and Spain, and countervailing duty
8 investigations on carbon steel flanges from India.

9 Moreover, the Department of Commerce recently
10 calculated between 19 and 24.4 percent dumping margins
11 on carbon steel flanges from Spain. As these
12 investigations show, unfairly traded imports of steel
13 flanges are irrationally entering the U.S. market and
14 have caused and are likely to continue causing great
15 injury to our industry, but this is about much more
16 than just dumped flanges from one or two countries.
17 Imports of these products do, indeed, threaten the
18 national security of the United States.

19 The threat caused by imports is unsurprising
20 given the global steel overcapacity crisis, which has
21 undoubtedly spurred foreign overproduction in a range
22 of steel products including flanges. Over the past

1 year, it has become particularly evident that not only
2 second class flange or other pipe connector products
3 have imported into the United States, meaning
4 importation of questionable quality and workmanship
5 from those countries previously mentioned. However,
6 also being at a price level not sustainable to our
7 business environment with high U.S. quality
8 workmanship, business ethics, and national
9 responsibilities.

10 With each new aggressive surge of imports, our
11 ability to adequately supply flanges for national
12 security applications deteriorates. The flanges we
13 supply to the armed forces go into the assembly of
14 military vessels, assisting to keep our warfighters and
15 nation safe. As I mentioned earlier, they go into
16 equipment for wind, oil, coal, natural gas, and nuclear
17 energy plants. The power and energy that fuels our
18 national security efforts are transmitted through these
19 pipes that are strengthened and held together by
20 flanges, but steel imports competing with us in the
21 U.S. market take opportunities we would otherwise have,
22 affecting our current numbers and hindering our ability

1 to innovate and invest in a stronger, better product to
2 remain competitive and continue supplying the best to
3 our customers.

4 In addition, as President Trump has stated,
5 imports endanger the jobs needed to maintain a pool of
6 skilled workers essential for the continued development
7 of advanced steel manufacturing.

8 Our industry also needs the Secretary to
9 broadly define steel imports to include stainless steel
10 and alloy flanges and broadly define the scope of
11 national security requirements to include critical
12 infrastructural applications in the energy industry,
13 national power grid, and pharmaceutical industry, in
14 addition to military applications.

15 On behalf of the Coalition of American Flange
16 Producers, I urge the Department of Commerce to find
17 that steel imports are threatening U.S. national
18 security and urge the agency to recommend aggressive,
19 comprehensive and concrete actions to adjust steel
20 imports, including stainless and alloy flanges, and to
21 stop them from impairing national security.

22 Thank you for your time and attention.

1 MR. BORMAN: Thank you for your statement.

2 We're now ready for the next speaker.

3 MR. LANDRY: Good afternoon. My name is
4 Robert Landry and I am Vice President and Chief
5 Commercial Officer for the Port of New Orleans. It is
6 my honor to appear before you today to address the
7 impact of potential 232 actions on the Port of New
8 Orleans and its entire maritime community.

9 The Port appreciates the President's efforts
10 to spotlight and correct improper trade practices so
11 that U.S. steel producers can compete fairly in a
12 global environment. Today, though, I will share some
13 insights gained from previous U.S. trade sanctions on
14 imported steel as an educational caution and will
15 suggest that other remedies to directly incentivize or
16 otherwise assist the domestic steel industry be fully
17 explored and implemented instead of undertaking Section
18 232 import adjustments.

19 The Port of New Orleans is annually among the
20 top five cargo ports in the United States, as well as
21 one of the leading cruise ports in this country. More
22 germane to this hearing, however, is the top tier

1 status New Orleans maintains as one of the largest
2 steel importing ports in the U.S. The importance of
3 this commodity to the port cannot be overstated.

4 In 2016, imported steel accounted for 45
5 percent of all imported cargo moving across the
6 publicly-owned facilities within the Port's
7 jurisdiction. As a result, approximately 35 percent of
8 the Port's cargo related revenue is generated by this
9 single commodity.

10 It is with solid historical context that I can
11 testify to the detrimental impacts of trade sanctions
12 on imported steel. In 2002, then President Bush
13 imposed sanctions on a variety of imported steel
14 products from several foreign countries under Section
15 201 of the Trade Act of 1974. In the ensuing year, the
16 Port of New Orleans suffered a 46 percent decline in
17 steel imports and a direct loss of over \$1.6 million in
18 revenue.

19 The Section 232 authority under the Trade
20 Expansion Act of 1962 is far broader than the statutory
21 authorities used in 2002 and could result in far
22 steeper import restrictions on a wider variety of steel

1 products from many more foreign countries. Notably, a
2 Trade Partnership Worldwide, LLC economic study that
3 reviewed the near term impact of the 2002 steel import
4 tariffs found that 200,000 Americans lost their jobs
5 during 2002 sanctions due to higher steel prices. More
6 American workers lost their jobs in 2002 to higher
7 steel prices than the total number employed by the U.S.
8 steel industry itself. Every U.S. state experienced
9 employment losses from higher steel costs.

10 The impact of a tariff on imported steel would
11 have a broad economic impact. Just recently, the
12 Association of General Contractors cited the rise in
13 commodity prices as one of the major reasons that home
14 prices have increased. Steel was one of the major
15 commodities mentioned in the Association's study.
16 While one would expect sanctions on imported steel to
17 only exacerbate the rise in steel prices, the ripple
18 effect on other commodities would be less noticeable,
19 but just as adverse.

20 For example, 80 percent of the steel products
21 moving through the Port of New Orleans is further
22 transported up the Mississippi River by tug and barge.

1 Those same barges are then used by American farmers to
2 deliver agriculture products down river to the grain
3 elevators located on the lower Mississippi River.
4 Without those barges moving up river with cargo, the
5 cost to transport U.S. grain increases, making U.S.
6 agricultural products less competitive on the worldwide
7 marketplace with those of other producing countries
8 like Brazil and Russia.

9 The Port of New Orleans, like other commercial
10 enterprises, needs and depends upon a strong U.S.
11 economy. A vibrant, healthy, and competitive U.S.
12 steel industry is essential to that goal. However, the
13 wide imposition and enforcement of new restrictions on
14 imported steel would create a negative impact on the
15 port industry, the larger maritime community, and the
16 American manufacturers and other steel consuming
17 industries. Fair and open trade policies combined with
18 appropriate incentives and other remedies for the U.S.
19 steel producers would be the best means to promote all
20 sectors of the U.S. economy.

21 Thank you for your attention today and for
22 your consideration of the views of the Port of New

1 Orleans on this vital trade matter.

2 MR. BORMAN: Thank you. We appreciate your
3 input.

4 And now for the last, but certainly not least,
5 speaker of our 37, Mr. Johnson.

6 MR. JOHNSON: I will definitely keep it to
7 five minutes.

8 Good afternoon. My name is Joel Johnson. I'm
9 the Chief Executive Officer of Borusan Mannesmann Pipe
10 USA, known as BMP. BMP is a full-service mill in
11 Baytown, Texas. We manufacture welded steel pipes,
12 primarily casing for the oil and gas wells known as oil
13 country tubular goods or OCTG.

14 Our pipe mill opened in 2014. The total
15 invested capital by the Borusan Group in this facility
16 is over \$300 million. We intend to make further
17 investments as long as the market conditions continue
18 to be favorable and no additional import restrictions
19 are imposed. We employ over 180 people in our U.S.
20 operations. Our plan this year is to produce well over
21 200,000 tons of OCTG. However, the facility that we
22 have in Baytown cannot produce every size of OCTG used

1 in the U.S. market.

2 Just like most other U.S. OCTG producers, we
3 fill out our product line by importing selective sizes
4 of pipe that are produced by our parent in Turkey. As
5 with other U.S. producers, these imports allow us to be
6 fully competitive in the U.S. market and enhance the
7 volume of our domestic production.

8 If we were suddenly unable to import these
9 products, jobs will be threatened. While not used in
10 the national defense, OCTG and oil and gas line pipe
11 are an important element of the manufacturing
12 infrastructure needed for domestic energy production
13 and distribution. Expanding domestic energy production
14 and increasing America's energy independence has
15 obvious national security implications.

16 Any import measures that would adversely
17 affect these sectors will threaten national security by
18 undermining U.S. energy production and energy
19 independence.

20 I'd also like to bring to your attention the
21 domestic pipe manufacturers such as ours are consumers
22 of flat-rolled steel. We significantly add value

1 through the pipe manufacturing process. Import
2 restrictions on these flat-rolled steel products pose
3 the risk of undermining the domestic steel pipe sector
4 by increasing costs and reducing competitiveness.
5 Higher costs for OCTG and line pipe will discourage oil
6 and gas drilling and the construction of new pipe
7 lines.

8 A case in point is large diameter pipe -- line
9 pipe. This is pipe used in large oil and gas pipelines
10 such as the recently approved Keystone Pipeline. The
11 U.S. health and safety regulations governing such
12 pipelines require that the pipe be produced using high
13 quality, heavy gauged steel with very specific and
14 demanding chemical and mechanical properties.

15 As the U.S. pipeline operators commented in a
16 recent proceeding before the Commerce Department, the
17 U.S. line pipe industry cannot produce certain large
18 diameter pipe used in these major pipeline projects.
19 There's two reasons for this. The first reason is, is
20 that the flat-rolled steel that meets these demanding
21 requirements and specifications cannot be sourced in
22 the U.S. Secondly, flat-rolled steel products that do

1 meet these specifications are subject to high anti-
2 dumping and countervailing duties.

3 We have concerns about future U.S. investments
4 in large diameter pipe production, despite our
5 extensive technical expertise and experience with this
6 high value-added product. Any new trade barrier calls
7 into question the feasibility of such investments. If
8 high tariffs or restrictive quotas are imposed on
9 imports of large diameter line pipes, critical energy
10 infrastructure projects will be threatened due to the
11 inability to source the specific pipe required in the
12 United States.

13 We believe that the Borusan Group has proven
14 its commitment to the American economy. Before our
15 investment in Texas, we imported all of our pipe from
16 our Turkish facilities. Once our investment was
17 established, we ramped up our production in the U.S.
18 and now employ hundreds directly and indirectly by
19 focusing on domestic production and strategically
20 importing as needed.

21 We do not believe further import restrictions
22 are necessary. However, if the President imposes a

1 trade restrictive measure, it should be designed to
2 carefully protect those companies that have already
3 invested in the U.S. Every effort should be taken to
4 work directly with these companies to ensure that
5 neither their source of raw material supply, nor their
6 supplemental imports are endangered.

7 I think our goal should be to encourage U.S.
8 investment and protect the very companies that have
9 demonstrated their commitment to the U.S. market.

10 Thank you for your time and if you have any
11 questions.

12 MR. BORMAN: It doesn't look like we have any
13 questions, so thank you so much. And thank you for
14 bearing with us through all the other speakers.

15 That concludes today's hearing. Keep in mind
16 that the record for public comments on this
17 investigation closes a week from today. So if anyone
18 has not submitted comments would like to do so, that's
19 the deadline and certainly if folks would like to
20 submit supplemental comments based on what they've
21 heard today, you should feel free to do so as well, but
22 we appreciate all of your attendance, particularly all

1 of the speakers who provided very valuable input. This
2 is very important for us at the Commerce Department and
3 the other agencies, to get as much input from all the
4 stakeholders as possible.

5 So thank you all.

6 (End of proceedings.)

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