

**Section 232 National Security Investigation of Imports of Steel
Office of Technology Evaluation, Bureau of Industry and Security,
U.S. Department of Commerce**

**WRITTEN SUBMISSION
OF THE
MINISTRY OF COMMERCE OF CHINA (MAY 31, 2017)**

The Ministry of Commerce of China files this written statement pursuant to the request of the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) in its *Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel*, 82 Fed. Reg. 19,205 (April 26, 2017).

The Ministry of Commerce believes there is no evidence that steel imports threaten to impair U.S. national security. United States defense requirements are plainly not dependent on imports of foreign-made steel. Nor does imported steel fundamentally threaten the ability of domestic producers to satisfy national security requirements, or threaten the security and welfare of industries that are critical to the minimum operations of the economy and government. Simply put, United States national defense and other critical sectors’ need for steel can be, and are, readily satisfied by U.S. domestic production.

First, your agency, as well as the U.S. Department of Defense, have previously determined that U.S. national defense requirements for finished steel are very low. Recent statistics of the American Iron and Steel Institute show that just 3% of total U.S. domestic steel shipments go to national defense and homeland security. Clearly, current and projected U.S. national defense demand for steel can be readily satisfied by domestic production. Moreover, the U.S. Department of Defense has long-established domestic procurement requirements that apply to all steel used in critical national security systems. None of these systems are dependent upon foreign steel. Annual reports of U.S. domestic steel producers show that they cover the steel

supply for national defense and national security applications, and the capacity and shipments of steel of these companies far exceed U.S. national defense and security requirements. Thus, steel produced domestically in the United States remains in abundant supply relative to U.S. national defense requirements.

Second, the United States imports its steel from a diverse array of more than 100 countries and territories. Steel pipe and tube imports, for example, are sourced from more than 50 different countries. The United States is not dependent on steel imports from any particular source country. The portion of imports from each individual country is relatively low compared to total imports. Canada, for example, the largest source of imported steel, accounts for only 17% of steel imports. And the vast majority of U.S. steel imports -- nearly 70 percent -- are from close U.S. allies. The top five suppliers are Canada, Brazil, South Korea, Mexico and Turkey. Furthermore, U.S. reliance on imported steel is declining. Your Commerce Department found that steel imports have declined by more than 25 percent since 2014.

Third, the U.S. steel industry is healthy and has the capacity to produce the steel needed to satisfy the country's national security requirements. In particular, U.S. producers have state-of-the-art technology to produce high-end, high-value steel products, and they maintain steady and competitive exports of such products in global markets. The top domestic U.S. steel producers are actively making significant new investments, both domestically and abroad, that increase the efficiency of their domestic output and enhance their global strength and competitiveness. These investments are reflected in relatively stable levels of U.S.-based steel workers, as well as in the overall expansion of employment by U.S. steel producers in their global operations. Furthermore, given current capacity utilization rates around 70%, the U.S. steel industry has significant expansion potential to continue providing ample supply for national

security needs.

The U.S. government already provides domestic producers with adequate trade protections. Over the last 40 years the U.S. initiated more than 200 trade remedy investigations on imported steel products. U.S. steel producers are currently the beneficiaries of more than 150 separate antidumping and countervailing duty orders that your Commerce Department enforces on imported steel products from over 25 countries. These orders provide the U.S. industry with full protection from imports of steel, as well as generate revenue for the U.S. Treasury due to high rates of duties.

Fourth, the volume of imports of steel from China has significantly declined in recent periods and represent a very minimal portion of U.S. steel imports. Steel imports from China, which are primarily low-end products sold to distributors and processing centers, are down 67.4 percent since September 2015. Chinese steel imports plainly do not impact U.S. national security.

Finally, in light of the lack of a unified definition of “national security” within the WTO framework, such action may trigger other Members to invoke similar national security interests to protect their own allegedly critical industries from imports, which would create unnecessary and harmful barriers to trade. At the same time, any steel import restrictions imposed as a result of this investigation will do nothing to enhance U.S. national security, but would only harm downstream U.S. manufacturers and the broader domestic economy. We hope that the United States will carefully assess the impact of this section 232 investigation and play a positive role in the global order of international trade.