STEEL 232 INVESTIGATION PUBLIC HEARING

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Diversified Reporting Services, Inc.
(202) 467-9200
PARTICIPANTS:

Secretary Wilbur Ross, U.S. Department of Commerce
Daniel O. Hill, Acting Undersecretary, Bureau of Industry and Security
Matthew Borman, Acting Assistant Secretary for Export Administration, Bureau of Industry and Security
Peter Klason, Bureau of Industry and Security
Erika Maynard, Bureau of Industry and Security
Julie Al-Saadawi, International Trade Administration
Elizabeth Clark, International Trade Administration
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, Direct 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
MR. HILL: So for those of you who may not know me, my name is Dan Hill. I'm the Acting Undersecretary for the Bureau of Industry and Security and I want to welcome you to our public hearing on 232 Investigation on Steel.

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

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

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

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

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

Please join me in a warm welcome for the
Secretary of Commerce, Secretary Wilbur Ross.

(Applause.)

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

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

The purpose of the investigation is to determine if the steel being imported into this country impairs our national economic and military security. If we determine that steel imports are indeed a threat to our security, the Department will recommend
responsible action to the President. Today we will hear remarks of several American steel producers, as well as numerous industry experts familiar with steel trade and manufacturing. We hope the public will provide us both with factual input, as well as suggestions for potential remedies.

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

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

Each panelist will be given five minutes to
speak. Then members of the United States Government panel will ask questions related to the written and oral submissions.

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

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

Thank you.

(Applause.)

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

The Federal Register Notice was published on April 26, 2017 and that set today as the date for those who wish to testify on this matter. As the Secretary indicated, 37 speakers will present testimony today. If there is anyone who has not submitted comments for the public record and would like to do so, we will
accept those comments through May 31st, which is one week from today.

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

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

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

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

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

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

My remarks issue a clarion call vital to our nation's defense industrial base. Please help us save the remaining modernized U.S. steel manufacturing and let us begin in communities like Lorain, Ohio. America today faces a national steel crisis. Rising, unprecedented global overproduction coupled with unfair dumping threaten the viability of our United States' steel industry like few times before. Moreover,
declining domestic prices exacerbated by currency manipulation and the uneven impact of the VAT tax relished by our competitors bear down further on a beleaguered industry.

Our steel communities cannot wait for long. American steel needs action now. I will place some additional articles in the record, including one from the American Iron and Steel Institute, Kevin Dempsey, General Counsel, and I will give my recommendations, and then in the remaining time attempt to summarize.

My recommendations are first that the panel stop foreign dumping of steel on our market beginning with tubular piping. Number two, to preserve our modernized capacity so our nation can maintain our strategic industrial and defense bases; third, to develop bridge financing using the full executive power of the Administration to secure first a modernized U.S. steel production platform and capacity, along with economic development and trade adjustment assistance to communities and workers harmed by that continuing dumping and figure ways to neutralize the impact, the
negative impact, of the VAT tax; finally, to prescribe immediate retaliatory means to halt circumvention by China, South Korea, Russia, India, Vietnam, and any state-directed economy that continues to harm production in our country.

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

For years, many of us who have fought mightily against unfair trade deals have seen our hardworking neighbors brought to their knees. For years we've been promised federal intervention to end predatory trade practices, to stabilize local economies and achieve open global markets. Much is at stake for America and for Americans who have dedicated their lives to achieve
a competitive and highly efficient industry critical to
our future.

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

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

We cannot slow walk to a national response
that cedes the future to a rigged predatory set of
practices by other nations that win market shares by
violating the rules. Through no fault of their own, workers lose their livelihoods to unfettered dumping on our market and that steady drip of victims lay across our communities, drowned by steel from South Korea, China, Russia, India, and Vietnam.

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

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

The U.S. Trade Representative's Office said in 2015 that China's capacity alone exceeded the combined
capacity of the United States, the European Union, 
Japan, and Russia. Further, the U.S. racked up a trade 
deficit of $2.2 billion with Korea alone in 2016, not 
including subsidized energy tariffs by state-owned 
Korean Electric Power Corporation.

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

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

After 22 years at the mill and facing yet 
another layoff, Mr. Kelling is forced to start over and 
fight for his job and his family while he pursues every
opportunity available. Believe me, the programs of the federal government do not easily help him adjust to a new future if there is to be one.

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

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

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

I appreciate the opportunity to appear before you today, and Secretary Ross, thank you for expediting
this hearing.

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

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

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

MS. KAPTUR: Thank you.

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

Questions? No further questions. Thank you again.

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

The Ministry of Commerce believes there is no evidence that steel imports threaten to impair U.S.
national security. United States defense and the national security requirements are plainly not dependent on imports of foreign made steel. 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 percent of the 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. 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 the shipments of steel of this
companies are -- exceed U.S. national defense and the 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 steel from a diverse array of more than 100 countries and territories. The portion of imports from each individual country is relatively low compared to total importers. Canada, for example, the largest source of imported steel, accounts for only 17 percent of steel imports and of the vast majority of U.S. steel imports nearly 70 percent are from close U.S. allies.

Furthermore, U.S. relies on imported steel is declining. Your Commerce Department found that steel imports have declined by more than 27 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. 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. Furthermore, given current capacity utilization rates around 70 percent of 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 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.

First, the volume of imports of steel from China have significantly declined in recent periods and represent a very minimal portion of the U.S. steel imports. Steel imports from China, which are primarily low-end products sold to distributors and the processing centers are down 66.4 percent since
Chinese steel imports plainly do not impact U.S. --

MR. COTTILLI: Sir, time.

MR. YU: -- national security.

MR. COTTILLI: Time, please. Thank you.

MR. YU: Thank you.

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

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

Currently, exports of a broad range of steel products from Russia into the United States are subject to substantial limitations imposed by an agreement suspending the anti-dumping investigation on cut-to-length carbon steel plate and by anti-dumping duties against hot-rolled, flat-rolled carbon-quality steel. These two remedies have had the effect of disciplining imports of steel products from Russia to such an extent
that the Russian imports must be excluded from any remedy recommendation in the current investigation. A contrary result would unfairly subject imports of the Russian steel to duplicative and severe limitations.

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

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

The U.S. market of hot-rolled coils and sheets
has been closed for the Russian exporters due to the prohibitive level of anti-dumping duties of up to 184.56 percent since the end of 2014. Prior to that, there was the suspension agreement in force. Russian producers treated the agreement with duly respect, although it was designed for non-market economy country in 1999.

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

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

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

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

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

Thank you.

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

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

EUROFER companies are long-standing, reliable suppliers of steel to the United States. Many of have steel plants in the United States. The EU Government, as well as industry, share the same concerns of global steel overcapacity, excess steel production, and unfair trading practices. EUROFER has been working with the European Commission to tackle unfair, injurious import
surges using our trade defense instruments. If applied without inhibition, EU trade defense sections aren't effectively supporting our industry.

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

First, the analysis should focus on specific steel products needed for specific uses directly tied to national security, in particular defense application. What do tin mill products used to cans for food and beverages have to do with national security? How real is the risk that one day the U.S.
will not be able to produce enough rebar or sections for construction and infrastructure given its massive scrap availability? In this regard, we know that many of the subsectors identified by the Department of Homeland Security as critical infrastructure applications have little or no relevance to national security needs.

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

Third, the investigation should consider factors showing that import adjustment is not needed. In particular, the consideration whether adequate complementary imports are available from U.S. allies, like the EU. If so, action should not be taken to adjust imports. Furthermore, any import adjustment should differentiate based on the threat posed to U.S. national security by specific foreign steel suppliers. Not all foreign sources of steel are the same with respect to national security.
EUROFER companies are longstanding, reliable suppliers of high-quality steels that are needed to maintain U.S. national security and many have invested in U.S. plants to make steel products employing American workers. If the Bureau would not have adequate information or sufficient information at hand to perform this analysis, it could issue questionnaires to users, U.S. producers and foreign producers of steel.

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

Thank you.

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

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

MR. TARASIUK: Hello. I would like to thank Department of Commerce and Secretary Ross for
permitting me to speak at this very important hearing. My name is Vitalii Tarasiuk on behalf of the Economic and Trade Office of the Embassy of Ukraine to the United States. I'm here on behalf of the government of Ukraine to share our views concerning this matter.

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

The United States and Ukraine have maintained a close diplomatic and security relationship since Ukraine gained its independence in 1991. Ukraine has closely cooperated with the United States on nuclear nonproliferation issues, including giving up its nuclear weapons. The U.S. Department of Defense has assisted Ukraine in its defense and security reform,
including related to defense planning, policy, strategy, and financing.

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

The United States is not a major export market for Ukrainian steel. Ukraine steel producers are principally focused on regional markets in Eastern
Europe, the Middle East, and North Africa. Exports of steel to the United States barely ranked 19th of all export destinations in 2016.

As a result of the illegal expropriation of Ukrainian companies' assets and property by the Russian forces in certain areas of the Donetsk and Luhansk regions of Ukraine in March 2017, a large part of Ukraine's steel industry was put in uncertain position. Ukraine's steel industry is under attack, both physically and economically, by foreign-backed separatists in the Eastern portion of Ukraine. In March, a large segment of Ukraine's steel industry in the Donetsk region was seized by the separatists. This has put the Ukrainian steel industry in a very uncertain position.

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

The U.S. Government, in 2001, completed a similar Section 232 investigation concerning imports of
iron ore and semi-finished steel. The Department of Commerce concluded in that case that there is neither evidence showing that the United States is dependent on imports of iron ore or semi-finished steel, nor evidence showing that such imports threaten the ability of domestic producers to satisfy national security requirements.

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

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

Thank you for the opportunity to testify here today.
MR. BORMAN: Thank you. We're ready for our
next speaker. Thank you very much.

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

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

For more than a century, the iconic United
States Steel Corporation, born during America's
industrial ascendency, represented the unique
ingenuity, competitiveness, and boundless aspirations
of our country. As one of the leading pioneers of the
American Century, U.S. Steel literally helped to lay
the foundation of our great cities, build the tools and
transportation infrastructure that unified the
continent, and heeded the call to arms, when as a
nation at war, we stood against the forces of those who
would forever change our way of life.

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

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

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

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

In 2014, we had more than 3,000 people working
as part of our team focused on tubular products and production. At its low point 6 months ago, that number had dwindled to 950, a reduction of over two-thirds. Even today, as the energy market has begun a modest turnaround, we've only been able to engage a total of 1,300 people in our business.

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

Which brings me to point number three. As a nation, we need to understand that the traditional remedies used in trade related matters from increased import duties to more rigorous enforcement simply weather in the face of the audacity of these foreign companies and their government sponsors. While these foreign companies and governments operate under the
guise of competition and fairness, their actions are driven by a no holds barred ruthless focus on winning control over the markets that Americans need to defend the nation near and long-term threats.

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

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

MR. RINTOUL: I'm sorry.

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

MR. RINTOUL: I've got two more sentences.

American companies have always strived when the playing field is level and rules are clear. Honest competition
is at the heart of our democracy and we look forward to a time in the near future when that norm once again governs the marketplace. We must let truth, justice, and the American way prevail.

Thank you.

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

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

MR. RINTOUL: Thank you.

MR. BORMAN: Thank you.

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

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

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

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

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

Playing a role in our nation's defense requires a long-term financial commitment. For example, Nucor is one of only two steel companies in
the United States certified to produce Navy grade armor plate for aircraft carriers, destroyers, and submarines. Entering this market required purchasing specialized equipment, hiring knowledgeable personnel, developing advanced chemistries and processes, and undertaking rigorous testing and certification procedures to meet the Navy's requirements.

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

China is at the heart of this crisis, but governments in countries like Korea, Brazil, Russia, and Turkey also do their part to drive excess steel capacity. These governments continue to flood the
world with artificially cheap steel and much of it finds its way to the United States where markets are open and the government doesn't keep mills running for political reasons.

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

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

A commercially healthy industry is vital to ensure that a stable supply of products for national
security and critical infrastructure applications.

This includes the entire production chain beginning at the melting stage and continuing through the finishing and fabrication.

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

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

Thank you for your time.

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

MR. FERRIOLOA: Yes. You know, when you talk about the utilization rates that are lower today,
there's a direct correlation between utilization and profitability or ability to cover our fixed costs of our operations is impacted when we have -- when we operate at such a low capacity utilization. When we're not making money, it's very difficult to continue to invest in new machines and invest in our teammates in order to help them be ready when we have a need for national defense.

    MR. BORMAN: Good. Thank you.

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

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

    AK Steel welcomes the Department of Commerce's Section 232 investigation of the serious threat posed by imported steel to our national security. For decades, the steel industry has battled global overcapacity and the oversupply of U.S. imports, many of them dumped and subsidized. Just since the beginning of 2015, over 14,000 steelworkers have been
laid off and numerous production facilities have been idled, including AK Steel's blast furnace and steelmaking operations in Ashland, Kentucky.

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

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

AK Steel is also the sole domestic producer of high-end non-oriented electrical steel, OR NOES,
products. NOES is also critical for electrical grid as it forms the heart of massive generators that actually create electrical energy. About 2,000 highly skilled workers melt and finish electrical steel products at our Butler, Pennsylvania and Zanesville, Ohio facilities, and we also conduct extensive electrical steel research and development at our new, state-of-the-art research and innovation center in Middletown, Ohio.

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

The government has identified equipment failure in aging infrastructure in the U.S. as threats to our national security. Because virtually all household and businesses rely on electricity, the security and long-term viability of the U.S. electrical
infrastructure is a critical national imperative. A secure reliable supply of electrical steel is necessary to maintain the electrical grid. Major blackouts, such as the one in San Francisco last month that shut down the financial center of the city, demonstrate that the lack of reliable electrical grid infrastructure is a major threat to our national economy.

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

Due to competition from dumped and subsidized imports, the only other U.S. producer of GOES, Allegheny Technologies, shuttered a plant and discontinued GOES production in 2016. High-end electrical steel is a very difficult product to make as
it requires a significant amount of dedicated capital equipment and a sophisticated, well-trained workforce. Therefore, if AK Steel were to exit the market, there would be no operational electrical steel manufacturing equipment in the United States and specialized labor and related expertise in operations would be lost and many of AK Steel's talented operators and researchers would simply relocate to other businesses or industries, foreign countries or become unemployed.

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

Without addressing this supply chain issue,
any remedy of electrical steel will easily be circumvented. Keeping imports of electrical steel cores and transformers at a reasonable level would balance the interest of protecting our national security with allowing a reasonable level of imports to meet the ongoing needs of buyers of these materials. Complete reliance on imports for these critical products would ultimately lead to dependency on foreign sources for the materials needed to maintain and modernize the electrical grid.

Thank you for the opportunity to testify.

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

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

Our country's defense and industrial base depends on a strong and sustainable domestic steel industry to supply our military and critical infrastructure needs. Our company has a long and rich history of supporting our nation's defense
capabilities. We are also a major supplier to the U.S. energy industry.

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

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

Preserving the domestic steelmaking and finishing capacity to provide a highly specialized steel for defense purposes is, without a doubt, a national security issue. However, the steel tonnage directly used for defense applications is small
compared to that of the broader commercial market. As large a supplier as we are to the U.S. military, our sales for defense applications represent only 1 percent of our total production.

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

We petitioned this Department and the ITC for relief from unfairly traded imports of cut-to-length plates from 12 countries after imports increased by over 100 percent. The ITC found that, as a result, the U.S. plate industry's operating income had dropped 75 percent. Our steel plate sales dropped by a third. By 2015, our plate operations were running at only 55
percent of their capacity and prices fell to the lowest levels in more than 10 years.

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

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

In addition to the plate case, it has been a
similar story on hot-rolled, cold-rolled, and corrosion-resistant steel. U.S. imports of these products increased 69 percent between 2013 and 2014. The impact on our business was devastating.

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

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

While China's the main culprit, we face challenges from countries as diverse as Korea, Russia, Turkey, and others. The result, we sell less steel, we
receive less money for the steel we do sell, and employ fewer workers. Over the long term, this situation is not sustainable.

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

Thank you.

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

MR. BRETT: Thank you.

MS. SMITH: Good morning. My name is Barbara Smith. I'm the President and Chief Operating Officer of Commercial Metals Company, a steel producer headquartered in Irving, Texas. I appreciate the opportunity to appear before you to discuss why high levels of imported steel threaten the national security
CMC is one of the world's most technologically advanced and efficient steel producers. We have pioneered the micro mill technology which enables us to produce rebar more efficiently and at the lowest possible cost. The American steel industry as a whole is as modern and competitive as any in the world. We can provide the United States with nearly all the steel products a modern industrial economy needs; however, steel imports are seriously damaging our ability to produce steel products in the United States requires for national defense, critical infrastructure, and our general economic strength.

Steel is essential to the national security of the United States. The products CMC makes that is most obviously vital to our national security is advanced armor plate. CMC makes armor plate that is used in a variety of applications, including tanks, mine resistant ambush protected vehicles, and other military vehicles. The lives of our soldiers literally depend on this product. Among other projects for the Defense Department, CMC was proud to supply the rebar used to
repair the Pentagon after the 9/11 terrorist attacks.

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

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

Rebar is an essential product for national security as this product is used to support every aspect of our critical infrastructure. This includes the roads, bridges, airports, power transmission lines, and all the other critical facilities that we use every day. God forbid that we are attacked on our own soil
without the capability to produce the necessary
products like rebar to restore our country.

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

In response to the flood of imports over the
past several years, CMC was forced to close 30 U.S.
locations since 2008 and to reduce our workforce by
4,000 jobs. Imports have also adversely affected our
ability to make new investments. CMC invested millions
in our technologically advanced micro mill in Mesa,
Arizona and in the building of the most modern rebar
mill in the world in Durant, Oklahoma. We were
planning to commission a whole series of micro mills,
which would have created thousands of high-paying jobs
across the United States. Unfortunately, competition
from imports has been so fierce that we had to put our expansion plans on hold. The situation has gotten so bad that the returns on a number of our investments aren't even covering our cost of capital.

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

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

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

Thank you very much.
MR. BORMAN: Thank you for your testimony.
Mr. Gibson is the next speaker. Thank you.

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

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

These critical applications require
consistent, high quality domestic supply sources, but,
respectfully, based on -- you know, we heard some other
things this morning, national security is more than
weapon systems. Steel's importance to national
security must also be looked at in a broader context,
to include our nation's critical infrastructure. Our
military and our broader economy depend on
transportation infrastructure likes roads, bridges, railroads, transit systems, and airports, all of which are built with steel products such as rebar, plate, sheet, and fabricated structural members.

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

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

As we've heard, electrical power generation is another critical national security need served by steel. Grain-oriented electrical steels are a principal raw material for power distribution and distribution transformers, which are critical to the grid. Non-oriented electrical steels are an important raw material for use in critical infrastructure.
including large cores and electrical power generators and industrial applications for oil drilling and oil and gas pipelines.

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

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

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

This massive increase in Chinese capacity and resultant increase in Chinese exports to the world have resulted both in increased imports of Chinese steel to the United States and increased imports from third countries as Chinese exports to these countries are further processed into downstream steel products that are then re-exported to the United States. For
example, Chinese billets are being further processed in Turkey into long products, which are then sent here to the United States, while Chinese flat rolled steel is being converted into pipe products in Korea, which are then dumped into the U.S. market.

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

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

Thank for the opportunity to testify and I'd be happy to take any questions.
MR. BORMAN: Thank you so much. We're ready for our next speaker.

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

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

As we celebrate our centennial year this year, our 2,600 employees, like the generations before them, take pride in making the cleanest steel in the world. Our niche in the steel industry is special bar quality, or SBQ steel, to serve customers across a wide variety of industries. Our customers share two things in common. First, their products endure a high degree of stress and operate in harsh environments. They need to
be consistently high performing steel to be successful. And second, our customers are vital to the national security of the United States.

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

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

We also serve companies across a wide range of industries, many of which have a vital role in
preserving and enhancing national security. You'll find our products a mile below the Gulf of Mexico in an oil string, in a million vehicle transmission that move people and goods across the roads safely every day, and in the landing gear of tens of thousands of aircraft that touch down every day.

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

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

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

You've heard this morning a lot of numbers.

There three that keep me awake at night, 700 million, 425 million, and 94 million. The world has 700 million metric tons of steel overcapacity, 425 of which are in China, and demand -- total demand in the U.S. market is 94. Imports are a very real issue for the U.S. steel industry, particularly when foreign competitors don't play by the rules.

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

We appreciate your leadership on this issue.

All of us at Timken Steel take great pride in
contributing to the security of our nation and share
your belief that a strong steel industry is critical to
our national interests.

Thank you.

MR. BORMAN: Thank you for your testimony.

We're ready for the next speaker.

MR. ZEKELMAN: Thank you, Secretary Ross and
members of the Committee. My name is Barry Zekelman
and I'm the CEO and Chairman of Zekelman Industries.

Before I make my statement, I'd like to say that I find
it extremely ironic that Russian steel giant Evraz-
Severstal vacated all of its steelmaking assets here
and sold them because they couldn't make money due to
massively dumped imports.

Zekelman Industries is the largest pipe and
tube producer in North America. We produce over two
million tons of tubes annually, consuming almost 2.2
million tons domestically produced steels. Our
millions of miles of tubing are the threads that sew
the security blanket that covers our great nation.

Tubular products are critical to maintaining a strong
defense and essential civilian sectors of the U.S.
economy and is the backbone of our nation's infrastructure.

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

We make the pipes that carry water and waste throughout all of our buildings in civil infrastructure. Our military bases, airports, transportation systems, and ports all rely on our pipes. We produce the oil country tubular goods and line pipe that is vital to the exploration and extraction of oil and gas that provide us with the energy to run our economic and military machine.
Our tube transports the fuel and gas to planes, trains, automobiles, houses, and buildings for heat, to fuel power generating turbines and to support solar panels and wind turbines to propel clean energy use. Our structural tubing is used for protective posts which you see throughout this city and many others for vehicle barriers. It used for buildings and agriculture equipment to farm our fields and feed not only the U.S. population, but the rest of the world.

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

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

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

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

It would be the epitome of folly to allow our
nation to continue to permit imports to grow, putting U.S. producers out of business and making our country vulnerable due to its reliance on foreign producers in China, Korea, Vietnam, and elsewhere.

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

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

Thank you.

MR. BORMAN: Thank you, sir. We're ready for
MR. OATES: Good morning, Mr. Secretary and good morning to all the panelists. My name is Denny Oates. I'm Chairman of the Specialty Steel Industry of North America, also known as SSINA. I'm also the Chairman, President, and Chief Executive Officer of Universal Stainless and Alloy Products.

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

There can be absolutely no doubt that the domestic specialty metals industry is critical to the national defense. Attached to my testimony is a report entitled Specialty Metals and the National Defense. This report summarizes the contributions of the
specialty metals industry to the national defense. Also attached is a press release issued when that report was made public.

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

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

Furthermore, Department of Defense studies provide further evidence of the critical importance of specialty metals to the national defense. A series of reports entitled Defense Industrial Base Capability Studies clearly show the applications which contain
specialty metals that are essential to meeting national defense requirements and are critical components of technologies that focus on 21st Century warfare.

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

The specialty steel industry cannot exist simply by producing materials for defense applications. While it is difficult for the specialty metals industry to identify the exact percentage of our total production which goes to specific defense applications because many of our sales go through service centers or distributors before they reach the end user, a reasonable estimate would be about 10 percent. If civilian applications, which play essential supporting roles for defense such as aircraft, highways, power plants, and related markets are considered, the
percentage is much larger, perhaps as much as 50 percent.

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

Import competition has taken a serious toll on U.S. producers. In the 1970s, there were approximately twice as many specialty metals producers in the U.S. as today. We have battled unfairly traded imports for decades. We have filed and won many anti-dumping and countervailing duty cases. The Commerce Department and the U.S. International Trade Commission reached affirmative findings in an anti-dumping case last year against imports of stainless sheet and strip from China. We constantly monitor developments in the
products to determine whether additional trade cases should be filed.

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

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

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

Thank you very much for having us.
MR. BORMAN: Thank you for your remarks.

We're ready for our next speaker.

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

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

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

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

ATI grew through investment, technology
development, and innovation into the diverse specialty
metals producer that it is today. A core business
segment, however, is stainless steel production. Like
most U.S. specialty steel mills, the ability to sell
stainless steels into the commercial market requires us
to be cost competitive to sustain our business. Companies like ATI cannot exist simply by producing materials for leading-edge defense applications. The production of materials for all defense applications represents in our case about 10 percent of our production. Thus, the future of the industry is dependent on the viability of all of its business, not just defense related production.

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

The economic welfare of our high volume stainless steel operations directly impacts our ability to serve the needs of national defense. It is in connection with these operations that imports directly affect our ability to serve the nation's defense needs.
For more than 40 years, the U.S. stainless steel market has been targeted by unfair imports. Over that period, we have made significant investments and also relied on the trade laws to respond to these challenges from illegally traded imports. Most recently, ATI and the other stainless flat-rolled producers were forced to confront a Chinese state-owned juggernaut whose stainless production capacity is nearly eight times the size of the U.S. market and who has excess capacity which is more than double the size of the U.S. market.

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

The fundamental structural problem of overcapacity, however, remains and continues as a direct threat to our company. ATI's revenues come
primarily from commercial markets complimented by significant positions in defense. ATI recently invested $1.2 billion to build the world's most advanced hot rolling and processing facility in Brackenridge, Pennsylvania. We will be processing some of our most sophisticated specialty alloys at that facility, many of which will be the foundation of our future military programs. The new mill, however, to operate profitability and efficiently needs to be able to produce stainless steel in commercial volumes. If our commercial markets continue to be victimized by unfairly traded imports, we will not be able to operate our mills at level of profitability and return on investment that will permit us to invest in the research and development in the high performance metals so critical to our national defense.

This investigation must recognize the linkage between our national defense needs and result in a remedy that enables our specialty metals manufacturers to achieve the returns on investment in the commercial markets that will support the R&D of high technology specialty materials that are vital to our national
defense. This means targeting the fundamental issues of overcapacity and unfair trade that have plagued our commercial stainless steel markets without doing harm to the existing trade laws, as well as the domestic sourcing requirement for specialty metals that has ensured a U.S. source of critical materials necessary to meet our military needs.

Thank you very much.

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

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

During its 170 years of existence, Cliffs has been the largest supplier of iron ore to the steel mills in the United States. We currently own and operate four of the seven active iron ore mines in the country, directly employing approximately 3,000 Americans. In stark contrast to the Australian iron
ore mines, which almost entirely produce and sell iron ore sinter feed fines to China and other countries, Cliffs' operations in the United States exclusively produce iron ore pellets.

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

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

In light of my 10 years at Metals USA and my active role in the previous cases under Sections 201
and 232 back in 2001 when I was at California Steel, I would like to confront a very important part of the problem that has never been properly addressed and which is now a full-blown crisis. The problem is the role played by some domestic service centers and the steel buyers as enablers of the entire steel import crisis by providing a home within the United States for illegal steel import.

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

Some steel buyers, traders, and service centers by design acquire dumped and illegal subsidized steel and in many cases intentionally circumvent duties and tariffs assigned to steel products. These bad players know exactly what they are doing, but they do it anyway because they feel they are beyond reach. As evidence, e-mails sent from traders to steel buyers in the United States offering to navigate around duties
applied to steel from China and South Korea have been submitted, along with a written version of my remarks.

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

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

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

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

MR. BORMAN: Thank you for your testimony. I think at this point, we'll take a 10-minute break, so we'll reconvene at 11:50 with Mr. Adams as the next speaker.

(RECESS)

MR. COTTILLI: All right. Thank you very much for returning to your seats so quickly. We are going
to reconvene if everyone -- we can close the doors, please, we will reconvene now for the second half of today's hearing. Thank you once again for joining us.

Thank you all very much.

Mr. Borman?

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

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

I applaud the Administration's initiation of this Section 232 investigation. As a 30-year retired Brigadier General of the United States Army with a background in strategy and intelligence and as a lead author of the 2013 study of the U.S. defense industrial base remaking American security, my experience and research convinced me that imports of cheap and subsidized steel from our strategic competitors put our nation's security at risk by eroding the U.S. steel industry's position as a fundamental building block of
our national security infrastructure. I therefore advocate concerted action at all levels of government to preserve a strong domestic steel industry. Our nation's security rests on a military equipped with the technology, weapon systems, and platforms needed to protect our nation, supplemented with logistical and critical infrastructure. From nuclear powered submarines to aircraft carriers and from main battle tanks to mine resistance vehicles, steel shields are a nation and the lives of our warriors. A healthy domestic steel sector, including the many small and specialty manufactures that depend on steel, is critical to sustaining the capabilities needed to preserve our national security. The glut of low-priced steel in the world market resulting in large part from China's, Russia's, and other potentially hostile trading partners' actions undermines the ability of American made steel to fairly compete in the marketplace. Left unchecked, the current steel market situation will continue to result in plant closures, mass layoffs, and the loss of key technology and manufacturing know-how.
In this insecure world, the need to build more defense platforms in a hurry may come sooner than we would like as China expands its global presence, a situation in which China exercises market control over global steel is all the more alarming. There is more to this issue than lowest cost is best. While low prices for steel can reduce defense acquisition costs, irreparable damage to our domestic steel industry and loss of steelmaking capacity will increase defense industrial based dependency on China and other potentially hostile governments.

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

Reliance on foreign sources of steel especially from strategic competitors results in uncertain supply for critical national requirements, especially in a crisis. In 2004, on duty in Iraq, I
witnessed our warriors apply jury-rigged armor plates often sent by their families to their vehicles to protect against IEDs. When DoD asked foreign suppliers to up-armor American vehicles, they put our requirements in their months' long queue. Only American steel companies subject to rated orders scheduled in weeks rather than months supplied armored plate for the up-armored vehicles that protected our warriors from IEDs.

We must take urgent action to address these risks, take aggressive action to safeguard America's economic and national security by recommending remedies to the President that will yield a meaningful opportunity for U.S. producers to recapture lost market share and rebuild broken supply chains, take a broad view of steel products that are necessary for our national security. While the first products that come to mind are ships and tanks, we must also consider and include steel used to construct America's logistical and critical infrastructure. Everything from our electrical grid and transformers to real networks and underground water systems.
Focus on the entire supply chain, including everything from iron to semi-finished steel products. A semi-finished steel slab constitutes roughly 90 percent of the cost of a finished hot rolled steel product. Thus allowing for the importation of foreign slabs, despite a 232 safeguard remedy, could undermine the goal of stabilizing and protecting steel production.

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

Our goal is to maximize domestic capabilities combined with supplies from unquestionably reliable
foreign partners. The one supplier in whom I have complete confidence is Canada. Not only do we currently have a steel surplus with Canada, but we share a border and have synergistic economic and national security interests. However, treating Canada as a unique partner under Section 232 relief measures requires that Canada also align its trade enforcement efforts with ours.

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

Thank you, sir.

MR. ROSS: Thank you for your testimony.

MR. BORMAN: If I could ask one question just for some of those who may not be familiar. Could you
give us a quick summary of what a rated order is for those who may not be familiar with that term?

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

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

MR. ADAMS: Thank you.

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

MR. STUPP: Good morning, Secretary Ross and panel. I'm John Stupp, President and CEO of Stupp Brothers, Inc., and CEO of Stupp Corporation, our steel pipe manufacturing division. I also represent the American Line Pipe Producers Association, ALPPA. I'd
like to thank you for this opportunity to testify today and explain how imports of large diameter line pipe threaten U.S. national security.

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

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

Stupp is strongly committed to producing the highest quality line pipe and has done so for decades,
while also exclusively using domestic steel. Stupp, together with American Steel Pipe, Berg Pipe, and Dura-Bond make up ALPPA, a domestic coalition of large diameter line pipe manufacturers. Together we account for the vast majority of large diameter line pipe domestic production. Our members produce for a number of U.S. national security applications, including for oil, gas, jet fuel, chemical, water, and slurry pipelines, all of which are vital for our infrastructure. We also produce specific products for U.S. strategic defense, including steel bridges and munitions.

We are proud to produce steel products that protect our citizens and critical infrastructure.

However, unprecedented global steel overcapacity and a continuing surge of pipe imports made from dumped foreign steel are threatening our ability to continue. This Section 232 investigation comes at a pivotal time. The domestic steel industry faces a growing import crisis driven by global overcapacity. This affects line pipe as well, as governments in China, Korea, and Turkey and elsewhere have provided their producers with
massive subsidies to expand capacity and production far in excess of their demand, resulting in a severe supply glut.

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

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

The U.S. national security implications are substantial. The industry is losing its ability to
produce large diameter line pipe needed to modernize
the aging infrastructure. Without a healthy and
prosperous steel and pipe making industry, the U.S.
could not replicate the big inch and little big inch
pipe lines that fuel the allied victory in World War
II.

Thank you.

MR. BORMAN: Thank you for your testimony.

We're ready for our next speaker.

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

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

TMK IPSCO has 1.6 million tons of annual steel
pipe producing capacity at our facilities in
Pennsylvania, Kentucky, Ohio, Arkansas, Iowa, Oklahoma,
Nebraska, and Texas. Approximately 75 percent of our pipe production capacity is for welded pipe. The remainder for seamless pipe. TMK IPSCO currently employs 1,370 employees at these facilities and at its headquarters and R&D facility in Houston, Texas. At full capacity, TMK IPSCO would employ over 2,600 individuals in the United States.

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

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

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.

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

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

The gap between U.S. and Chinese hot-rolled
18. prices expanded to as much as $340 a ton last year and
19. as of May 11th this year was $266 a ton. The Chinese
steel coil prices warp the world's steel market outside the United States, lowering prices to well below the U.S. coil price. It is very difficult and often impossible to compete with foreign steel pipe producers that have an advantage -- such an advantage and lower input costs. In some instances, foreign steel pipe has been priced close to the prices for domestic steel coil. If the status quo is maintained, many of the steel pipe production facilities in the United States, particularly for welded pipe, will remain or become money losing operations.

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

Both TMK IPSCO and a strong consensus of the U.S. steel pipe industry at the CPTI annual meeting last week in Washington, D.C. agree that quotas rather than tariffs only might be a better choice for relief
under Section 32. Please consider whether these quotas should be based on 2010 and 2011 levels of imports, a period after relief from massive Chinese imports and before the onslaught of imports from many other countries.

Thank you.

MR. ROSS: Thank you for your testimony.

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

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

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

When fully operational, NSCI's production
facility will directly employ approximately 70 people in Shelbyville. NSCI is unique in that it will not follow others by simply importing finished steel wire from Japan. Rather, the company will import the raw material, that is high quality wire rod, from Japan and produce finished steel wire in the United States. However, in order to do so, NSCI needs access to a reliable supply of high quality Japanese steel wire.

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

In short, Japanese wire rod is superior to wire rod produced elsewhere because only the Japanese manufacturers have demonstrated the ability to consistently meet the precision and performance requirements of fastener and other safety critical auto part manufacturers. These downstream manufacturers
require wire rod that is both extremely durable, but also lightweight.

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

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

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

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

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

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

Hyundai has invested about $2.8 billion in the three establishments, with a plan of future investment of $3.1 billion. HMMA employs 3,500 American workers and KMMG employs 3,000 American workers. In 2016, HMMA and KMMG together purchased 378,000 metric tons of cold-rolled and corrosion-resistant steel, 108,000
metric tons were purchased from domestic steel producers, and 270,000 metric tons were imported from Korea and Japan.

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

HMMA and KMMG have to plan to invest about $3.1 billion in upgrading and expanding their U.S. manufacturing operations. The investment in these automobile facilities was based on the assumption that HMMA and KMMG would be able to purchase high quality cold-rolled corrosion-resistant steel from domestic and imported source. Roughly 10 percent of Hyundai Steel requirements are not available from domestic steel manufacturing in the quality and tolerance requirements. Hyundai's access to steel is threatened by this action. This action also threatens by investment already made by Hyundai, as well as the planned investment.
For automakers like HMMA and KMMG, by far the most important factor in purchasing cold-rolled and corrosion-resistant steel are product quality and product uniformity. HMMA and KMMG prefer to purchase from U.S. suppliers where the steel is available and meet these quality requirements.

Both HMMA and KMMG require increased quantity of Advanced High Streeel and Ultra High Strength Steel. These high strength steel are difficult to produce and not all domestic steel producers produce these qualities in the dimensions and to the tolerances demanded by KMMG and HMMA.

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

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

Thank you.

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

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

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

Second, the use of Section 232 must be treated with extreme care. Conventional wisdom is that it's only been used twice. Both of those were minor uses in the '70s. The only real use was once. From 1959 to 1973, the U.S. solely to please important domestic
politicians, put import quotas on the import of crude oil. From that period, what that meant -- had three direct consequences.

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

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

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

So this is a cautionary tale for use of 232. That was under a prior statute. I think it was 252, but I'm not sure.
Third, and finally, your analysis of national security has to include the near certainty of retaliation because there will be retaliation. The most obvious target for retaliation is U.S. arms exports. We export approximately $20 billion a year. Numbers are fuzzy and lumpy, so it's a rough guess. There are lots and lots of competitors out there who would love to sell their airplanes instead of ours and that's probably the most likely target.

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

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

Thank you.

MR. BORMAN: Thank you for your testimony.

MR. BUDWAY: Good afternoon, Mr. Secretary.

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

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

Tinplate steel is a unique type of steel that is predominantly made for can making. Approximately 2
percent of all steel is tinplate. The U.S. Department of Commerce and the ITC recognize tinplate steel as a separate category requiring its own consideration and examination. Please note tinplate is not used in any defense or national security applications.

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

There's been a noticeable decline in the quality of domestic tinplate. The rejection rates of domestically produced tinplate are approximately 300 percent to 500 percent higher versus our foreign suppliers. Additionally, only 50 percent of domestic steel deliveries are on time. A possible tariff or restriction would harm or interfere versus competing packaging materials, which are not subject to tariffs. Even a small increase in the price of our raw materials
will create a destructive competitive disadvantage, forcing possible closures of can manufacturing plants in the U.S. and negatively impacting the 10,000 workers, their families, and communities.

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

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

Tariffs or trade restrictions would have a harsh consequence on those less fortunate and diminish the value of taxpayer-funded federal food assistance programs.
We are confronted with a U.S. tinplate steel industry that delivers significantly lower quality, ships chronically late, is -- and is unable to satisfy U.S. demand. We really have no choice but to turn to foreign suppliers. The American can manufacturing industry requests the Administration exclude tinplate products from its investigation and any future tariffs or actions.

Thank you.

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

Thank you.

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

I'd like to first just take a quick minute and explain the initial submission that we made identified our organization as the Rubber Manufacturers Association. Coincidentally, we changed our name yesterday, which is sort of a unique timing issue, but we are today the U.S. Tire Manufacturers Association
and so the testimony that I have submitted today reflects that new branding.

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

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

I was particularly interested that Secretary Ross asked folks testifying today to identify areas that could be exempted from this investigation and I would ask that you consider exempting tire cord quality wire rod from this investigation due to the unique
manufacturing and quality performance requirements that
tires have, and I'd like to explain that to you today.

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

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

Depending on the outcome of this
investigation, potential remedies could have a
significant impact on the domestic tire manufacturing
industry. In particular, any activity or any restriction that curtails the availability of the supply of tire cord quality wire rod or bead wire could negatively affect the ability of the U.S. tire manufacturing industry to make tires here. Any such trade constraint could potentially have a cascading negative impact across the U.S. economy.

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

Tires contain a number of highly engineered components, including high carbon steel, as I mentioned. The steel in tires is manufactured to very strict specifications and must be -- meet these specifications in order to ensure the strength, durability, air retention, and other requirements of the tire, and this tire rod contains a .8 percent minimum carbon content. It has a low alloy content and has a very low -- small diameter and generally free of surface defects. The high carbon content and
consistent surface quality are required to assure performance of tires to stringent requirements. All types of modern tires contain steel and actually truck tires contain a greater percentage of steel due to the higher load and durability requirements of truck tires. Military and related vehicles of course also have demanding performance requirements and we ask that these materials be recognized in your investigation.

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

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

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

MR. KARVONIDES: I have a question.

MR. BORMAN: Oh, sorry.

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

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

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

MS. NORBERG: Thank you.

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

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

Please note that first and foremost, the key products we import are not in any way tied to the national defense industry. Our products are not used for armor, defense vehicles, ships, aircrafts or infrastructure. The HVAC products we manufacture are predominantly used for the housing industry and for the construction of light commercial buildings.
For decades, domestic mills have vacated the residential HVAC market by choice. Because most domestic mills are governed by a tons-per-hour pay scale, it's simply not profitable nor advantageous for them to produce light-gauged steel or aluminum. Rightfully so, they have focused their production on fabricating heavier gauged metals. These metals are used for the appliance, automobile, heavy construction, tube and pipe industries. They are not favorable because of the higher prices they command, but also because they are more taxing to produce.

There is neither the demand nor the desire for domestic mills to produce light-gauged metals and aluminum. The scarce availability of domestic light-gauged metals, coupled with the high prices they charge, is directly reflected in the average yearly totals that ADI members produce -- purchase from domestic mills. Approximately 77,000 tons of galvanized metal and 960 tons of aluminum, all 010, 012 thickness, on a yearly average, ADI members purchase approximately 200 tons of these same type light-gauged metals from foreign sources.
ADI members also have a need for multiple widths of steel. There are many types of steels that we purchase that are currently available from only one domestic mill within the United States. We would prefer to purchase from domestic mills, but due to restricted availability and pricing, we are basically forced to find mills outside of the United States. Many just choose not to work with us.

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

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

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

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

Thank you, Secretary Ross and honorable panel.

MR. BORMAN: Thank you. I do have a question for you.
Could you elaborate a little bit on your statement that says you have the members buying approximately 77,000 tons of galvanized metal and aluminum from a domestic supplier, but then roughly 200,000 tons from foreign sources? And it said -- your testimony said pricing availability, but could you elaborate on that?

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

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

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

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

MR. CROSS: Good afternoon. My name is John Cross, President of Steelscape, An American company
that manufactures coated and painted steel for U.S. companies.

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

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

Steelscape has two facilities, one on the Columbia River in Kalama, Washington, and one located in Rancho Cucamonga, California. Both facilities produce coated steel products, but not from liquid steel. Our Kalama facility transforms hot-rolled coils into cold-rolled and galvanized coils, while our Rancho
facility purchases cold-rolled steel to produce galvalume coils. Both facilities also paint most of the coated steel they produce. A large portion of Steelscape's output ships to ASC Profiles, an affiliated American company which uses our steel to manufacture steel profiles and building components for commercial and residential use in the Western United States.

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

Sourcing steel from West Coast producers is also problematic for us. There are only two or three suppliers of hot-rolled steel on the West Coast and they're focused on supplying their own downstream needs and customers. The dynamics of the West Coast market
are such that all flat-rolled producers in the market have to import a large portion of the raw material they use from abroad. Steelscape is no different.

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

In addition, domestically produced steel does not compete with imported steel for Steelscape's substrate business. Steelscape requires imported steel to survive as an American producer of coated steel products. The proof of this is this. Last year, when the Commerce Department imposed almost 30 percent dumping duties on hot-rolled steel from Australia, Steelscape did not replace its Australian hot-rolled steel with a single ton of domestically produced hot-rolled. Instead, we imported hot-rolled and cold-rolled substrate from other countries to meet our needs. By doing so, Steelscape was able to remain a going concern, saving nearly 400 jobs.
And it is not only Steelscape jobs that would potentially be at risk. As I mentioned, much of Steelscape's production goes to ASC Profiles, which uses the coated steel to produce metal building components. If ASC could not provide reliable, high quality steel from Steelscape made from imported substrate, its operations and another 230 jobs could be at risk.

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

Steelscape, in short, needs to import steel in order to produce steel in the U.S. We ask the Department to consider the special situation of companies such as ours, companies that depend on
imported steel to survive as American steel producers.

Thank you.

MR. BORMAN: Thank you for your testimony.

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

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

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

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

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

Unlike our three competitors in the tinplate market, OCC does not have its own captive supply of black plate. Rather, OCC is dependent on purchasing black plate in the merchant market. The only domestic
producers of black plate, however, are also our
competitors in the tinplate market, primarily Arcelor
and U.S. -- ArcelorMittal and U.S. Steel. As a West
Coast producer, UPI is not a viable supplier of black
plate for OCC.

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

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

As a result, OCC continues to purchase black
plate from ArcelorMittal and from some import sources,
but OCC lacks sufficient raw materials to maintain its efficiency. In 2015, OCC operated at 60 percent of capacity, declining to 50 percent in 2016 as a result of the anti-dumping and countervailing duty orders. In the first quarter of 2017, OCC is operating at 40 percent of capacity because of shortages of black plate substrate.

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

OCC cannot survive with ArcelorMittal as its only supplier. If OCC sourced all of its black plate from ArcelorMittal and that plant were to have any kind of a shutdown, fire, strike, et cetera, OCC would shut down. Secondly, ArcelorMittal is OCC's direct
competitor in the tinplate market. They will always prioritize their own needs ahead of ours. Any further import restrictions on black plate would be devastating to OCC and would threaten its survival as a U.S. producer.

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

Thank you.

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

MR. GERARD: Speaker Ross and panel members, I want to tell I'm really excited about being here. The Steelworkers Union has been having this fight for 45 years, trying to get fair trade in steel. In the last 15 years, the steel industry went from producing 125 million tons a year to slightly over 85 million tons a
Our union, since 2012, has filed 86 trade cases or participated in 86 trade cases. We won 81 of them. Why did we win? We win because they cheat.

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

I have way too much to say and too little time to say it, but the reality is that when we're going to talk about the steel industry, we need to talk about the complete industry. We need to talk about the basic materials from iron to steel, products that are
included like silicone metal, manganese, and chromium and that are needed to make the alloys.

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

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

I can talk about the need to grow our steel
industry back. I'm sick and tired of hearing people come in and say if you want fair trade, we might have to bring a trade action against you in agriculture. Our union's been fighting for fair trade in steel now for 45 years.

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

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

I give an example of -- maybe Marcy Kaptur mentioned it while I wasn't here. U.S. Steel invested hundreds of million dollars in making a brand new OCTG pipe mill in Lorain, Ohio. The thing had never gotten
to full capacity because as we're doing that, the South Koreans built a brand new, state-of-the-art mill. We filed a trade case. We won the trade case. And you know what they did? They increased their production and increased their destination as U.S.

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

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

I say to people often when you drive by a steel mill and you see the rows of steel in the air, they might look all the same, but most of them are all different. They're scientifically engineered. You go into a modern steel mill and from the front end to the
back end, you might not see a human being, but that
mill will roll out at one-tenth of one inch of
deviance, almost perfect, for its customer, and if we
can't earn the price of the cost of capital, then what
will happen? We're already down to the bare minimum of
85 million tons and our industry has been under attack,
as I say, for 45 years.

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

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

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

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

Thank you very much for your time.

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

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

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

My focus today is on construction. AISC is a nonprofit, nonpartisan, technical institute and trade association that has served the structural steel design community and construction industry since 1921. AISC develops industry standards, specifications and codes
for steel construction, conducts technical research, and operates programs for education, technical assistance, and quality certification.

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

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

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

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

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

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

Today, offshore access to American construction markets has become so soft that on one major project in New York City, steel plate made in China was shipped to a fabricator in Mexico, fabricated into building components there, brought freely into the U.S. under NAFTA rules, shipped 3,000 more miles to New York City, and somehow, all of that offshore material,
labor, and freight was priced below domestic fabricators' cost.

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

Turning to the specific areas of investigation under the statutory language of Section 232, AISC respectfully requests the Department make the following five findings. First, that domestic production and fabrication of structural steel is necessary for national defense and security requirements. In this context, we're talking not just about traditional military installations and equipment, but the security and integrity of our infrastructure, buildings,
bridges, power plants, water treatment facilities, and other major projects built with steel.

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

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

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

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

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

Finally, while prior government efforts to counter illegal steel dumping and illegal subsidies under trade agreements and WTO rules have all been well-meaning, they have proven largely ineffective to address imported fabricated steel. Offshore producers
have responded to tariffs on mill-produced steel by moving products downstream to the fabricated level, hurting both fabricators and producers. And again, it is exceptionally difficult for individual fabricators to prove a violation of trade laws through traditional trade cases on individual construction projects.

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

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

Thank you.

MR. BORMAN: Thank you so much.

Can we have our next speaker, please? Thank
MR. BELL: Good afternoon. My name is Philip Bell and I'm President of the Steel Manufacturers Association, also known as the SMA. I would like to thank Secretary Ross and the panel for the opportunity to share ideas with you this afternoon regarding the Department's Section 232 investigation into the national security effects of imported steel.

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

The SMA is a Washington, D.C. based trade association that is the voice of steelmakers that rely on the electric arc furnace, or EAF, steelmaking technology, which is the dominant steelmaking technology used in America. SMA's membership contains a variety of EAF steel producers including some of the nation's largest steelmakers and employers, such as Nucor, Steel Dynamics, Gerdau, Commercial Metals, and Charter Manufacturing.
As 21st Century steelmakers, our members utilize post-consumer recycled ferrous scrap in their principal feedstock, turning this waste into world-class steel. SMA members accounts for over 75 percent of domestic steelmaking capacity and directly employ more than 60,000 workers in 43 states and 125 congressional districts.

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

Imports of steel, quite simply, present an existential threat to the American steel industry. The volumes of imported steel today have impaired demand for U.S. produced steel, forced reductions in domestic
production, and diminished return on capital investments. U.S. steelmaking production capacity utilization has hovered under 75 percent for many years. We believe that capacity utilization of 85 percent or higher is necessary to allow steelmakers to ensure a reasonable return on capital employed, operate at full employment levels, make necessary capital investments, investment in research and development, and also officially operate the hot end or the melted and poured part of steelmaking, as well as the cold end, the finishing part of steelmaking.

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

The United States also has the world's most open markets and the SMA supports free and fair trade.
The same openness, however, should not be extended to illegally traded, dumped and subsidized steel. Over the last decade, global steelmaking capacity has grown at an unprecedented rate. The world's steel consumption, however, has not kept pace, contributing to a large and increasing gap between global capacity and demand.

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

Based on research done by Georgetown Economic Services, using an estimate nationwide average annual steelworker income of $61,465, the SMA estimates that the U.S. federal government has forgone an average of $13,000 in federal income tax for each steelworker. For each 1.5 million tons of steel imported into the
United States, the federal government will forgo an estimated $9 million in tax revenue. As applied to job losses since 2015, this is estimated to be $190 million.

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

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

Thank you.

MR. BORMAN: Thank you for your testimony.

Thank you.

Next speaker, please.

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

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

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

The following is a summary of national defense related materials and applications provided by cold finished steel bar producers. Projectiles and shell cases are produced from cold finished steel bars. These are used primarily for the A-10 Warthog and the Apache and Blackhawk attack helicopters. Cold finished steel bar is also present in armored vehicles in the
form of door hinge pins, shafts, gears, engine parts, suspension parts, rocket fuel rods, steering and braking systems, and bomb fin adaptors.

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

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

In power generation, cold finished steel bar is present in bolts for wind turbines, wire for electric transmission towers, numerous oil and gas applications, and numerous mining industry applications.
Like much of the steel industry, CFSBI member companies are facing extraordinary challenges from foreign producers. We believe there is widespread dumping in the U.S. market. China and other countries have built substantial excess production capacity frequently with government subsidies. We face competitors which have never had to make a profit to survive thanks to government handouts.

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

Unless the underlying commercial production of cold finished steel bars is healthy, competitive, and profitable, CFSBI companies would be unable to survive and would not be able to provide critical materials essential to the national defense. For this reason, we respectfully urge that any remedy determined in this Section 232 case apply not only to cold finished steel bars that we produce, but also to downstream component
parts made by our customers and are then incorporated
into subassemblies, motors, and various manufacturing
systems. It is absolutely critical for the CFSBI to
continue being a viable part of this country and its
national defense.

I thank you for your time and welcome any
questions.

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

MR. GEARY: Thank you.

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

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

CPTI is the leading trade association for the
steel pipe and tube industry in the United States. It was founded in 1984 and responds to the damage being done to domestic producers by imported products.

Regrettably, notwithstanding our organization's efforts over three decades, the domestic pipe and tube industry has continued to decline as imports take more and more market share.

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

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

Our industry is a critical supplier to a number of important sectors in the U.S. economy, including agriculture, construction, infrastructure,
and manufacturing. I'm here today, however, to underscore that a healthy pipe and tube industry is vital to the nation's defense and security.

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

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

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

Finally, pipe and tube are an integral part of
the overall steel industry. Seamless pipe and tube is made from steel billets. Welded pipe and tube is made from flat-rolled steel. Domestic pipe and tube companies tend to buy these inputs from domestic sources. Foreign pipe and tube producers buy their steel from foreign suppliers.

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

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

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

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

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

Thank you.

MR. BORMAN: Thank you for your remarks.

We're ready for our next speaker.

MR. MONROE: Good afternoon. Raymond Monroe with the Steel Founders' Society of America. Thank Secretary Ross and the panel for opening this investigation. Also, thank you for the tremendous
Trump bump we got after the election in November. We saw markets really improve dramatically through December and have remained fairly strong through April, although May is beginning to look pretty iffy for us.

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

The U.S. steel foundries have seen a significant reduction in the number of plants and in the employment. Since 2000, we've reduced our plants by 80. There's about 200 plants left. We can now make about 1.4 million tons a year of capacity. We're only operating at about a million tons. So we're only at about 60 percent of capacity and we've lost about
500,000 tons of capacity since 2000. That means we've also closed 80 plants and about 8,000 workers. So we've lost about a third of the industry over the last 30 years.

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

Atchison, which is a partner company with Amite, makes the turret ring for the M-1 tank. That's what kept them alive in the 1980s, and they've worked with us because we work with the Army to develop a new armored steel to try and provide IED protection. We're developing that with Atchison Castings in Atchison, Kansas. Their sister company out in Tacoma, Washington
is the only qualified producer of high strength steels
for the Navy for the Virginia class submarines. There
are other non-domestic sources, but they're the only
domestic source.

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

With globalization, we've reduced the number
of suppliers in regional economies, certainly in the
U.S. economy, to one for each one of these specialty
products and that one foundry is vulnerable because if
their commercial business becomes poor, then they no
longer have the capability of making the specialty
products that defense needs. That's really problematic.

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

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

If I have a $10 million specialty steel market, that system is inaccessible to me. Even if I get it, then enforcement's problematic because of people shifting. We kid around that it's like playing
a game of whack-a-mole. You restrict one product and then they go upstream or downstream to import another product.

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

Thank you.

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

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

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

Our company produced 9.3 million tons of steel in 2016, with 7,400 associates, yet we have an annual capacity of 11 million tons. That underutilization was
a direct effect of imported steel.

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

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

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

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

We are playing a game of whack-a-mole. We hit the Chinese with duties and Chinese steel goes to 10 other countries to become cold-rolled steel, corrosion-resistant sheet steel or pipe. We're also seeing our market for structurals erode as massive quantities of fabricated structural are imported. Big international companies, such as Bechtel and Fluor, are fabricating whole plants in China.
Between 2013 and 2017, imports doubled more --
doubled from 850,000 tons to 1.7 million tons and they keep growing today.

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

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

And I sat there hearing the testimony today, I'm reminded of President Roosevelt. Just before or just prior to going into World War II, he addressed the nation. He urged that they were the arsenal of
democracy. He knew that it was the infrastructure and
the productivity of the American people that would win
World War II, and indeed, he was right.

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

So thank you.

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

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

MR. BORMAN: Sure, absolutely.

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

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

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

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

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

MR. MAASS: Good afternoon. I am Alexander Maass, President of Maass Flange Corporation. I'm here
on behalf of the Coalition of American Flange Producers, its members and employees. Thank you for the opportunity to appear before each and every one of you here today.

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

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

Maass Flange together with Core Pipe Products, Inc. are the founding members of the Coalition of
American Flange Producers. We are a domestic coalition of flange manufacturers and produce steel flanges to numerous national security applications. Because our products are resistance to the harshest applications, they are used in Navy ships, submarines, warfare products, aviation jet refueling systems, national refining chemical manufacturing plants, nuclear power reactors, turbine power and coal gasification generation, and liquid natural gas recovery. We also sell to utility companies who use our products for the national power grid.

A critical component of the infrastructure that protects the United States and its citizens, our flanges are also used to assemble pharmaceutical equipment vital to the production of development of medicines that prevent and respond to epidemics. However, import of steel, including stainless steel and alloy flanges, into the U.S. market threatens our ability to supply products for these and many other national security implications. This is why we are today to urge Commerce to find that imported steel is threatening to impair the national security and that
action such as a comprehensive tariff or quota system on all steel products are needed to significant restrain these imports.

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

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

Moreover, the injury of these imports cause
our industry to -- cause our industry is confirmed by the existence of past anti-dumping orders on imports of stainless steel flanges from India and Taiwan and ongoing investigations. Currently, the International Trade Commission is in the final phase of anti-dumping investigations on carbon steel flanges from India, Italy, and Spain, and countervailing duty investigations on carbon steel flanges from India.

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

The threat caused by imports is unsurprising given the global steel overcapacity crisis, which has undoubtedly spurred foreign overproduction in a range of steel products including flanges. Over the past
year, it has become particularly evident that not only second class flange or other pipe connector products have imported into the United States, meaning importation of questionable quality and workmanship from those countries previously mentioned. However, also being at a price level not sustainable to our business environment with high U.S. quality workmanship, business ethics, and national responsibilities.

With each new aggressive surge of imports, our ability to adequately supply flanges for national security applications deteriorates. The flanges we supply to the armed forces go into the assembly of military vessels, assisting to keep our warfighters and nation safe. As I mentioned earlier, they go into equipment for wind, oil, coal, natural gas, and nuclear energy plants. The power and energy that fuels our national security efforts are transmitted through these pipes that are strengthened and held together by flanges, but steel imports competing with us in the U.S. market take opportunities we would otherwise have, affecting our current numbers and hindering our ability
to innovate and invest in a stronger, better product to remain competitive and continue supplying the best to our customers.

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

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

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

Thank you for your time and attention.
MR. BORMAN: Thank you for your statement.

We're now ready for the next speaker.

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

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

The Port of New Orleans is annually among the top five cargo ports in the United States, as well as one of the leading cruise ports in this country. More germane to this hearing, however, is the top tier
status New Orleans maintains as one of the largest steel importing ports in the U.S. The importance of this commodity to the port cannot be overstated.

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

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

The Section 232 authority under the Trade Expansion Act of 1962 is far broader than the statutory authorities used in 2002 and could result in far steeper import restrictions on a wider variety of steel
products from many more foreign countries. Notably, a Trade Partnership Worldwide, LLC economic study that reviewed the near term impact of the 2002 steel import tariffs found that 200,000 Americans lost their jobs during 2002 sanctions due to higher steel prices. More American workers lost their jobs in 2002 to higher steel prices than the total number employed by the U.S. steel industry itself. Every U.S. state experienced employment losses from higher steel costs.

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

For example, 80 percent of the steel products moving through the Port of New Orleans is further transported up the Mississippi River by tug and barge.
Those same barges are then used by American farmers to deliver agriculture products down river to the grain elevators located on the lower Mississippi River. Without those barges moving up river with cargo, the cost to transport U.S. grain increases, making U.S. agricultural products less competitive on the worldwide marketplace with those of other producing countries like Brazil and Russia.

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

Thank you for your attention today and for your consideration of the views of the Port of New
Orleans on this vital trade matter.

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

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

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

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

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

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

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

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

I'd also like to bring to your attention the domestic pipe manufacturers such as ours are consumers of flat-rolled steel. We significantly add value
through the pipe manufacturing process. Import restrictions on these flat-rolled steel products pose the risk of undermining the domestic steel pipe sector by increasing costs and reducing competitiveness. Higher costs for OCTG and line pipe will discourage oil and gas drilling and the construction of new pipe lines.

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

As the U.S. pipeline operators commented in a recent proceeding before the Commerce Department, the U.S. line pipe industry cannot produce certain large diameter pipe used in these major pipeline projects. There's two reasons for this. The first reason is, is that the flat-rolled steel that meets these demanding requirements and specifications cannot be sourced in the U.S. Secondly, flat-rolled steel products that do
meet these specifications are subject to high anti-dumping and countervailing duties.

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

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

We do not believe further import restrictions are necessary. However, if the President imposes a
trade restrictive measure, it should be designed to carefully protect those companies that have already invested in the U.S. Every effort should be taken to work directly with these companies to ensure that neither their source of raw material supply, nor their supplemental imports are endangered.

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

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

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

That concludes today's hearing. Keep in mind that the record for public comments on this investigation closes a week from today. So if anyone has not submitted comments would like to do so, that's the deadline and certainly if folks would like to submit supplemental comments based on what they've heard today, you should feel free to do so as well, but we appreciate all of your attendance, particularly all
of the speakers who provided very valuable input. This
is very important for us at the Commerce Department and
the other agencies, to get as much input from all the
stakeholders as possible.

So thank you all.

(End of proceedings.)

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