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AMERICAN INSTITUTE OF STEEL CONSTRUCTION

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STATEMENT OF THE AMERICAN INSTITUTE OF STEEL CONSTRUCTION TO THE SECRETARY OF COMMERCE ON SECTION 232 INVESTIGATION OF STEEL IMPORTS AND NATIONAL SECURITY

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Intro

Good morning/afternoon. It is my privilege to speak today on behalf of the American Institute of Steel Construction as the Vice-Chair of its Board of Directors, and to thank the Administration and Secretary Ross for initiating this investigation into trade issues facing the American steel industry.

Who We Are

AISC is a non-profit, non-partisan, 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 its affiliate the National Steel Bridge Association, 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.

What We Do

Steel fabricators are the critical intermediaries in the structural steel supply chain, positioned between the mills that produce steel plate and shapes, and the cranes that lift the steel columns, beams, girders and trusses into place on 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 in 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 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 the structures down.

In short, fabricators are responsible for the 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 Visitor's Center – and 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 steel projects like bridges, high-rise towers and secure government facilities were routinely fabricated in American plants. However, following the passage of NAFTA, fabricators working 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; while oversight was focused on imports of mill steel, foreign companies brought steel into the U.S. market as fabricated products with virtually no resistance. Today, offshore access to American construction markets has become so soft that on at least 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, and shipped 3,000 miles to New York City. And somehow, all of that offshore material, labor and freight was priced to the project below the cost domestic fabricators would have had.

According to Commerce Department statistics, imported fabricated structural steel has increased by 136% in the past five 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 U.K., and even the U.A.E., among many other places. As a result, foreign steel fabricators have gained far more from the American economic recovery of the past five years than American steel fabricators have. But 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 – especially when imports come in through NAFTA rules that were designed to encourage trade with Mexico and Canada – but are now being used routinely to allow global access to the U.S. market.

What We Propose

Against that backdrop, AISC believes that the U.S. structural steel industry is directly and adversely impacted by fabricated steel imports. Tracking to the areas of investigation under section 232, AISC respectfully requests that the Department make the following findings:

- First, that the domestic production -- and fabrication -- of structural steel is necessary for national defense and security requirements. In this context, defense and security are not limited to traditional military installations and equipment, but also include the security and integrity of our infrastructure -- buildings, bridges, power plants, water treatment facilities and other major projects built with steel that are essential to defense and security. And 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 components from the mill to be effective. Otherwise, the industry will be unable to support the costs of domestic fabrication, and will see the technical engineering that goes into the security of American structures become entrusted to foreign companies – often supported or even owned by governments whose interests are not necessarily aligned with ours.

- Second, that there is ample capacity in the domestic structural steel industry to meet national marketplace requirements. AISC has approximately 1,000 steel fabricator members located throughout the country. While many are small and focus on local and regional projects, there are several big fabricators that have invested heavily in both equipment and human resources, including in-house training and development programs, to handle major projects. These fabricators not only have the capacity and ability to meet current market demands, they have the ability to grow as markets expand. But steel fabrication is an incredibly risky -- and competitive – industry, even in good markets. It is virtually impossible to operate successfully when markets are undercut by below-cost offshore fabrication.
- Third, that 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. In many ways, steel built the great economic strength of this Country, and fabricators positioned between producers and projects created thousands of middle-class jobs for American welders, fitters, machine operators and other workers in hundreds of plants all across the country. Today, however, the tactics of foreign steel interests to obtain access to the American structural steel marketplace are challenging the economic viability of domestic fabricators. Whether the tactic involves using NAFTA to bring in steel made in non-NAFTA countries, or pushing subsidies and support downstream from production to fabrication, or simply dumping fabricated steel at below-cost pricing into American

markets without fear of any trade remedy whatsoever, the domestic steel industry is under pressure from both northern and southern borders, and from eastern and western ports.

- Fourth, that 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 benefits to their employees, comply with detailed safety and environmental regulations in their plants, and pay significant federal and state income taxes, local sales and use taxes, and payroll taxes. Of course, those factors add costs to domestic fabricators, which can only be recovered if they are 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. This is one of the reasons why attaching Buy America requirements to infrastructure investment is incredibly important, even if infrastructure is partially financed by non-government sources.
- Finally, that while prior government efforts to counter illegal steel dumping and illegal subsidies under trade agreements and WTO rules have been well-meaning, they have proven largely ineffective to address imported fabricated steel. To the contrary, offshore producers have responded to tariffs on mill-produced steel by moving products downstream to the fabricated level – hurting both fabricators and producers. And as noted earlier, it is exceptionally difficult and expensive for

individual fabricators to prove a violation of trade laws through traditional trade case procedures on individual projects.

As the Administration looks at trade policies to protect and strengthen our national economic, security, and defense interests, AISC submits that not only are few industries as critical as steel, but that a broad focus that includes steel fabrication -- along with steel production -- is critical to the effectiveness of those policies. The historical focus of remedies on steel production alone has opened doors for foreign steel companies to expand to downstream manufactured and fabricated steel products. And as demonstrated by a 136% increase in imports of fabricated structural steel over the past five years historical, narrow approaches to steel imports have failed.

With respect to relief, AISC has no specific recommendation on tariffs or quotas, except to suggest that any tariffs or quotas that are imposed must be extended downstream from mill-produced steel to also include fabricated steel to be effective. An alternative or additional remedy, in the context of Section 232 relief, would be for Commerce to designate classes of structures that are strategically sensitive or important – high-rise towers, power plants, port facilities, major bridges, etc. – and attach domestic fabrication requirements to those classes of projects. Third, a comprehensive review of the impact NAFTA has had on American structural steel markets is necessary, including both how non-NAFTA producers are obtaining open access to American markets, and how other NAFTA countries are undermining the original intent of the treaty by dumping the products of their excess and below-cost fabrication capacity on American markets.

On behalf of AISC, we appreciate the interest of the Administration in the domestic steel industry. We look forward to working with the Department in any capacity where we can be of assistance on these issues critical to US national security and competitiveness.

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