Prepared Testimony

of

Thomas M. Conway
International Vice President

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW)

Before the

House Steel Caucus

March 26, 2015

I want to thank the House Steel Caucus for holding this hearing today and for the opportunity to speak with you since this meeting is taking place at a time when extremely critical issues are facing the steel sector and many other industrial sectors across America.

One year ago yesterday, USW President Leo Gerard appeared here before you and said that “the steel industry and its workers are facing pressures that threaten their future.” Those threats have only gotten worse in the last year and our members across most of our industrial sectors see that Washington is either doing little to help or is about to make those problems worse.

Today you’ve been presented with a great deal of data on the state of the sector, global overcapacity, international trade flows and the challenges facing the industry. I’m not going to repeat the statistics. But, they paint a gruesome picture of an industry and workers slammed by a set of policies and practices used by our trading partners designed to fulfill their industrial policy plans – usually at our expense. China’s 12th Five Year Plan - the plan they’re operating under right now - calls for further development, expansion and investment in their steel sector. The 13th Five Year Plan, now in its final stages of development, is expected to do the same.

South Korea, Brazil, Turkey and many other countries are similarly flooding our market with steel products.

America’s steel sector and its workers are being systematically targeted by our trading partners that use the U.S. market as their dumping ground. Year after year, in product after product, we have to file trade cases to fend off subsidized and dumped products from a broad range of countries. Our competitors know how easy it is to grab market share, how terribly long it takes our system to respond, and that the only way we can win - because of the way that the International Trade Commission views the concept of “injury” - is to let them flood our market and steal our jobs.

We come to you time and time again to support our cases. First, our competitors flood our market, next we tell you and the Administration about it, then we continue to lose jobs and market share and eventually, we are forced to respond by filing a trade case. Then, well over a year later, when the case finally reaches the International Trade Commission – and you all write or come in to help us make our case - what are we talking about? A weakened American industry and lost jobs. We and our members are deeply grateful for your support, it means a great deal to them and, we believe, makes a difference in the outcome of the cases. Without you, they’d be lost.

But, the simple truth is, when we win a case, we simply stabilize the market – we rarely get back to where we were. We are ratcheting down our industrial sectors into oblivion. In the process, we hemorrhage good jobs just like is happening right now in the steel industry. For US Steel, deep job cuts have been announced at the company's various tubular facilities – on a product where we recently won a trade case - but cuts are taking place company- and product-wide. ArcelorMittal, for its part, announced in January the phased idling of its Indiana Harbor Long Carbon facility. We have lost good manufacturing jobs and market share in rebar, in line pipe, in stainless, in wire rod, electrical steels and in other commodities such as copper, tires and paper. *(See summary of press clips, attached.)*

The Steelworkers do not want trade cases. We want trade to work for working people. Bringing a trade case means that we've been injured and that's the last thing we want.

Steel and basic manufacturing are critical to our nation's economic health. The manufacturing sector supported approximately 17.1 million indirect jobs in the United States, in addition to the 12.0 million persons directly employed in manufacturing, for a total of 29.1 million jobs directly and indirectly supported, more than one fifth (21.3 percent) of total U.S. employment in 2013. Manufacturing jobs also typically pay higher wages with an 8.9 percent premium for working in the sector. It also contributes to more than 70% of R&D and it strengthens our communities and services by augmenting the tax base. And, it's critical to our national security.

So, why is Congress pursuing a trade agenda that only makes matters worse?

For steel, the key issue is global overcapacity – led by China. The Administration – this and previous ones – have done <u>nothing</u> about this problem except talk. And talk, and talk.

The Organization for Economic Cooperation and Development – the OECD – has sponsored talks and has met numerous times over the years, but capacity keeps increasing.

The Administration has a bilateral steel dialogue with China, and has discussed the problems in the Joint Commission on Commerce and Trade, but capacity keeps rising.

There is nothing in the fast track legislation that was offered last year that would do anything about this problem. And, there's nothing in the Trans Pacific Partnership that deals with overcapacity.

So, the problem will get only get worse.

Currency manipulation, which has helped fuel the flood of unfairly-priced imports into the U.S., has been essentially ignored by the Administration, other than to say that they're talking about it. That hasn't done much good for the producers here in this room, or the workers they employ. Secretary Lew and Ambassador Froman have already made clear that effective disciplines on currency manipulation aren't even on the table in TPP.

The injury test, and the outdated approach being utilized by the International Trade Commission, isn't even being discussed by the Administration nor is the fact that they have the right to self-initiate cases in this area, but refuse to use it. Why do private parties have to pay the cost of fighting for America's future when our own government has the power to act?

If you think I'm frustrated, you're right. The Steelworkers are deeply appreciative of the work of the Steel Caucus over the years; it's made a real difference.

But, for us, the issue right now is getting government to act to address the real problems beyond Band-Aids to enforcement. Yes, some action has occurred, which we appreciate, but it is only scratching the surface.

The first step is to say no to Fast Track and no to the TPP.

Fast track will only lock in expedited and preferential procedures for considering trade agreements that have essentially fueled higher trade deficits for the U.S. and fewer manufacturing jobs for US workers. The Administration likes to talk about exports, but the real measure is <u>net</u> exports. By that measure, they're getting a failing grade.

The first agreement they want to grease the skids for is the TPP and, as I've noted, it will only increase our problems. Not only does it fail to address the two key issues of currency manipulation and global overcapacity, but it will increase the incentives to outsource production and diminish the incentives to produce here.

One example: Rules of origin. Remember that the rule of origin for the North American Free Trade Agreement was 62.5%. In the U.S.-Australia FTA, it was reduced to 50%. In the US-Korea FTA, it was further reduced to 35%. What percentage will be in TPP? And, with Japan in the TPP, as a proven exporter of autos and auto parts to the U.S. market, any rational businessmen knows that the percentage of an auto that is made up of American-made parts is only going to decline from the NAFTA requirement.

Our members want a new trade policy that puts results – results for domestic producers and workers – ahead of all else. Now is the time to focus on the real problems plaguing our economy and that have led to stagnating wages and increasing income inequality. Simply doing more of the same is unacceptable.

American Steel Crisis
Newsclips – 2015
(Published headlines & excerpted story texts. Full story available at links)

ALLIANCE FOR AMERICAN MANUFACTURING (Blogpost) – Mar. 16, 2015

The Trade Onslaught We Should Be Watching

Steel imports increased by 38 percent in 2014.

http://www.americanmanufacturing.org/blog/entry/the-trade-onslaught-we-should-be-watching

By Taylor Garland

The Obama administration likes to talk about exports. What they should be talking about is imports – steel imports in particular.

The domestic steel industry is facing a surge of foreign imports. Steel imports increased by 38 percent in 2014, according to the U.S. Census Bureau. Already this year, there has been a 36 percent increase in steel imports from the same period in 2014.

So where is all this steel coming from? China. The Wall Street Journal reports: ***China's steel exports rose 63% to 9.2 million tons in January from a year earlier, a rise that puts them on pace this year to beat the 82.1 million tons China exported last year. That number increased 59% from 2013 and was the most steel ever exported by any country this century.***

WASHINGTON POST – Mar. 16, 2015

Wonkblog

U.S. Steel plants are on a layoff spree. Here's why.

China's economy is cooling, but its steel mills are still going strong -- which is a problem for everybody else.

http://www.washingtonpost.com/blogs/wonkblog/wp/2015/03/16/u-s-steel-plants-are-on-a-layoff-spree-heres-why/

By Lydia DePillis, Staff Writer, Washington Post

For those who find the idea of a rapidly growing China to be cause for concern -- because with economic size comes political and military power -- the news that its meteoric rise is leveling off might be welcome. But for a lesson in how the global economy works in sometimes unexpected ways, consider what that's doing to steelworkers across the South and Midwest.

Now, with consumption slowing in China, real downsizing has begun. U.S. Steel, the **13th-largest steel producer in the world**, has been on a pink slip spree, idling plants and cutting staff as part of an "ongoing adjustment" to accommodate for lower demand. So far this year, it's laid off workers in **Alabama**, **Texas**, **Ohio**, **Indiana** and **Illinois**, amounting to a few thousand out of its 23,000 employees in North America.

NWI TIMES – Mar. 16, 2015

Guest Commentary: Fight 'fast track' of NWI steel jobs to overseas

http://www.nwitimes.com/search/?l=50&sd=desc&s=start_time&f=html&byline=Mike%20Millsap

By Mike Millsap, Director, USW District 7 (Indiana/Illinois)

Another 1,500 Northwest Indiana steelworkers will be out of work, The Times reported in February. "If this were wholly unexpected it would be more of an emotional and psychological shock. But we expect this from steel jobs," responded an economics professor. "Fortunately, the steel layoffs are not the hit to our economy they once were," added a broker-owner.

As director of the United Steelworkers in District 7, representing more than 60,000 steelworkers in Indiana and Illinois, I have to ask, Is everyone in America asleep? These jobs are leaving Northwest Indiana because steel imports made with substandard wages are flooding America at an all-time high, compliments of their trade agreements. It is going to get worse because Congress is once again considering legislation to renew "fast track" trade promotion authority.

WALL STREET JOURNAL – Mar. 15, 2015

Why Chinese Steel Exports Are Stirring Protests

China's mills sell excess abroad, leading to calls for tariffs in U.S. and Europe

http://www.wsj.com/articles/why-chinese-steel-exports-are-stirring-protests-1426466068

By Biman Mukherji in Hong Kong, and John W. Miller in Pittsburgh

China's massive steel-making engine, determined to keep humming as growth cools at home, is flooding the world with exports, spurring steel producers around the globe to seek government protection from falling prices.

From the European Union to Korea and India, China's excess metal supply is upending trade patterns and heating up turf battles among local steelmakers. In the U.S., the world's second-biggest steel consumer, a fresh wave of layoffs is fueling appeals for tariffs. U.S. steel producers such as U.S. Steel Corp. and Nucor Corp. are starting to seek political support for trade action.

China's steel exports rose 63% to 9.2 million tons in January from a year earlier, a rise that puts them on pace this year to beat the 82.1 million tons China exported last year. That number increased 59% from 2013 and was the most steel ever exported by any country this century.

WALL STREET JOURNAL – Mar. 12, 2015

Business

U.S. Steel to Idle Plant, Lay Off 412 More Workers

Idling of Minnesota iron ore operation is company's latest move to become more nimble

http://www.wsj.com/articles/u-s-steel-to-idle-plant-lay-off-412-more-workers-1426190510?tesla=y

By John W. Miller

PITTSBURGH—U.S. Steel Corp. on Thursday announced more layoffs as it struggles to contend with surging imports and declining demand in the energy sector, saying it will temporarily idle one of its iron-ore operations in Minnesota, affecting 412 workers.

The move is the latest in a series of retrenchments by the 114-year-old steelmaker as it attempts to navigate rough waters for the industry in the U.S. and pursue a longer-term strategy of repositioning itself as a smaller, more nimble steel company.

U.S. Steel last year posted its first annual profit since 2008, but like other steelmakers is having to cope with the triple whammy of a strong dollar that makes imports cheaper, weak oil prices that are killing the market for energy-related steel and a surge in exports from China.

ABC-TV NEWS – (WDIO.com) – Mar. 11, 2015

Surge of Steel Imports Could Hurt Iron Range

http://www.wdio.com/article/stories/s3731898.shtml |

Steel imports continue to take more of the market share of steel products in the United States. That's another worry for an industry that's dealing with global iron prices that have dipped very low.

According to the American Iron and Steel Institute, finished steel imports have captured a full third of the market so far this year, and they're on pace to break last year's record breaking numbers. This is not good news for our domestic steel industry. Major players like U.S. Steel and ArcelorMittal have idled plants in the Midwest, according to the Northwest Indiana Times.

NWI TIMES (Indiana) – Feb. 26, 2015

U.S. Steel to shutter Gary Works coke plant, eliminate 300 jobs

http://www.nwitimes.com/business/local/u-s-steel-to-shutter-gary-works-coke-plant-eliminate/article_0b641a30-b9ba-5da5-a183-7036e5a0d9c6.html

By Joseph S. Pete joseph.pete@nwi.com, (219) 933-3316

GARY | Another 300 steel jobs will disappear in yet another blow to Northwest Indiana's already bruised and bloodied steel industry.

U.S. Steel wants to permanently close the coke-making plant at Gary Works, which would displace 300 workers. The sprawling steel mill in Gary would bring in coke — a purified form of coal that's burned in blast furnaces to make iron — from elsewhere instead of making it itself.

An estimated 300 workers now bake coal into fuel for steelmaking at the No. 2 coke battery, which produced an average of 593,000 tons over the last two years. The Pittsburgh-based steelmaker plans to talk with affected workers and the United Steelworkers union about whether they will be transferred or laid off, spokeswoman Courtney Boone said.

NWI TIMES (Indiana) – Feb. 24, 2015

Steelmakers fighting back against record imports

By Joseph S. Pete joseph.pete@nwi.com, (219) 933-3316

http://www.nwitimes.com/business/local/steelmakers-fight-back-against-record-imports/article_30c71086-92fb-5275-b4cf-b3401c180283.html

A flood of low-cost imports have been taking business away from U.S. steelmakers and blamed for a slew of mill closings that have included the idling of East Chicago Tin, where nearly 400 people work.

Last year, finished imports captured 28 percent of the U.S. market share, surpassing the previous record of 26 percent from 1998 and 2006, according to the American Iron and Steel Institute. The market share was 23 percent in 2013.

ALABAMA.com – Feb. 05, 2015

U.S. Steel could lay off up to 1,840 workers in Alabama, more than originally announced

http://www.al.com/business/index.ssf/2015/02/us_steel_could_lay_off_up_to_1.html

By Kelly Poe | kpoe@al.com AL.com

The layoffs at **US Steel**'s Alabama operations announced last week could affect more workers than originally announced. U.S. Steel warned 1,840 workers at the company's Fairfield factory they could lose their jobs. Last week, US Steel announced it would lay off up to 386 employees at Fairfield Tubular Operations, and up to 1,218 could be affected at Fairfield Works, the primary flat-roll supplier of rounds to Fairfield Tubular Operations.

But an additional 236 employees in Alabama could be affected, according to the Alabama Department of Economic and Community Affairs.US Steel employs 2,170 people in Alabama, so if all warned employees are affected, it would mean eliminating nearly 85 percent of its employees. US Steel also warned 314 employees in Texas that they could be laid off.

Employees will learn the status of their jobs on or after March 29

WALL STREET JOURNAL – Jan. 22, 2015

Business

U.S. Steel to Idle Plants and Lay Off 545 More Workers

Company to Idle Units in Illinois and Indiana; Cites Low-Cost Imports, Restructuring

http://www.wsj.com/articles/u-s-steel-to-lay-off-545-workers-1421875239

By John Miller

U.S. Steel Corp. said it plans to idle plants in Illinois and Indiana, laying off 545 workers. The company blamed the latest move on low-cost imports and its own restructuring efforts.

The cuts would take place in March and come on top of the planned layoff of 756 workers and possible closure of two plants in Ohio and Texas announced earlier this month. The company said those cuts had reflected lower oil prices and the resulting drop in demand for its steel pipe and tubular products used by the oil and gas sector.

On Wednesday, U.S. Steel said it would close the two coke ovens at its Granite City Works in Granite City, Illinois, affecting 176 workers. The units transform coal into coke, a form of carbon needed to make steel out of iron ore. The units are old and will be eliminated as part of Chief Executive Mario Longhi's plan to cut costs and make the company more efficient, dubbed "Carnegie Way," which resulted in a total of $495 million of savings and increased profits in 2014. U.S. Steel also plans to build more electric arc furnaces, which make steel out of scrap instead of iron ore and don't require huge quantities of coke.

Another 369 workers will be laid off as a result of U.S. Steel's plan to close, temporarily, a tin mill which is part of its Gary Works facility in Indiana, near Chicago. The mill produces steel used in food and drink containers, aerosol cans and paint buckets—all low-cost products especially vulnerable to imports.

LORAIN JOURNAL – Jan. 7, 2015

U.S. Steel to idle Lorain Tubular, lay off 636 workers

http://www.morningjournal.com/general-news/20150107/us-steel-to-idle-lorain-tubular-lay-off-636-workers |

By Richard Payerchin, The Morning Journal

United States Steel will lay off 636 workers as part of a temporary idling of its Lorain Tubular Operations. Low gas prices and a decrease in global oil exploration have led to declining demand for the plant, which makes oil country tubular goods used in exploration and drilling for oil and natural gas.

“This action is a result of a decline in tubular market conditions, which is impacting demand for the plant’s products,” U.S. Steel said in a letter to United Steelworkers President Leo Gerard in Pittsburgh. The letter was a notice the company published as result of the federal Worker Adjustment and Retraining Notification, or WARN, Act. The layoffs will start March 8 or in the two-week period following, with additional layoffs occurring through May. Ritenauer said he expects the layoffs to last three to four months. Among the workers affected are 277 operating technicians, 172 utility technicians, 73 electrical maintenance technicians, 57 mechanical maintenance technicians and 40 utility workers, according to a list included with the WARN Act notice.

“The company has suddenly lost a great deal of business because of the recent downturn in the oil industry,” said a statement from USW Local 1104 President Tom McDermott. “What appeared just a few short weeks ago as being a productive year, (with new hires in December and extra turns going on), has most abruptly turned sour.”

# # #