Testimony of

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Before the
House Steel Caucus

America Rebounding: Steel in 2017 and Beyond

March 29, 2017

Mr. Chairman. Members of the Caucus. It is an honor to appear before you today to discuss the challenges and opportunities facing America's steel sector. You have titled the hearing "America Rebounding: Steel in 2017 and Beyond."

Right now, the situation in the domestic steel industry is essentially a tale of two sectors. On the one hand, the activities of the industry and the union, supported by the efforts of this Caucus and many in Congress, have helped stabilize the sector and, with additional actions, could foster growth and opportunity in the sector.

But, that path is far from certain. Many of the challenges that have confronted the sector remain and others are developing on the horizon. Foreign dumping and subsidies, circumvention and continuing growth and overcapacity in the sector worldwide, driven primarily by China, are persistent problems.

Without continued action, America's steel sector will remain in peril. Capacity utilization at U.S. mills is increasing, but it is gaining slowly. AISI last week indicated that adjusted year-to-date production was 74.4 percent[1]. To give perspective, in 2007 through the summer of 2008, domestic steel capacity utilization was at 87.6 percent. That's a 13 point difference.[2] Industry analysts point out that 80 percent capacity utilization is considered "healthy"[3]. To USW, operating capacity is not just a number about steel tons produced. It's an indication that there are laid off or under-employed people waiting to work at idled and under-underutilized plants across the country.

Now is not the time to do a "victory lap" but, rather, to accelerate the actions we can take. It's time to implement new and aggressive approaches to restore America's steel production and employment to support our economic and national security interests.

It's also vital to understand that the domestic steel sector, and related employment, has been ravaged by unfair trade. Indeed, just this past month, U.S. steel sent notices to workers at their Lorain, Ohio facility that the temporary closure of tubular operations will become permanent which impacts 600 workers and their families in Ohio. Other facilities across the country over the last several years have also announced layoffs. This is not "rebounding" but, hopefully, a bottoming out.

The problems with steel are not unique. The United Steelworkers (USW) is the largest industrial union in North America. Our members have seen increasing threats to their jobs from unfair trade -- a substantial portion of which emanates from China. China's predatory approach to world markets has affected various domestic industries ranging beyond steel to aluminum, paper, glass, rubber, solar and other sectors. The decline in aluminum has taken us from fourteen operating smelters in the U.S. to five in just a few short years, endangering our national security.

Last year the Global Forum on steel overcapacity was created. Six months later, despite very hard work by US negotiators, there is no action. My concern is that more talk will not lead to any significant action in the short or long term. Congress and U.S. workers cannot wait for a global forum to produce results. Other countries are not waiting or listening either. India is poised to become the second largest steel producing country over the next year. The country's steel ministry is drafting a new policy to raise India's steel production capacity to 300 million metric tons a year by 2030-2032.[4] China, despite all its rhetoric on cutting its massive capacity, increased its operating capacity by 36 million tons in 2016.[5] China's overall operating capacity is estimated to have risen to 1 billion tons, from about 965 million tons the year before.[6]

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[1] http://www.steel.org/about-aisi/statistics.aspx
[2] http://www.epi.org/publication/surging-steel-imports/
[3] http://marketrealist.com/2015/01/massive-overcapacity-plague-steel-industry-2015/
[4] http://www.platts.com/news-feature/2017/metals/india-steel/index
[5] https://secured-static.greenpeace.org/eastasia/PageFiles/299371/Steel%20Overcapacity,%20Feb2017/GPEA%20Media%20Briefing_Research%20Report%20on%20Overcapacity%20Reduction%20in%20China%E2%80%99s%20Steel%20Industry.pdf
[6] http://www.reuters.com/article/us-china-steel-pollution-idUSKBN15S0BB

Meanwhile the U.S. in 2016 shipped 86 million tons, roughly the same as what the industry produced the year before.[7]

China has no incentive to eliminate its excess capacity. Repeated promises have only been met with repeated increases in production capacity. The pressure on Chinese producers to dump their products in the U.S. and world markets continues. That results in a constant need to evaluate imports on a product-by-product basis to see where trade cases can be filed. And, as important, it not only limits our ability to export our way to growth by serving world markets but also limits the economic prospects of further investments and growth here. Third country producers are taking China's lead and targeting our market as well.

The five major product cases recently filed and won have created somewhat of a floor stopping a further decline in basic steel products, but circumvention and evasion of orders and the attacks on high margin products continue. Vietnam is now involved in circumventing the orders on sheet. Korean exports of Oil Country Tubular Goods (OCTG) to the U.S. market are undermining the restoration, and expansion of production of that product here.

The Department of Commerce will soon decide, as part of its administrative review on Korean OCTG whether to institute meaningful margins, or once again, give Korea what is essentially a free pass into our market. OCTG is produced from hot-rolled coils. Despite an existing order identifying that these coils were dumped into our market and subject to a 58 percent dumping margin, DOC technical staff found that there was no relationship between the cost of the dumped input, and the price of the finished OCTG pipe. That simply defies credibility. This is not the first time that we have had to fight for margins that truly reflect the damage that is being done and, I expect, not the last.

The orders on the basic steel mill products have, as I said, helped to stabilize the sector. But, trade in steel products is like the game "whack a mole". Now that the orders are in place, China has gone up the value ladder and flooded our market with other products. For example, in structural steel, imports from China were up 189 percent, year to year. This may require new trade cases to shut down these unfairly traded imports.

And, as you know, the fundamental flaw in our nation's trade laws is that to win a case, you have to lose. You have to lose significant amounts of production, profits and people. The situation is better, due to the changes members of this Caucus helped promote in Congress, but injury is still required.

The list of other trade problems continues – across this and so many other sectors. Last year's election was, in part, a referendum on our nation's trade policies.

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[7] http://www.steel.org/Steel_org/document-types/news/2017/decembershipments.aspx?siteLocation=c481cc99-d816-4613-805c-b90af33cc162

Both major party candidates rejected the damaging and outdated trade policies of the past. We are still waiting to see what the new administration will actually do. They have enormous authority, as past administrations have had, to self-initiate cases and engage in other efforts to restore fair trade conditions.

The slow start, in part, is because a full slate of officials is not yet in place. We spoke out in favor of the nomination of Wilbur Ross to be Secretary of Commerce. We strongly support the nomination of Bob Lighthizer to be the next USTR and hope that his nomination moves quickly forward. The rest of the supporting officials across the administration should be quickly named and, if they match the views and competence of Mr. Ross and Mr. Lighthizer, they should be quickly approved.

Congress should also move quickly to replace the member of the International Trade Commission (ITC) who recently left and identify the qualified candidates who will aggressively fight for the interests of domestic producers and workers consistent with the law, to fill the additional slots that will soon come open. The ITC has been the main arena for the fight against unfair trade over the last several years.

Enforcing the rules is the first critical step and several actions are underway. But enforcing bad rules will only yield limited results. We also need to enhance our rules to address issues like currency manipulation, global overcapacity, diversion, evasion and downstream dumping and a variety of other approaches.

Part of our efforts must be to ensure that China does not gain market economy treatment here or in the EU. That's because the facts on the ground demonstrate that China is NOT a market economy. The U.S. underlying statutory test makes clear, point-by-point, that China does not pass muster. Therefore it has not earned the right to be treated as a market economy. While China appears to only be confronting the EU on this matter for now, we should be working closely with the EU so that China does not obtain through WTO litigation what it does not deserve.

If other countries bow to China's political pressure to grant them MES status, even though the facts merit otherwise, it is important for Congress and the Administration to assess whether new tools are necessary to address the market impact of those decisions. How other countries treat the unfairly-traded imports from China has an impact on both our exports to those markets, and our imports from those markets.

As an example, if Chinese dumped steel is used as components in cars produced in the European Union, the price of those cars imported into the U.S. could very well underprice and displace domestically-produced alternatives. Similarly, our exports of products containing market-priced steel components could be priced out of the EU in terms of competing against products containing unfairly-traded Chinese steel. U.S. trade law should allow for action to be taken under those conditions. China's non-market based economic policies aren't just a bilateral issue, they are a global problem.

The two most important steps that can be taken to revitalize manufacturing are getting our trade policies right and creating the demand for steel that will help fill the order books, keep furnaces operating and, hopefully, bring facilities back online and generate new capacity.

It is also critical to implement the President's promised investments in infrastructure. Those must be done with public resources, not simply advanced through corporate-led public-private partnerships which will privatize infrastructure, raising costs for the public and lining the pockets of corporations and investors.

The best approach is to appropriate the funds that are needed and couple it with a permanent Infrastructure Bank that will create the confidence about the commitments that are being made. The answer isn't tax credits or so called public-private partnerships – also known as P3s. Tax credits and P3s will skew investments to only those where the private sector will reap substantial windfall profits by building toll roads, bridges and similar projects where they can charge enormous fees to the public.

Producers need to know that there will be sustained demand for the long-term, if they are going to reopen shuttered facilities and rehire laid-off workers. That means we must move beyond the short-term reauthorizations of the Highway Bill to a long-term plan with significant dollars that communities can count on.

In addition, the procurement rules associated with public-private partnerships might very well undermine the goal of creating demand for steel. Just this past week new reports identified that one-half of the steel that will be utilized in the expansion and upgrading of New York's LaGuardia Airport will be foreign steel. P3's may not be subject to the strict procurement rules that taxpayers are demanding. They want to know that their taxpayer dollars are being used to create jobs for themselves, their families and their communities.

Infrastructure investments can make a critical difference in not only ensuring our nation's competitiveness, but also meeting a variety of outstanding needs. From lack of significant investments in new schools to the smart grid to new transportation systems, America's infrastructure is suffering from years of neglect and underinvestment. Roads, bridges, rails and other existing infrastructure are crumbling with increasing percentages being labelled as deficient or unsafe by government and private sector experts.

We also need to ramp up investments in our defense industrial base which is critical to our national security. The President recently visited the new Ford Class Aircraft Carrier made by USW members at Newport News Shipyard in Virginia. We should support the Ford Class carrier program, and the new Ohio Class Replacement submarines that will also be partially built at Newport News Shipyard. The supply chain for these – and other Navy ships and Army Ground Combat Vehicles – is significant and includes steel plate made by USW members at ArcelorMittal USA in Coatesville, Pennsylvania.

Leveraging our procurement dollars through the expansion of Buy America should be done to ensure that those competitors who have unfairly targeted our market don't get to share in the investment-led growth that's so sorely needed.

We must ensure that products actually qualify under the act. Foreign producers have been pushing to undermine our melted and poured standard so that only 10 percent of the actual work would be done in this country as they ship slabs into the U.S. hoping that minor transformation here would confer preferential procurement status. Loopholes and gimmicks aren't acceptable.

Beyond infrastructure, we must recognize that continued investment in our workers is critical to meeting the needs of the future. That means not only training and retraining, but ensuring that they have the pay and benefits they deserve, a safe workplace, and the rights to share in the profits they are creating. Empowered workers, who are partners in production, can help ensure that America's steel sector not only survives, but thrives and rebounds.

Thank you.