



Prepared Testimony

Of

Leo W. Gerard
International President
United Steelworkers (USW)

before the

House Steel Caucus

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Chairmen Bost and Crawford, Vice Chair Visclosky and Members of the Caucus. Thank you for the opportunity to appear before you today. Your presence this morning is a tribute to the importance of the steel industry in this country. The members of our union appreciate your hard work and commitment.

I am Leo Gerard, International President of the United Steelworkers (USW). We are the largest industrial union in North America and the primary union involved in the production of steel and aluminum, which are recently receiving the attention they are due as the foundation of our national security. Our union also represents workers employed in the downstream industries that utilize the steel (and aluminum) produced by USW members. We are as interested as anyone in the full range of issues confronting the steel sector from the mining of the inputs, to the production of the steel, to the utilization of that steel in final applications.

This hearing is taking place at a critical time: The President's announcement of relief measures under Section 232 of the Trade Act have already provided an important shot in arm for the steel sector as it supports our national security and critical infrastructure needs. Leading up to, and immediately following the announcement, U.S. Steel announced it would restart operations at Granite City, Illinois with 500 workers expected to be recalled.¹ In Lorrain, Ohio; Republic Steel will restart operations, eventually recalling or hiring 1,000 workers,² while another 125 USW members in Georgetown, South Carolina hope to get back to work later this year at the steel mill recently purchased by Liberty House as it sets to restart the mill.³

Those aren't just statistics: They're workers -- with families who depend on them. They are part of the communities and the supporting services and businesses surrounding these facilities that thrive or suffer based on their operation.

And, while today's hearing is not about aluminum, as the principal union in that sector, we must recognize the problems in that sector as well. Since 2000, we have gone from 23 operating smelters to only 5 today -- and only 2 of those are currently operating at full capacity. The challenges for steel and aluminum are unique to each sector. Steel and aluminum are vastly different in their markets and are traded differently; but, they are identical in underpinning our nation's defense and critical infrastructure.

Economists, pundits and the press are writing once again about free trade and trade wars. By ignoring the human faces behind these trade policy failures, they have alienated a large swath of the American public. These failed trade policies have jeopardized the lives and livelihoods of manufacturing and service workers; including

¹ http://www.stltoday.com/business/local/citing-trump-tariffs-u-s-steel-to-bring-back-workers/article_2e4a9d19-3b51-5025-a341-39cedacded37.html

² <http://www.wkyc.com/article/news/local/lorain-county/republic-steel-restarting-lorain-facility-adding-1000-jobs-after-steel-tariffs-signed-by-trump/95-527002801>

³ <http://abcnews4.com/news/local/union-georgetowns-liberty-steel-mill-to-re-open-thanks-to-trumps-tariff-plan>

tens of thousands in the steel sector, along with millions of other Americans across the country.

The American steel industry is continually modernizing and our members have cooperated in promoting efficiencies and improvements in the manufacturing process to reduce man-hours per ton of steel from 10.1 in the early 1980's to just under one (1) man-hour per ton today. While workers and the American public were promised better lives through "free trade" by the same economists and pundits now predicting a trade war; one only has to look at the steel industry to see the error of their predictions. Despite decades of dedication to efficient and environmentally superior production, nearly 30 percent of our steel market was taken by imports just last year.

The steel industry and our union have been forced to claw our way through trade case after trade case in front of the International Trade Commission (ITC) just to maintain market share and jobs. Meanwhile, at those same ITC hearings USW members are asked if they've made concessions in wages and benefits to help the company because of the injury trade has already caused them.

Predictably, each trade case is followed by circumvention and evasion that has turned trade enforcement for this and many other industries into a game of whack-a-mole. But this is no game; there are serious consequences. Annual U.S. raw steel production has hovered around 80 million tons since the financial crisis: roughly half of the industry's peak output in the 1970s. Aluminum production last year fell to 741,000 tons, less than a third of what was smelted in the country a decade earlier. Aluminum imports in that time surged 60 percent.

A message was sent in this past election that the American people expect their leadership to listen to their needs, concerns, frustrations, fears and aspirations. Most citizens simply want to work hard, play by the rules and, in return, live their lives and retire with dignity. They want to raise families and provide their kids with access to the ladder of opportunity. They're not asking for a guarantee of success, but a chance. Now, with the recent actions on steel and aluminum, some of them can get that chance again.

In 2002 during the Bush Administration, it took 30,000 workers rallying in Washington, coupled with the certain knowledge that if they didn't act, that Congress would, to get a Section 201 relief measure initiated by the President. The measure stabilized the industry and provided the relief needed to spur new investments in plants, equipment and people. Unfortunately, the World Trade Organization ruled against the U.S. and relief was terminated early.

During this time, our leaders raised the issue of global overcapacity in the sector in bilateral and multilateral forums. Our dedicated public servants did their best to get global cooperation, but our trading partners looked at dialogue as an excuse to continue to dump and subsidize their production while building up massive overcapacity their own nations can't consume.

We have supported bilateral and multilateral talks to address overcapacity and restore market pricing as best we can. Those talks have produced nothing other than repetitive communiques as to the commitment of the participants. It took years just to get to an agreed upon definition of “overcapacity”. Those commitments have yielded no net capacity reductions and have been no solace to the American workers who have lost their jobs, their lifestyles and their communities. The U.S. has also been made less secure as it has continued to lose both capacity and workers in its defense industrial base.

Meanwhile, China is the single largest contributor to the excess capacity that exists and the biggest trade cheater. China has publicly claimed they know there is a problem and they committed to act. But, like most of their promises when it comes to trade, they were hollow. The country’s national leaders claim that they wanted to address the problem, but that they had little power over provincial and local leaders. That defies credibility when one examines the grip on power that China’s leaders have.

But, China is not the only offender. South Korea, Russia, Brazil, Vietnam, India and many others have flooded our market with their steel at prices that, all-too-often reflect dumping and/or subsidies. Close to 60 million metric tons - or roughly 75 percent of U.S. total steel production last year - was exported by China to just their top 10 export markets. South Korea received the largest share of China’s exports followed by Vietnam.⁴ The orders we have obtained through the ITC may have restricted some of the flow from China, but they have diverted their excess capacity to other markets which have simply changed the source of the problem to another country’s shores.

Last April, the President announced that he was initiating investigations under Section 232 to determine whether imports were having a negative effect on national security and, if so, what action, if any, to take. Action on the investigations was delayed while consideration of legislation to dismantle health care and passing a tax cut that promoted outsourcing while lavishing billions of dollars in new benefits for the rich and powerful took center stage. During that time, imports of steel surged by roughly 20 percent as other countries sought to flood our market and get their products into warehouses and service centers to avoid possible tariffs.

The Department of Commerce’s Section 232 report is an exhaustive examination of our domestic steel sector and the importance of having the capacity to meet our national security and critical infrastructure needs. It seems to me that, in reading the press after the President’s announcements, that no one is questioning the importance of steel to our national security and critical infrastructure interests. What they are questioning is his approach to deal with that.

The President’s announcement has set in motion a flurry of activity by our trading partners to avoid any sanctions. There has been a growing call log at the White House of foreign leaders wanting to talk to the President and his Administration about the

⁴ <https://www.trade.gov/steel/countries/pdfs/2016/annual/exports-china.pdf>

strength of the bilateral security relationship. And, there appears to be a massive effort in Washington to lobby for exemptions and exclusions. Who knows, at the end of the day the lobbyists might make more money trying to lobby against our national security interests than any minor increases the tariffs might actually cost any of their clients.

From day one, I have made clear that the only country which deserved to be exempted on a factual and policy basis was Canada. That's for a variety of reasons including the unique nature of our defense and intelligence sharing relationship. Canada is a member of the Five Eyes group of countries that share intelligence information. Canada is a NATO ally and North American Aerospace Defense Command (NORAD) partner. Canada has unique supply relationships to meet our defense procurement needs, should the situation arise. As with Mexico, we share a contiguous border that ensures, if a potential conflict arises with countries of concern, we can continue to receive supplies for our defense and critical infrastructure.

Mexico, as a NAFTA partner, was included as a unique case by the President. Canada has already responded to the exemption provided by the President: Prime Minister Trudeau has aggressively spoken out that Canada will not be a transshipment or circumvention vehicle for the exports of other countries. Those commitments need to be immediately followed by concrete rules, procedures and work at the ports to make sure that there is follow through. Mexico's leaders need to make similar commitments and abide by them.

The goal of these measures, as Secretary Ross, President Trump and others in the Administration have indicated is to preserve and protect our national security interests. Secretary Ross indicated that goal would be met if any relief measure were to restore capacity utilization levels in the U.S. steel sector to 80 percent enabling companies to operate and invest in their plants, equipment and people to meet our needs.

The report identified three separate options to achieve that goal. The President chose a blanket tariff rate of 25 percent. The goal could have been met with other approaches but, at the end of the day, the question is whether the economics support the domestic steel industry's ability to produce what is needed. As the discussion about exemptions and exclusions heats up, we cannot forget that ultimate goal. We will be flexible in assessing any options that are presented but resolute in our fight to ensure that the North American steel market can preserve and protect our people.

Some are arguing that the gauge of success should be changed. For example, the idea of exempting a country that meets its NATO commitment to spending 2 percent of its GDP on defense should be sufficient. That, to me, is ludicrous: That's a commitment they made as an ally and for their own people. They shouldn't be rewarded with access to the U.S. market for promises they have already made, and broken. That approach sends the signal that countries can cheat but, if they're caught, we'll give them a get-out-of-jail free card.

As I noted earlier, USW members are also employed in industries and small businesses consuming steel. We do not seek protection for protection's sake, but to foster competitive markets and support our national security interests. It's important to respond to some of the concerns raised by consuming industries.

First, their estimates of the potential impact of tariff measures are overstated. For the average car produced in the U.S., the utilization of steel – assuming that the cost of that steel will rise by the full value of the tariffs, which any reasonable economist will tell you is not the case – would amount to roughly \$175 per vehicle. That is an extremely small price effect on an automobile costing over \$30,000 and, again, is overstated.

Second, there are other measures that need to be considered to address the dumping and subsidization of downstream products that may compete with domestic manufacturers. Our trading partners should be on notice that we will utilize other provisions of our trade laws to address any further attacks on our manufacturing base.

Third, the impact of the potential for tariffs has already resulted in new starts for production in the U.S. and that production will serve many of the steel users who need it.

Fourth, where there is truly a product that is unavailable here in the U.S. needed by a steel user, we would support time-limited waivers of the tariffs that are subject to renewal. The goal must be to promote our national security so products that are presently not made here but are needed will be produced domestically in the future. Our producers should have time to restart facilities and product lines, or invest in new ones, to meet these demands. In the interim, certain imports might be allowed.

Fifth, let's remember that many of the consumers did nothing to reduce prices to their customers when steel and aluminum prices dropped. They want to have it all – preserve profits when steel prices decline and get someone else to pay the costs if prices reach market-clearing levels.

Finally, let's remember what this is all about – our national security. While can stock users are claiming wildly inflated potential impacts of the steel and aluminum tariffs, the estimate, at most, is that the price of a six pack of beer might rise by 1.5 cents. I don't know many Americans who aren't willing to pay a penny and a half for a six pack to ensure that our men and women in uniform have the high-quality products they need to defend this great country and that our national defense is promoted.

Unfair foreign trade, global overcapacity, currency manipulation and other factors have undermined our ability to protect this country. That is why over 15,000 union members wrote the Department of Commerce in support of the 232, countless more called their elected leaders and over 120 Members of Congress wrote the president in support of the 232 investigations. If, ultimately, the President's actions are a wakeup call to our trading partners we can assess, once we have assured adequate domestic

supplies to meet our defense and critical infrastructure needs, what other steps, if any, should be taken. But, time's up: Our trading partners need to understand that we must strengthen our defense industrial base. We will continue to trade but not on the same lopsided and unfair terms of the past.

Mr. Chairmen Mr. Vice Chairman, Members of the Caucus. Thank you for your time. Thank you for your support. In the coming days, we will need your help in fighting back against those who argue that the price of protecting our nation is too great. We cannot afford to fail.

Thank you.