



Leo W. Gerard
International President

**Testimony of
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International President**

**United Steel, Paper and Forestry, Rubber, Manufacturing, Energy,
Allied Industrial and Services Workers International Union (USW)
regarding the
Section 232 National Security Investigation of Imports of Steel
May 24, 2017**

Mr. Chairman.

On behalf of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW), I appreciate the opportunity to testify today on behalf of our membership in the iron and steel sector. Our members are involved at every level of steelmaking, from the raw materials to finished products in almost every North American Industry Classification System (NAICS) category of steel product, which gives our union a very broad perspective of the critical nature of steel manufacturing to our national security.

The examination of this potential action occurs at a perilous time for the steel industry. There is no doubt that the U.S. steel sector is essential to our nation's national security. From the materials utilized by our military, to the materials necessary to build, maintain and repair our critical infrastructure, our national security is increasingly at risk because of the relentless economic attacks on our steel industry.

It's important to recognize that the steel sector is not monolithic. Indeed, as public policy clearly identifies, there is a continuum of products from the basic materials through iron and on to steel. When talking about Buy America, for example, the statute refers to "iron and steel". And, the industry's preeminent trade association is named the American *Iron* and Steel Institute.

As this Section 232 investigation continues, I hope that the Administration will evaluate the challenges facing the entire industry spectrum. From the basic material to iron and steel products; to elements like silicon metal, manganese and chromium used in making alloys, our national security interests are at risk. All of these products are important to our national security. My testimony will use the term steel to reflect the entire sector and all these products.



Steel is literally the backbone of this great country ensuring our military might and our ability to respond to potential attacks. America's steel producers and workers have been called upon to support this nation in times of war and to build the capacity to deter potential adversaries from initiating conflict. We need to revitalize the sector to meet today's growing needs and to ensure that we have the "surge" capacity, should it be needed. That means having not only the productive capacity in our mills, but the skilled workforce necessary to man the operations.

Meeting national security needs in steel is not just about basic commodities. It's also about having the capacity to fabricate the products we need that are necessary for the functioning of the U.S. economy. The criteria of the National Security Industrial Base Regulation (NSIBR) provide broad guidance for the vital understanding of how steel can affect national security. USW believes the Administration must focus in on the criteria developed into law which incorporates an understanding that steel is not only necessary to build a tank or a ship but to grow and build a strong nation. Criteria such as the impact of foreign competition on the economic welfare of the steel industry must rise in prominence as the 232 report is prepared.

Others will likely testify about vulnerabilities related to a smaller, less diversified domestic steel industry but I wish to highlight a few products which show the interrelatedness to defense and non-defense applications. The plate mills at USW-represented ArcelorMittal Burns Harbor produce not just steel for military applications but have supplied steel for John Deere tractors which harvest the foodstuffs for our country. Simply, an army marches on its stomach as much as it moves in USW-made Bradley fighting vehicles. This is why we urge that this investigation approach national security in steel from a holistic perspective. We as a country have to ask ourselves the question; if we don't have a domestic non-defense manufacturing base that provides steel goods, how can domestic defense steel industries survive?

The ability to fabricate and produce basic steel products like pipe and tube must also be considered in this investigation. A lack of domestic capability has the potential of undermining the country's ability to deliver basic needs to communities.

The United States uses 42 billion gallons of water a day to support daily life from cooking and bathing in homes to use in factories and offices across the country. Drinking water is delivered via one million miles of pipes across the country. Every day, nearly six billion gallons of treated drinking water are lost due to leaking pipes. An estimated 240,000 water main breaks occur each year. That is why we as a union are dismayed when we read about infrastructure projects like the Holland Tunnel using Turkish, Eastern European, and Chinese steel for 5,700 tons of pipe. We are undermining domestic producers' ability to supply our citizens. As plants close, the decrease in revenue to government from local property and business taxes creates a vicious downward cycle in disinvestment. This in turn creates social and economic instability for millions of working Americans.



Another example is Grain Oriented Electrical Steel (GOES) which is critical to producing the transformers that help deliver power. Products made from GOES – power transformers, switchgear, and distribution transformers – are all necessary to complete the delivery of electricity to the entire country. The Department of Energy (DOE) has highlighted that if our country's electrical grid sustained substantial damage, it could take months to obtain certain key parts. We must have the capacity not only to produce the underlying product, but this nation must retain the ability to manufacture the final products dependent on those commodities.

We live in highly uncertain times with rising threats. Traditional nation states, like North Korea, are not the only threats we face. As the 9/11 attacks made all-too-clear, non-state actors have the capacity to inflict enormous damage.

Europe is confronting terrorist actions on a regular basis and the threats here at home are just as real. Cyber capabilities have the capacity not only to damage control systems, but the very operations themselves as was reported in 2014 when hackers attacked a German steel mill and inflicted “massive” physical damage. The ability to strengthen our critical infrastructure and ensure its resiliency, should it be damaged, are vital to protecting the country, its citizens and its interests.

America's steel mills are far from the smoke-belching “rust belt” images that many still have in their minds. Here in the United States a combination of massive investments in plant, equipment, technology and people have made our plants some of the most efficient on earth. Labor productivity has seen a five-fold increase since the early 1980s, going from an average of 10.1 man-hours per finished ton of steel to an average of 1.9 man-hours per finished ton in 2015.

Traveling through a facility you will find few workers on the plant's floor as most man computers and high tech monitoring equipment. We must recognize that the modern steel mill requires specialized skills. Our members spend hundreds of hours training and specializing in making steel products. I fear that lack of action and continued decline of U.S. steelmaking will reduce the basic skilled human resources necessary to produce steel products in the country anymore, weakening our national security and economy.

The decision to include all steel products spanning the gamut of the industry in this investigation sends an important signal: The United States cannot simply try to isolate one product or one technology and then rely on world markets to generously, and immediately, support America's needs in a crisis. If you travel through the holding yards of a steel mill, you will see materials which appear common in appearance, but one that may have vastly different metallurgical properties from its twin right next to it. From armor plate, to high carbon steel, to fan blades for jet engine turbines, to Oil Country Tubular Goods and countless other basic and finished products; steel supports



our nation's security interests. And, product-after-product has been under attack by our trading partners – all important in some way to our national security. Other countries will first worry about their own needs. We want to have the ability to meet our needs quickly, without having to worry about supply lines and security.

In a time of crisis it is quite possible that some countries may simply refuse to supply us, depending on what the underlying cause of the conflict or problem is and who is involved. Remember during the Gulf War how Switzerland refused to provide the U.S. military with over-flight rights? Others could easily refuse to supply the United States with materials in future confrontations. At the end of the day, only the United States can guarantee the security interests of its people. We cannot simply hope for the best, we must prepare for the worst.

Our domestic industry has been, and is, under attack from foreign unfair, illegal, predatory and protectionist policies. Heading up this list is China which, through a network of non-market economic policies has dramatically expanded its steel production capacity, fueling global overcapacity that has swamped world markets. China is engaged in an attack on our entire manufacturing sector but it has been targeting steel longer than any other product.

Attached to this testimony is a paper we prepared on China's "Broken Promises." Its leaders have repeatedly indicated that steel overcapacity is something the People's Republic of China intends to lower, and while the country makes promise after renewed promise of their intent to dismantle the excess capacity it has created there has been no net decrease in capacity, only increases.

China, despite all its rhetoric on cutting its overcapacity, increased its operating capacity by 36 million tons in 2016. China's overall operating capacity is estimated to have risen to 1 billion tons, from about 965 million tons the year before.

Shortly after the last steel crisis in the late 1990s which decimated U.S. production and employment, we were able to convince the Bush Administration to bring a Section 201 case on certain steel products. Let's recognize that his Administration did not readily embrace the effort: It was only after Senator Jay Rockefeller had cobbled together the votes on the Senate Finance Committee to initiate action that the Administration used their authority to self-initiate action.

Quickly, the Administration began to issue waivers and reduce the scope of the relief. But, after a lot of pain and suffering through bankruptcies, restructurings, layoffs and benefit cuts, the industry stabilized. At roughly the same time, China became a member of the World Trade Organization as a result of Congress' grant of Permanent Normal Trade Relations. China took that as the signal to begin a massive trade attack on the U.S. and world markets.



China's actions have been virtually unchallenged by the international community. Indeed, here in the U.S., the bulk of the trade actions which have been taken were at the initiation of the private sector – a substantial portion because of the Steelworkers. The USW has participated in hundreds of antidumping and countervailing duty cases and have initiated and brought a number of them on our own. We have launched Section 301 cases on green technology and efforts on China's actions in the auto parts sector as well as a Section 421 case on tires.

All of these efforts could have been initiated by government with its existing authority. We do not view filing trade cases as a sign of success. Yes, we are proud of our fights on behalf of our members. But, to win a case, you have to lose: Winning a case requires that you prove injury, or the threat of injury. At the International Trade Commission, this generally requires employment reductions, lost profits, suppressed wages, and diminished market share. When relief is obtained, if it's authorized, we are lucky to stabilize the industry as our competitors often take their unfairly-traded products and ship them through third country markets.

We are watching this slow creep of relief in the market this year because the steel industry and the USW have been working cooperatively on several major trade cases. Three of these cases, filed in 2015 and completed in 2016, impact approximately 8 million tons of finished imports that entered the U.S. in 2015 alone. In fact between January 2016 and January 2017, duties (tariffs) against illegally dumped and subsidized steel increased close to 20 percent.

These cases are having an effect but they are muted by global overcapacity and lack of sustained policy action by the U.S. government. The steel industry adjusted year-to-date production through May 13, 2017 was 39,924,000 net tons, at a capability utilization rate of 74.3 percent. That is up 3.2 percent from the 31,912,000 net tons during the same period last year, when the capability utilization rate was 72.1 percent. To give perspective, in 2007 through the summer of 2008, domestic steel capacity utilization was at 87.6 percent.

Winning relief has become the equivalent of Trade Whack-A-Mole.

China's massive subsidies and dumping, along with domestic policies to sustain and build capacity, have flooded world markets destabilizing and undermining those producers who must abide by free market rules. The market has been stabilized at a lower level of production and capacity because of the injury that has already been inflicted is not addressed by the orders as U.S. trade law does not address past harm.

It is vital that any relief authorized as a result of this investigation leave in place, and supplement the relief provided by existing AD/CVD orders.



Over the years, we have worked to get action on China's overall policies, and address the anticompetitive actions of certain other countries – Russia and others – as well. The Steel Committee at the Organization for Economic Cooperation and Development (OECD) has worked to identify the problem. Last year, President Obama was able to get Chinese leadership to agree to participate in a Global Forum on Steel as part of China's leadership in the eleventh meeting of the G-20.

China has refused to work to define the scope of the problem beyond pointing fingers at others. Countries including China must come to the table for negotiations that result in enforceable disciplines on steel capacity with measurable, and significant, reductions in capacity and production. We should negotiate with an eye towards ensuring our existing steel capabilities be maintained and grown to meet our basic security and infrastructure needs. Our overall goal has never been to protect our market, but do that we must, if our national security is at risk. We simply cannot wait any longer while our steel sector and others gets downsized through repeated attacks.

This Section 232 investigation has the potential not only to protect America's national security by imposing market restraints on imports from those countries causing the problem, but also to create the impetus for serious negotiations. A negotiated solution is the best approach – but not the only one.

Mr. Chairman, the Steelworkers are a binational union with significant membership on both sides of the US-Canadian border. As you move forward with your assessment of the importance of steel to U.S. national security interests and what measures, if any, to implement, I hope you will focus on where the problem lies. It is not to our north, but to our east, west and south. Indeed, we have a trade surplus in steel with Canada. Products flow back and forth across our borders – often multiple times – because of integrated supply chains and finishing operations.

And, from a national security perspective, Canada is one of the few countries that has always been there for us with no question, in my mind or in the military or intelligence expert's views. Indeed, our national security and intelligence relationship with Canada is truly unique. We share an uncontested border. We have an intelligence sharing relationship known as Five Eyes (FVEY) that is limited to only five countries. We have the North American Aerospace Defense Command – NORAD – that has existed for more than sixty years that was the initial line of defense for North America during the Cold War. Canada has been an ally, a friend and a trusted partner.

Canada is the only country that should be exempted from any potential action in the steel sector.

But as we face increasing competitive challenges and threats to our steel sector Canada must also ensure that they enforce the trade laws so that steel products don't use their market as a way-station to enter the U.S. market and circumvent and evade



our laws and our interests. I am confident that the leaders of Canada will embrace those efforts with the goal of sustaining and advancing our individual and joint national security interests.

This testimony is not a treatise on the domestic steel sector as the Commerce Department's experts have the experience and the data, to assist in your investigation. But, we stand ready to provide whatever assistance is appropriate as you continue this critical investigation and use the authority you have under the law to protect our nation's security.

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