



Testimony of

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before the

Committee on Ways and Means Trade Sub-Committee

on

The Product Exclusion Process for Section 232 Tariffs on Steel and Aluminum

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Chairman Reichert, Ranking Member Pascrell, members of this subcommittee, My name is Roy Houseman and I thank you for the opportunity to testify today and provide the United Steelworkers perspective on the product exclusion process for Section 232 tariffs on steel and aluminum. The United Steelworkers (USW) is the largest industrial union in North America, representing workers not just in steel but in many industries including aluminum, glass, paper, rubber, oil, manufacturing, service and healthcare. Among them are consumers of both steel and aluminum.

USW sees first hand that the steel and aluminum 232's are providing the necessary relief from global overcapacity, ensuring the domestic industry will be able to supply the needed materials for our national security and critical infrastructure needs. The domestic, privately-owned industry in the world's largest free market can remain competitive if we guide a course against an onslaught of what is all-too-often government-planned and financed, non-market driven expansion of steel and aluminum production. This emanates not just from China but from India, Vietnam, Turkey, Russia, Brazil, Saudi Arabia and other economies where state-owned and state-directed enterprises are common.

The steel and aluminum tariffs are working as intended. According to the American Iron and Steel Institute (AISI), 1.4 (1,401,000) million more tons of domestic steel have been produced so far this year than the year prior.¹ In aluminum, our members and other workers are on track to aid in a domestic aluminum production increase of 60 percent by the end of year. While the increase in domestic operating capacity cannot all be attributed to just the tariffs, they are having the intended effect.

According to the American Iron and Steel Institute, Steel imports declined 22 percent from April to May 2018; permits suggest further decline in June. That is bringing back domestic steel and aluminum production jobs and allowing the industry to recapture market share. It should be noted that the steel and aluminum industries have had to work off stockpiled product that was built up in the lead up to the implementation of the 232.

More personally, it is good to hear from local union leaders like James Sanderson at USW local union 7898 in Georgetown, South Carolina. After a three year idle, their wire rod facility is restarting putting 125 workers back to work immediately and is expected to produce 750,000 tons of steel per year. As orders rise, the company says another 195 people will be hired at the mill.²

The same goes for Dan Simmons at USW local union 1899 in Granite City Illinois. After over two years, their facility is in the process of restarting both of their basic oxygen furnaces with 800 union members getting recalled and bringing close to 3 million tons of additional slab capacity for the domestic market.³

These are local leader's striving to do the best for their communities and membership. They want to ensure we produce the steel and aluminum products this country needs to supply our defense and critical infrastructure needs while being commercially competitive. I highlight these sites because, the union also helped draft and secure their Trade Adjustment Assistance petitions not that long ago when they were idled, submitting them into a bureaucratic process that often takes months but can even go years to work through. So we can sympathize with businesses as they work through the exclusion process but we are quite frankly tired of being told that unilateral action to protect American industry from global overcapacity is a bridge too far.

Since the 232 investigations were initiated and it became clear that comprehensive action would occur, almost 6,500 direct jobs have been created with tens of thousands

¹ <https://www.steel.org/industry-data>

² <http://www.live5news.com/story/38497980/georgetown-steel-mill-reopens-after-3-year-closure>

³ <https://www.ussteel.com/newsroom/united-states-steel-restart-second-granite-city-works-blast-furnace-comments-2018-guidance>

of additional, indirect jobs resulting. New capital expenditures and jobs continue to be announced.

The union has participated for years in steel forums at the Organization for Economic Co-operation and Development (OECD) and other venues like the G-20 global forum on steel. However, after five years the only results we saw were a fifty page report and more inaction.

Since the U.S. slowed the flood of imports, other countries have seen massive increases in their foreign steel imports as global steel overcapacity looks for a place to land. Steel imports into the UK more than doubled ahead of the U.S. imposing tariffs.⁴ EU steel imports have increased significantly, from 18 million tons in 2013 to 30 million tons in 2017 – a 66 percent rise. In the first quarter of 2018 alone, steel imports surged by another 8 percent year-on-year.⁵ The EU has already put in place preliminary safeguard duties on 23 steel product categories.⁶ Canada looks to initiate safeguard actions as well after seeing a flood of imports like Oil Country Tubular Goods (OCTG). Non-U.S. imports of drill pipe, casings and line pipe into Canada rose 90 percent in April from a year earlier and their total value rose 80 percent.

The union has worked closely with our companies to ensure that we rise to the challenge and provide a quality product for commercial, defense and critical infrastructure needs. Where there is insufficient domestic capacity or undeveloped market potential, the union recognizes that exclusions will be necessary in the 232 process. The last review of exclusion requests that the union has studied indicates that close to 200 requests have been granted and just under 400 requests have been denied by the Department of Commerce.

Our member companies have filed objections to product lines they know they have the capacity and capability to produce. The union generally supports these objections as we and our members also know what the domestic industry is capable of producing. It is our understanding that additional business opportunities are being pursued by our member companies and we welcome the opportunity to compete for that work.

The union recognizes that the Department of Commerce still faces tens of thousands of exclusion requests and through media reports there are continued efforts to increase staffing and resources at the Department of Commerce to process these requests.

⁴<https://www.mirror.co.uk/news/politics/steel-imports-uk-more-doubled-12731484>

⁵<http://www.eurofer.org/News%26Events/Press%20releases/PRESS%20RELEASE%20EU%20steel%20safeguard%20must%20E2%80%9Cp.fhtml>

⁶<https://www.reuters.com/article/us-eu-trade-steel/eu-to-launch-safeguards-to-curb-steel-imports-on-thursday-idUSKBN1K80RM>

The product exclusion process under the Section 232 remedy though must be transparent, allow for public comment and producing-industry and worker input. There should be a focus on matters related to economic and security considerations. If a product is excluded based on short-term market limitations, the exclusion should be time-limited, and our members believe government should develop strategies that encourage domestic suppliers to begin production.

However, I do not work at the Commerce department and USW urges the committee to bring in Administration witnesses to give detailed updates on the exclusion process and use the oversight role this committee has over trade. USW does believe many of the issues related to 232 implementation can be remedied through appropriating additional resources and Congress providing a guiding hand.

There are also examples of certain actors trying to game or inaccurately request exclusions. California Steel Industries (CSI) has requested exemptions of approximately 30.2 million tons of Brazilian, Japanese, and Taiwanese slab for processing at its mill in Fontana, California. Yet, CSI states that its hot-rolling capacity is only 3.0 million tons, and that it is operating at only 50 percent capacity. In 2017, the total volume of U.S. imports of steel slab into the Los Angeles Customs District, where CSI is located, was 1.2 million metric tons. It is clear, therefore, that CSI is requesting an exemption far greater than anything it can actually use.

Another example of misleading exclusions are oil companies asking for an exclusion to allow them to buy large-diameter welded pipe from Greece, even though there is a pending anti-dumping case AND the domestic industry makes an interchangeable product (same diameter, slightly different weld). For these products, the domestic industry is producing at less than 40 percent of its capacity, and has suffered numerous layoffs. USW urges Congress to inquire with the Commerce department to learn if there are other exclusions which are wildly inaccurate or misleading and see if they are slowing the exclusion process down for others in need.

The USW disagrees with the Administration's policies in a number of areas, but undermining the ability of the steel and aluminum industry to compete in the domestic market by allowing a flood of excess capacity and foreign imports wash away our member's jobs and devastate communities is not a solution. We will be the first to agree that the process must improve but the union also cautions against wholesale efforts to undermine 232 tariff relief. Tariffs cannot be the lone solution, but Congress can and should send a strong signal to the Administration and the global community that the world's largest market will not be a dumping ground for excess and non-rational steel and aluminum capacity.

We must all recognize that, unless the underlying problem of global overcapacity is seriously addressed, that the short-term benefits of the tariff relief that we have seen in the market may be short-lived unless the tariffs are to be in place for an extended period of time. Sustaining domestic production to ensure that our defense and critical infrastructure needs can be met will only occur if fair market conditions can be long-lived. As noted, the Steelworkers have been strong supporters and active participants in multilateral dialogues about overcapacity. We have also been active participants in utilizing our laws against unfair trade to address dumping and subsidies. Our goal must be to have long-term market-led approaches as we are confident that, with those conditions, we can ensure that America will be safe and secure and that, with the best workers in the world, we can outcompete anyone. But, without strong rules, aggressively applied and enforced, we not only jeopardize our security, but our economy and insult the people who work hard, play by the rules and only want a chance to compete on a level playing field.

Thank you for the opportunity to testify at today's hearing. Our union knows we must be a willing partner in finding a solution to global overcapacity in steel and aluminum while ensuring a timely and fair exclusion process. We look forward to working with you and members of the committee to strengthen America's economy and national security through smart trade policy.