July 31, 2017

Edward Gresser
Chair of the Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

RE: Comments in Response to Executive Order Regarding Trade Agreements Violations and Abuses, USTR-2017-0010

Dear Mr. Gresser:

In response to a request from the United States Trade Representative,¹ the American Iron and Steel Institute (AISI), on behalf of its U.S. producer members, is pleased to submit the following comments regarding trade agreement violations and abuses.

AISI serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI also plays a lead role in the development and application of new steels and steelmaking technology. AISI is comprised of 19 producer member companies, including integrated and electric furnace steelmakers, and approximately 120 associate members who are suppliers to or customers of the steel industry.

I. The Current State of Trade and the Steel Industry

The U.S. steel industry faces numerous trade-related challenges. Fueled by foreign government subsidies and other market distorting policies, massive global steel overcapacity, particularly in China, has caused steel imports to plague the U.S. market and remain at historically high levels, with near record market share. In 2016, the U.S. imported over 30 million metric tons of steel, three million metric tons higher than the post-recession average of 27 million metric tons (2010-2013). In 2015, the U.S. market experienced the highest-ever level of finished import market penetration at 29.1 percent,

¹ See Request for Comments Regarding the Administration’s Reviews and Report to the President on Trade Agreement Violations and Abuses, 82 FR 29622-29623 (United States Trade Representative, June 29, 2017)
which dipped slightly to 25.4 percent in 2016, but remains well above the post-recession average of 22.4 percent (2010-2013). So far in 2017, imports are trending upwards again, with finished imports capturing 27.3 percent of the U.S. market through the first half of 2017.

![U.S. Total Steel Imports Graph](image)

*2017 Annualized through June 2017 | Source: Global Trade Atlas

While import levels have remained at stubbornly high levels, U.S. exports of steel have declined particularly over the past four years, and well below pre-recession highs.

![U.S. Total Steel Exports Graph](image)

*2017 Annualized through May 2017 | Source: Global Trade Atlas
As a result of these dueling trends, the U.S. steel trade deficit has increased significantly over the past several years, with the deficit over 20 million metric tons over the past four years. All this occurred while U.S. raw steel production has remained depressed and growth in apparent demand in the U.S. has been captured by imports.

II. The Impact of Key Free Trade Agreements

A. North American Free Trade Agreement (NAFTA)

The vast majority of exports of steel produced in the United States are to its North American trading partners in Canada and Mexico. North America is the one region of the world where the U.S. runs a steel trade surplus. Furthermore, 90 percent of all U.S. steel exports are to Canada and Mexico. The North American Free Trade Agreement (NAFTA), which entered into force on January 1, 1994, has been very beneficial to steel producers in the United States, as well as Canadian and Mexican steel producers. The agreement has resulted in strengthened North American manufacturing supply chains, particularly with key customer groups like the automotive industry, while helping the steel industry remain globally competitive.

Since 1994, trade in steel products between NAFTA countries has increased by 117.2 percent, more than doubling. U.S. exports to Canada and Mexico increased from 2.9 million metric tons (MMT) in 1994 to 8.0 MMT in 2016, and increase of 180 percent.
The vast majority of North American steel exports are made within the region – by volume, 96 percent of Canadian steel exports are to the United States and Mexico, 90 percent of U.S. steel exports are to Canada and Mexico, and 76 percent of Mexican steel exports are to Canada and the United States. Combined, 88 percent of all North American steel exports are within the region, making tariff-free trade within North America critical to the industry’s success.
Not only has NAFTA contributed to an increase in exports, but the Agreement has contributed to a change from a small U.S. steel trade deficit with Canada and Mexico in the early years of the Agreement to a significant U.S. steel trade surplus with Canada and Mexico in recent years.

AISI believes NAFTA has resulted in stronger and more efficient supply chains, increased exports and investments, and helped the U.S. industry remain globally competitive. It has also encouraged and facilitated better cooperation with Canada and Mexico to address common problems we face with other trading partners.

While NAFTA has generally been a positive agreement for the steel industry, AISI believes it can be strengthened and modernized. Enhancing the rules of origin and regional value content (RVC) requirements for steel-containing goods, promoting trade enforcement and cooperation, including a discipline on currency manipulation, establishing disciplines on the conduct of state-owned enterprises (SOEs), streamlining customs procedures and upgrading border infrastructure would all improve the Agreement.

B. Uruguay Round

The Uruguay Round of multilateral trade negotiations led to many important changes for the U.S. steel industry. One positive outcome was that a number of key trading partners agreed with the United States to the reciprocal elimination of most steel tariffs over a ten-year period. One example of the Uruguay Round having a negative consequence on the U.S. steel industry is the repeated overreaching of the WTO dispute settlement system to undermine the effectiveness of U.S. antidumping and
countervailing duty laws. On numerous occasions WTO panels and the WTO Appellate Body have reinterpreted the Uruguay Round agreements in a way that imposes new obligations on the United States which create obstacles for domestic industries trying to obtain relief from unfairly traded imports. One example is the Appellate Body ruling that the practice of “zeroing” was inconsistent with the Antidumping Agreement, despite the lack of any basis in the negotiated text to support that conclusion.2 Another example is the Appellate Body’s ruling that the longstanding practice of cross-cumulation in material injury investigations is prohibited by the WTO agreements.3

C. Korea Free Trade Agreement and Other FTAs

With the exception of Canada, Mexico and Korea, steel trade with free trade agreement (FTA) partners is fairly limited, totaling only 1-2 million tons per year. Imports of steel products from all other FTA partner countries combined exceeded one million metric tons annually in the 2006-2007, but have averaged 400,000 over the past three years. These imports from FTA countries (not including NAFTA or Korea) account for less than two percent of total steel imports into the United States. However, U.S. exports to these countries have also declined in recent years, peaking in 2011 at nearly one million metric tons, but in 2016, U.S. exports to these FTA partners were just 143,000 MT.

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3 Appellate Body Report, United States — Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India, DS 436 (December 8, 2014)
Korea is annually one of the largest exporters of steel to the United States – and its exports have increased since the Korea Free Trade Agreement went into force. But while Korea has exported more steel to the United States since the Agreement went into force, the United States exports almost no steel to Korea.
Furthermore, the U.S. trade deficit with Korea in the automotive sector, one of the biggest consumers of steel, has dramatically increased since the Korea Free Trade Agreement went into effect. While Korean exporters have benefited from the U.S. opening its markets to them, Korea has used a host of non-tariff barriers to ensure its markets remain effectively closed to imports.4

U.S. producers have filed several trade remedy investigations regarding Korean steel products, but the level of relief granted in many of these cases has been too small to have a significant impact on the volume of Korean steel imports entering the U.S. market. Further efforts to improve the effectiveness of the U.S. trade remedy laws are in order.

The U.S. steel industry believes that many Korean steel products are dumped in the U.S. market at below cost prices and also benefit from Korean government subsidies to its steel industry. For instance, its state-owned Korea Electric Power Corporation (KEPCO) controls all aspects of electricity generation, transmission, distribution and retail in Korea.5 The U.S. Department of Commerce (DOC) has determined that the Korean government provides subsidies to its steel producers, while KEPCO’s management has acknowledged that the Korean government has supported certain “industries with cheap power in order to make them a growth engine for the economy.”6

Furthermore, DOC has also determined that, “[a]s a result of significant overcapacity in Chinese steel production, which stems in part from the distortions and interventions prevalent in the Chinese economy, the Korean steel market has been flooded with imports of cheaper Chinese steel products, placing downward pressure on Korean domestic steel prices. This, along with the domestic steel production being heavily subsidized by the Korean government, distorts the Korean market prices of [hot-rolled steel], the main input in Korean [oil country tubular goods] production.”7

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6 Tae-June Yum, “Power price hikes inevitable to fend off soaring demand,” Korea JoongAng Daily (Sep. 4, 2013).

III. Other Key Trading Relationships

A. China

The vast majority of China’s steel companies are state-owned enterprises (SOEs), and the Chinese government maintains a high degree of decision-making authority over the steel industry and continues to intervene extensively in the operations of individual steel companies. Chinese SOEs receive numerous subsidies, including government-directed credit, preferential loans, land subsidies, debt-for-equity swaps, and Government assistance in attaining raw materials, as well as various forms of indirect support, such as restrictions on foreign investment. Indeed, government involvement in industry is written into China’s constitution. Article 7 of the Constitution of the People's Republic of China states: “The State-owned economy, namely, the socialist economy under ownership by the whole people, is the leading force in the national economy. The State ensures the consolidation and growth of the State-owned economy.”

When China joined the WTO in 2001, it committed that it “would not influence, directly or indirectly, commercial decisions on the part of state-owned enterprises.”8 But China has not lived up to this commitment – China both directly and indirectly influences commercial decisions by state-owned enterprises. Indeed, the Chinese government’s significant intervention in its steel industry has both contributed to the enormous increases in new capacity and prevented the closure of inefficient capacity. Through a variety of policies and its significant ownership over the industry, the Chinese government has created the world’s largest steel industry.

The Chinese government also intervenes in its steel industry to prevent the closure of capacity. Many older, low-technology mills in China, which would likely close in a purely market-based environment, have been supported by local governments and continue to operate, intensifying global oversupply. While the limited attempts at consolidation in the steel industry have been largely ineffective, “[l]ocal governments, still desperately pursuing economic growth, are approving new steel projects.”9 These circumstances led Morgan Stanley to conclude that state-owned Chinese steel companies are “highly unlikely” to undergo any large-scale mill closures, and that it is “likely” that local governments would intervene to prevent any major closures even by

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9 See Local resistance to Beijing’s steel consolidation, CRU Steel News Daily (Feb. 27, 2013).
privately-owned steel companies in China.\textsuperscript{10} As a result, the enormous overcapacity in China is “unlikely to exit anytime soon.”\textsuperscript{11}

The Organisation for Economic Co-operation and Development (OECD) estimates that there is 700 million metric tons of global excess capacity in the steel industry,\textsuperscript{12} while AISI estimates that well over half of this overcapacity is in China (approximately 425 million metric tons).

As the Office of the United States Trade Representative said in its annual report to Congress earlier this year: “Chinese government actions and financial support in manufacturing industries like steel and aluminum have contributed to massive excess capacity in China, with the resulting over-production distorting global markets and hurting U.S. producers and workers in both the United States and third country markets such as Canada and Mexico, where U.S. exports compete with Chinese exports.”\textsuperscript{13}

This excess capacity has led to China flooding the global market with dumped and subsidized steel. Numerous foreign steel companies across the world, including in the United States, have been forced to shut down mills and lay off employees as a result.\textsuperscript{14}

The consequence of the excess capacity problem is a growing steel industry in China at the expense of the U.S. steel industry. China’s accession to the WTO in 2001 was intended to provide an opportunity for U.S. manufacturers to participate in China’s rapidly growing economy.\textsuperscript{15} But this has not happened for the U.S. steel industry. U.S. steel producers have been able to export less and less steel to China, particularly in the post-recession period, following China’s rapid increase in steel capacity. In 2008, U.S. steel producers exported over 250,000 metric tons of steel to China, while in 2016, U.S. exports totaled only 73,000, a decline of 72 percent.


\textsuperscript{11} Id. at 9.

\textsuperscript{12} Organisation for Economic Co-operation and Development, High-level meeting on excess capacity in steel sector (April 18, 2016), available at http://www.oecd.org/newsroom/high-level-meeting-on-excess-capacity-in-steel-sector.htm


\textsuperscript{14} Forbes, China’s Steel Industry is Dominating the Global Market -- But Will it Last?, Peter Pham (Apr 27, 2016)

\textsuperscript{15} See, e.g. Permanent Normal Trade Relations with China
In 2001, the year of China’s accession to the WTO, China consumed 168 million metric tons of crude steel but produced only 152 million metric tons of crude steel.\textsuperscript{16} That represents a gap of 16 million metric tons of steel, with China operating as a net importer of steel. However, by 2016, China’s demand for steel was 681 million metric tons, an increase of 305 percent, while China’s steel industry produced 808 million metric tons of steel, a surplus of 127 million metric tons, most of which was exported. In the first five months of 2017, Chinese crude steel production is once again increasing, this time at a rate of 4.4 percent compared to the same period in 2016.\textsuperscript{17} As a result of this overproduction, the Chinese steel industry continues to dominate the global steel market at the expense of U.S. and other market-oriented steel producers.

\textsuperscript{16} World Steel Dynamics; World Steel Association, “Annual Crude Steel Production, 2000-2009.”

Since 2009, China has steadily increased its steel exports to the world, setting new records in both 2014 and 2015. In 2014, Chinese steel exports increased by 54 percent over 2013 levels to a new record 93.8 million metric tons, before breaking that record again in 2015 at 112.4 million metric tons, increasing an additional 20 percent. Chinese steel exports to the world dropped slightly to 108.5 million metric tons, but remain significantly elevated at near-record levels, which increasingly burdens steel producers worldwide, including in the United States.
Years after its accession to the WTO, China acknowledged that it never intended to open its steel market to non-Chinese producers. In October 2011, China’s Ministry of Industry and Information Technology heralded as a “major achievement” the fact that “the domestic steel market share increased from 92% to 97%” over the five previous years. At the same time, it lamented that “[a] few key steel products are still dependent on imports” and found it necessary to “further improve” China’s steel industry so that it can “provide a complete suite of material solutions for downstream industries.”

B. India

In 2016, the U.S. had a steel trade deficit with India of approximately 240,000 metric tons. Over the past four years (2013-2016), U.S. steelmakers have exported an average 81,000 metric tons of steel to India, down from nearly 185,000 metric tons in 2011. Meanwhile, Indian steel producers continue to export their excess steel production to the open U.S. market. Just prior to the recession, U.S. imports of Indian steel products totaled 1.25 million metric tons and in 2014, imports exceeded one million metric tons again. However, the U.S. government recently put in place several AD/CVD orders on imports of cold-rolled steel, corrosion resistant steel and welded stainless steel pressure pipe within the past two years to address unfairly traded Indian imports into the U.S. market.

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19 Id. at Art. I.I.1.
The Indian government heavily subsidizes its domestic industries, including the steel industry. The Indian steel industry has developed in a highly protected and controlled environment characterized by high tariffs on steel imports, substantial subsidies, government control over prices and state allocation of resources. Through its Ministry of Steel, the Indian government has developed a series of National Steel Policies aimed to coordinate government assistance to its steel industry and dramatically increase steel production in the country.

Reflecting the ambitious goals of its National Steel Policies, India’s support for its steel industry is direct and massive. Financial support is provided through various channels, including state-owned suppliers and multiple subsidy programs. The government of India also owns more than 80 percent of SAIL, the Steel Authority of India Ltd., the country’s largest steel producer. The Indian government also owns the largest iron ore mining company, NMDC and a host of other suppliers of key steelmaking inputs, including coal. These state-owned suppliers not only derive significant subsidies from 

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the government, but also provide key inputs (such as hot-rolled steel and iron ore) to Indian steelmakers for less than adequate remuneration.23

The Indian government also provides benefits to Indian steel producers through a number of subsidy programs, including export incentives, debt forgiveness, preferential loans, captive mining rights and controls over raw materials prices. In April 2015, India’s Commerce Ministry announced the country’s new FTP (2015-2020), which continues to include subsidies for Indian manufacturers, including those specifically targeted at boosting exports. The FTP seeks to increase India’s exports to $900 billion by 2019-2020, up from $466 billion in 2013-2014 and to increase India’s share of world exports from 2 percent to 3.5 percent.24

India is one of the world’s largest producers of critical raw materials for steelmaking, but despite significant reserves, the government continues to impose export restrictions in an effort to benefit its own consuming industries at the expense of global manufacturers. Since 2008, India has imposed restrictions on many critical raw materials, including iron ore, with the implementation of \textit{ad valorem} export taxes.25 As of early 2016, the government of India has announced plans to maintain a 30 percent export duty on higher-grade iron ore, due in part to “a strong protest from steel…makers” regarding the potential removal of the duty.26

The Indian government continues to view export restraints as critical support for the development of its national steel industry. The government set forth a plan in its National Steel Policy 2012 to develop additional steel capacity, to reach 300 million metric tons (MT) by 2025.27 In September 2012, India banned domestic steel companies from selling or exporting iron ore from mines that were granted to them for domestic use and consumption,28 which only further decreased the iron ore available for export.

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26 Jayajit Dash, “Export duty on high-grade iron ore to remain unchanged,” Business Standard (May 13, 2016); “Mines Min does not see a case for lower iron ore export duty,” The Times of India (Oct. 3, 2016); “Steel Min not in favour of lowering iron ore export duty,” The Times of India (Sep. 21, 2016).

27 India National Steel Policy 2012 at 3. \textit{See also} Platts, \textit{Steel Raw Materials Monthly}, Issue 23 (Jan. 2015) at 2 (“hopes that India will treble its steelmaking capacity to 300 million mt/year by 2025 have been revived. State-owned companies, such as Steel Authority of India and iron ore miner NMDC are making the right noises about growing their respective production capacities in line with the ramp-up to 300 million mt/year”).

28 Shivom Seth, “India bans iron ore fines export from captive mines,” www.mineweb.com (Sep. 24, 2012)
The Indian government retains additional control over raw materials trade by requiring that most exports pass through State Trading Enterprises (STEs). India’s current policy gives STEs the exclusive right to import and export certain minerals, including iron ore and chrome ore. By ensuring exports are channeled through state-organized STEs, the Indian government essentially controls the price and supply of raw materials in domestic and global markets.

C. Japan

The U.S. has continually experienced a steel trade deficit with Japan, as Japan has historically been a significant exporter of steel products to the U.S., while Japanese imports of U.S. steel products have been quite limited. In 2016, the U.S. imported 1.95 million metric tons of steel products, down slightly from 2012-2015, where imports averaged 2.4 million metric tons. However, these imports remain elevated above the pre-recession average of 1.7 million metric tons from 2006-2008.

Last year, U.S. steel exports to Japan hit their lowest level since 1999, with U.S. steelmakers exporting just 12,000 metric tons of steel to Japan, which represents less than one percent of the steel Japanese steelmakers exported to the U.S. last year. In fact, U.S. exports to Japan have fallen each year since 2012, when exports totaled 26,000 metric tons.

![](U.S. Steel Trade with Japan.png)

30 MMTC Global Tender for Export of Chrome Ore and Chrome Concentrate (Sep. 9, 2015).
In addition to steel, the United States has a significant trade deficit in automotive products with Japan. This is a matter of significant concern to the U.S. steel industry, as 27 percent of U.S. domestic steel shipments go to the automotive industry.

The U.S. government has repeatedly expressed concern about a variety of non-tariff barriers that have traditionally impeded access to the Japanese automotive market. In its 2017 National Trade Estimate Report, USTR noted the existence of barriers related to standards and certification, insufficient opportunities to provide input in the development of standards and regulations and barriers that hinder the development of distribution and service networks. USTR noted that sales of U.S.-produced vehicles and automotive parts in Japan remain low and given that U.S. steel producers are major suppliers to the U.S. automotive industry, these trade barriers hurt U.S. steel producers as well.

D. Turkey

Recent steel trade trends with Turkey show an increasingly lopsided relationship, as steel imports from Turkey continue to enter the U.S. market at high levels, while exports from U.S. steelmakers to Turkey are in decline. Since 2009, steel imports from Turkey have increased 391 percent, while U.S. steel exports to Turkey have declined by a remarkable 80 percent. In recent years, the steel industry in Turkey has grown exponentially with the aid of government subsidies, jumping from the 17th largest crude steel-producing country in 2000 to the 8th largest steel producer in 2016. In fact, last year Turkey exported over 15 million metric tons of steel, nearly half of its entire steel production.

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31 USTR 2017 National Trade Estimate Report at 255.
32 Id.
34 Id. at 9, 27.
The massive increase in Turkish steel production and exports is largely a result of a significant number of government subsidies that have led to an explosion of steel imports from Turkey flooding the U.S. market, injuring the U.S. steel industry. Over the past several years, the U.S. Department of Commerce has issued affirmative determinations in six countervailing duty investigations on steel products from Turkey and is currently investigating allegations on an additional case. Some of the major Turkish government subsidies that contributed to its steel industry’s growth are described below:

- **Turkish Development Bank Loans**: The Turkish Development Bank (TDB), a direct extension of the Government of Turkey, provides strategic and preferential loans based on state policies and national interests, which are used by Turkish steel producers to expand production and capacity. For example, the CEO of Kardemir, a Turkish long and flat-rolled steel products producer, has stated in the past that the TDB “supported Kardemir in its effort to overcome

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35 Completed Final Affirmative Determinations: Steel Concrete Reinforcing Bar from Turkey (May 2017); Heavy Walled Rectangular Carbon Steel Pipes from Turkey (Sep. 2016); Hot-Rolled Steel Flat Products from Turkey (Aug. 2016); Welded Line Pipe from Turkey (Oct. 2015); Steel Concrete Reinforcing Bar from Turkey (Sep. 2015); Certain Oil Country Tubular Goods from Turkey (Jul. 2014). Ongoing Investigation: Carbon and Alloy Steel Wire Rod from Turkey (Initiated Apr. 2017).

desperate straits” and “still today continues to provide the financing for the Company’s planned investments and hence contribute to its healthy growth.” 37

In 2015, TBD increased its funding support by 24.4 percent, for a total loan volume of TL 3,912 million.38

- Turk Eximbank Subsidies: The Export Credit Bank of Turkey (Turk Eximbank) is a “fully state-owned bank and the Turkish government’s major export incentive instrument in Turkey’s sustainable export strategy.”39 The bank is a significant player in encouraging Turkish exports, providing $20.2 billion in loans in 2015.40

- Turk Eximbank provides short-term pre-shipment export loans through intermediary commercial banks. The U.S. Department of Commerce has found this program to constitute a countervailable subsidy, as receipt of these loans is contingent upon export, and the interest paid is less than what the recipient would pay on comparable commercial loans.41 Of the short-term credits granted by Turk Eximbank in 2015, 15 percent were directed to the iron and steel sector and 12 percent to the mining and metal products sector; in contrast, the iron and steel and mining and metal products sectors each accounted for only 9 percent of short-term credits in 2008.42

- Turk Eximbank also offers short-, medium-, and long-term export insurance for Turkish companies,43 which is aimed at further subsidizing costs for domestic producers by reducing the financial uncertainty involved with doing business in foreign countries. Turk Eximbank provided $9.4 billion in insurance and guarantees in 2015.44

37 TDB 2010 Annual Report at 40.
38 Kalkinma Development Bank of Turkey, Annual Report 2015 at 54.
41 See, e.g., Issues and Decision Memorandum accompanying Steel Concrete Reinforcing Bar from Turkey, 79 Fed. Reg. 54,963 at 17-18; Certain Welded Carbon Steel Pipes and Tubes from Turkey, 65 Fed. Reg. 18,070, 18,072 (Dep’t Commerce Apr. 6, 2000).
Turk Eximbank’s Foreign Trade Company loan program was implemented to assist large trading companies with their export financing needs.\(^{45}\) The program benefits Foreign Trade Corporate Companies\(^ {46}\) and Sectoral Foreign Trade Companies. The U.S. Department of Commerce has also found this program to constitute a countervailable subsidy.\(^ {47}\) Similar credits are available for smaller companies.\(^ {48}\)

- **Regional Development Subsidies:** Turkey’s government has established special zoning programs, including Organized Industrial Zones (OIZ), Free Zones, and Technology Development Zones.\(^{49}\) These programs have been used to subsidize and improve the performance of export companies in Turkey. The Technology Development Zones program alone provided TL 27.7 million in loans and nearly TL 800 million in tax exemptions to recipient companies in 2014.\(^ {50}\)

- **Tax Incentives for R&D Activities:** The Turkish government provides a wide range of R&D subsidies to support new technological developments. Pursuant to Law No. 5746, Turkish steel producers are eligible to receive corporate tax breaks for R&D expenses; income tax exemptions for R&D researchers; 50 percent of R&D employee insurance premiums; and tax-free revenue accounts for R&D expenses.\(^ {51}\)

- **The Purchase of Electricity for More Than Adequate Remuneration:** Turkish steel producers with power generation facilities receive subsidies from the Turkish government in the form of purchases of electricity for more than adequate remuneration. Turkey’s steel industry relies largely on electric arc furnaces.\(^ {52}\)

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\(^ {46}\) An FTCC is a company whose export performance was at least $75 million in the previous year.


\(^ {48}\) *Carbon Steel Pipe from Turkey I&D Memo* at 6-7; *Wire Rod from Turkey I&D Memo* at 7-8.

\(^ {49}\) Laws No. 4737 and 3218 establish benefits for companies operating within specific areas. Investors in OIZs benefit from: an exemption from VAT for land acquisitions; an exemption from real estate duty; low water, natural gas and telecommunication costs; an exemption from the tax for unification and/or separation of plots; and an exemption from municipality taxes for construction and usage of a plant and on solid waste. Various Turkish steel producers are eligible to receive benefits under these programs. Republic of Turkey Prime Ministry, Investment Support and Promotion Agency, *Special Investment Zones*, http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/SpecialInvestmentZones.aspx (last visited Oct. 18, 2016). See also *WTO, Trade Policy Review Report: Turkey 2016* at 42.

\(^ {50}\) *WTO, Trade Policy Review Report: Turkey 2016* at 43.

\(^ {51}\) *PWC, Turkey: Corporate - Tax credits and incentives* (June 19, 2014).

\(^ {52}\) *World Steel Association, World Steel in Figures 2016* (May 27, 2016) at 10.
which consume vast amounts of electric power. Some major Turkish steel producers operate their own cross-owned cogeneration power plants. While these producers consume much of the power they generate, they also sell excess power to the government,\textsuperscript{53} which dominates the Turkish power sector,\textsuperscript{54} for above-market prices.\textsuperscript{55} Thus, the power producers, and by extension their cross-owned steel producers, receive a significant government subsidy through these purchases of electricity at above-market prices.

\section*{E. Vietnam}

Steel imports from Vietnam increased dramatically in 2016, growing by over 330 percent. The U.S. steel industry believes that part of the increase in steel imports from Vietnam recorded in trade data may be a result of Chinese steel producers’ efforts to circumvent AD and CVD duties on cold-rolled and corrosion resistant steel products by shipping Chinese product to Vietnam for minor further processing. The U.S. Department of Commerce is currently conducting anticircumvention inquiries on both of these product categories.\textsuperscript{56}

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\textsuperscript{55} See, e.g., I. Atiyas et al., \textit{Reforming Turkish Energy Markets: Regulatory Reform and Competition in the Turkish Electricity Industry} (2012) at 22, 24. \\
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In addition, the Vietnamese government has repeatedly touted plans to promote the growth of its steel industry and to increase its exports. The Vietnamese government also owns a 65 percent share of the country’s largest steel producer, Vietnam Steel.

Vietnam also imposes several trade-related restrictions to favor its domestic industry at the expense of U.S. steelmakers. The Vietnamese Government imposes strict import certification and licensing requirements on a variety of steel products, which largely aim to limit imports from foreign producers by making imported steel more costly and burdensome. Last year, Vietnam tightened steel import restrictions by imposing new import duties of 23.3 percent for steel billets, while imposing a tariff of 14.2 percent on imports of steel rods. Vietnam also imposes export taxes on key steelmaking raw materials, since as coking coal and iron ore, among other materials, to favor supply for its domestic market. The government has also imposed a significant export tax on steel scrap, which limits the availability of scrap on the global market and adversely affects important manufacturing sectors in the U.S. economy.

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60 “Vietnam slaps new tariffs on steel imports to project local industry,” Thanh Nien News (Mar. 9, 2016).
IV. Conclusion

While the steel industry in the United States has seen some benefits from free trade agreements – most notably from NAFTA – the biggest trade-related challenges the industry faces are with countries with which the U.S. does not have a free trade agreement. China, in particular, continues to subsidize and implement other market-distorting policies and practices that have fueled the massive and growing global excess capacity in steel. Governments in other countries, such as Korea, Turkey, Vietnam and India, also implement interventionist policies to benefit their domestic industries at the expense of U.S. steelmakers. These market-distorting foreign government trade policies continue to put pressure on global steel markets and have led to surges in foreign steel imports and have contributed to thousands of lost American jobs in the steel industry directly and in the communities the steel industry supports. Accordingly, AISI calls on the Administration to focus on ways to address these important trade policy challenges.

Sincerely,

Kevin M. Dempsey
Senior Vice President, Public Policy and General Counsel