Good morning, I am Kevin Dempsey, Senior Vice President and General Counsel of the American Iron and Steel Institute. I appreciate the opportunity to testify here today.

The United States runs significant trade deficits in goods with many foreign countries. Many factors influence international trading patterns and deficit levels. Of principal concern to AISI are those foreign unfair trade practices, including subsidies and other trade-distorting policies, that have fueled repeated surges of dumped and subsidized steel imports into the U.S., as well as those policies and practices that burden or restrict U.S. exports of steel and steel-containing goods. I will now review our comments with respect to several countries with whom we have trade deficits in goods.

We start with China, where significant trade distortions caused by Chinese government policies contribute to a massive trade imbalance that has impacted the American steel industry both in terms of direct trade in steel and in terms of imports of steel-containing manufactured goods, which have disrupted the entire steel supply chain, reducing domestic demand for steel products. The large volume of Chinese steel
exports in recent years has been fueled by massive Chinese steel overcapacity, which is the direct result of distortive Chinese government industrial policies and a wide range of subsidies.

In the case of Korea, we are concerned about the large auto trade deficit, given the American steel industry’s role as a major supplier to the U.S. auto industry. In addition, there is a significant U.S. steel trade deficit with Korea that is driven by large volumes of dumped and subsidized steel imports. While there are a number of trade remedy orders on Korean steel products, the level of relief granted in many cases has been too small to have a significant effect on the volume of Korean imports. Part of the Korean steel trade problem is also related to China, as the Korean steel market has been flooded with imports of cheap Chinese steel products, which have distorted Korean market prices and fueled exports of dumped downstream steel products.

With respect to Japan, the large U.S. trade deficit in auto products has also been a matter of significant concern to our industry. There are a variety of non-tariff barriers that have traditionally impeded access to the Japanese auto market. And Japan has also been a significant exporter of dumped steel products to the United States, while U.S. exports of steel to Japan remain quite limited.

In the case of Vietnam, we saw a significant increase in the steel trade deficit in 2016, as steel imports from Vietnam increased dramatically, growing by over 330
percent. Part of this increase in Vietnamese imports may be due to Chinese efforts to circumvent AD/CVD duties on steel sheet products by shipping Chinese steel to Vietnam for minor further processing. The Vietnamese government also has explicit industrial policy plans to promote the growth of its steel industry and to increase its exports.

In the case of India, the U.S. steel trade deficit is due to Indian government policies to provide protection and support to its domestic steel industry. The Indian industry operates 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.

With respect to Mexico, while the U.S. has a bilateral trade deficit, a significant portion of that deficit is due to trade in automobiles and machinery, two steel-intensive goods categories where American steel is a major input. In fact, the United States had a steel trade surplus with Mexico of $1.7 billion in 2016, and U.S. steel exports to Mexico have averaged $4.2 billion a year over the last three years. Mexico is the U.S. steel industry’s second largest export market after Canada.
Finally, with respect to Canada, we note that it is the top export market for U.S. manufactured goods generally, and also for American steel. Our steel exports to Canada have averaged over $5.5 billion per year over the last three years, and the U.S. has a small steel trade surplus in value terms. This reflects the overall strength and balance in the U.S.-Canada trade relationship and the strength of North American supply chains.

Thank you for the opportunity to testify. I would be happy to answer any questions.