



Statement of Barbara R. Smith

**Chairman of the Board, President, and Chief Executive Officer,
Commercial Metals Company**

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Congressional Steel Caucus Hearing

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Introduction

Thank you, Chairman Lamb, Vice Chairman Crawford and Vice Chairman Bost for inviting me to speak to you today. I am honored to appear before the Congressional Steel Caucus to provide our perspectives on the state of the American steel industry and our policy priorities.

I am Barbara Smith, Chairman of the Board, President and Chief Executive Officer of Commercial Metals Company, a Fortune 1000 company that recycles, manufactures and fabricates steel. CMC is a founding member of the Steel Manufacturers Association (SMA). SMA is celebrating 30 years as the voice for the nation's electric arc furnace steel producers, among the cleanest and most energy-efficient steel producers in the world. The EAF sector accounts for nearly 70 percent of U.S. steel production. Steel manufactured by our mills routinely contains over 95 percent recycled content.

CMC's state-of-the-art mills make high-quality steel products in the United States and in Poland. While we are headquartered in Texas, we have steel production facilities in ten U.S. states, strategically located from California to New Jersey. In 2018, we were proud to begin production at our newest greenfield plant, a micro-mill in Durant, Oklahoma. We also completed the acquisition of four U.S. steelmaking operations from a Brazilian-headquartered company, ensuring that 3,000 American workers will continue to have high quality jobs producing steel.

Addressing the Steel Crisis

As you have heard from the previous speakers, the U.S. steel industry has suffered through a "Lost Decade," with lost sales due to large volumes of subsidized imports resulting in low capacity utilization, low margins, lost jobs and reduced ability to reinvest for our future. Following the 2009 financial crisis and recession, relentless surges of steel imports made it difficult for the U.S. industry to fully recover and threatened our ability to serve U.S. national security and critical infrastructure needs.

We were very grateful when President Trump acted in March 2018, to level the playing field by reducing unfairly dumped steel imports by imposing tariffs and other measures as he had promised. Section 232 measures have succeeded in reducing steel imports' share of the U.S. market to only 20 percent, down from over 33 percent foreign share in the first half of 2017 without harming U.S. economic growth or downstream industries. Together with increased steel demand, the 232 tariffs are contributing to increased U.S. production and capacity utilization, although these have yet to reach pre-recession levels. We urge your continued support for the section 232 program because there is still much to be done to ensure a sustainable future for the steel industry.

While subsidized capacity expansion by China's state-dominated steel industry was a principal cause of the steel market disruptions of the last decade, other exporters such as Vietnam and Turkey were also expanding into our market with unfairly traded steel. Strong trade rules and enforcement are needed to ensure free and fair trade going forward.

USMCA

The U.S.- Mexico Canada Agreement (USMCA) is a much-needed update to the rules for free trade in North America and we strongly support passage of the agreement by Congress. The USMCA will serve as a model for new trade agreement rules including rules of origin for autos and other steel-intensive products that encourage North American steel use and deter offshore free riders. We are also encouraged that the USMCA includes prohibitions on subsidies to state-owned enterprises, disciplines on currency manipulation and enhanced customs and enforcement cooperation with Canada and Mexico. Antidumping and countervailing remedies to address injurious imports remain critical to domestic steel producers and nothing in the USMCA will undermine our ability to obtain this important relief in the future.

Now that the USMCA has been signed, SMA supports a negotiated solution that will remove the section 232 steel tariffs against both Canada and Mexico and those countries' countermeasures. Even modest changes in the balance of unfairly traded imports and domestic supply could throw the market back into uncertainty and undermine the industry's recovery. CMC agrees with Ambassador Lighthizer's recent remarks before the Senate Finance Committee that a quota consistent with historic levels is an appropriate way to resolve any USMCA concerns while maintaining the benefits of the 232 program to the U.S. industry. Any agreement should also ensure that Canada and Mexico are not used as platforms to transship or displace steel into the United States from outside North America.

Workforce and Infrastructure

As I have noted, American steelmakers are responding to the administration's actions and the section 232 program to invest in the future of steelmaking in the United States. Over \$10 billion in new steel investment has been announced since January 2017. Besides leveling the trade playing field, there are two other areas where Congress can act to create conditions under which the industry can thrive: infrastructure and workforce development.

Steelmaking jobs of today are technology-driven and require advanced training beyond high school. Employers are finding it increasingly more difficult to fill jobs in highly-skilled positions such as electrical technicians, welders, and maintenance technicians. SMA members are partnering to address this challenge by sponsoring local process

technology courses and associate degree programs. For example, CMC helped develop and launch the Engineering Technology Program at Texas State University in San Marcos, Texas. We helped fund the program, sponsored internships, donated equipment, and we proudly hired several qualified graduates. We respectfully urge members of the Steel Caucus to support bipartisan legislation to promote advanced technical and vocational training at the community college level.

I know that many Members of this Caucus support passage of a strong U.S. infrastructure bill in the 116th Congress. SMA supports the bipartisan Move America Act, sponsored by Representatives Earl Blumenauer and Jackie Walorski. A strong federal role in any infrastructure package will not only serve all Americans who use our infrastructure in the 21st Century, but will also increase steel demand, supporting the domestic steel industry and our workers.

I thank you for your attention and for your bipartisan leadership to support American steelmakers.