Good morning. I am John Brett, President and CEO of ArcelorMittal USA. Thank you for holding this hearing today on the impact of steel imports on national security. Our country’s defense and industrial base depends on a strong and sustainable domestic steel industry to supply our military and critical infrastructure needs.

Mr. Secretary, our company has a long and rich history of supporting our nation’s defense capabilities. We are also a major supplier to the U.S. energy industry which plays a key role in moving the United States toward energy independence. Today I would like to speak to the relationship between supplying our military customers and our broader commercial business, our efforts to meet the demands of our energy customers, and our view of the fundamental challenge facing U.S. and global steel producers.

Serving the needs of our nation’s military has been a long-time, multi-generational priority of ArcelorMittal USA and our predecessor companies; in particular, Lukens Steel Company and Bethlehem Steel Corporation. Today this tradition continues as ArcelorMittal USA supports our nation’s men and women in uniform by supplying steel for a variety of military applications on land and at sea. Providing steel to the U.S. military, whether the Navy, Army, Marine Corps, Coast Guard or Air Force, is a tremendous source of pride for our company and our employees.
We are currently the largest supplier of armor steel plate for the United States Armed Forces. Our armor products find application in many fighting vehicles used by the Army and Marine Corps, including the Abrams M1 main battle tank, the Bradley fighting vehicle, M88 recovery vehicles, the Stryker family of fighting vehicles, various MRAP (Mine Resistant Ambush Protected) vehicles and the up-armored Humvee.

The shipbuilding industry has also been one of the long-term staples of ArcelorMittal’s business. We supply steel for a variety of United States Navy vessels, including aircraft carriers, submarines, destroyers and other ships. The Navy’s most recent force structure assessment concludes that addressing current and future threats to U.S. national security will require a larger fleet of 350-360 ships, which would entail an increase in naval shipbuilding over the coming years. The Navy, the shipbuilders and their suppliers, including ArcelorMittal, are working together to ensure that the industrial supply base can accommodate an accelerated shipbuilding schedule.

Preserving the domestic steelmaking and finishing capacity to provide the highly specialized steel for U.S. defense purposes is without a doubt a national security issue. However, the steel tonnage directly used for defense applications is quite small compared to that of the broader commercial market for steel products. As large a supplier as ArcelorMittal USA is to the U.S. military, our sales into defense applications represent only 1 percent of our total production, and less than 5 percent of our steel plate production.

In other words, defense-related sales of steel alone are not the determining factor in whether a steel mill is successful and sustainable. Instead, the commercial viability of a steel operation is imperative for retention of that operation’s ability to serve the defense needs of the nation both in times of peace and war.
As the Department knows, ArcelorMittal USA has joined with other U.S. producers to bring a number of trade remedy cases in response to a flood of unfairly traded imports from China and other countries in recent years. Our operations which produce steel for military applications were not immune from the negative impact of these imports. Along with other U.S. plate producers, we petitioned this Department and the International Trade Commission for relief from unfairly traded imports of cut-to-length plate from 12 countries, including China, after these imports increased by over 100 percent between 2013 and 2015. The ITC found that, as a result, the U.S. plate industry’s operating income had dropped 75% over those three years.

Here’s what the import surge meant for ArcelorMittal USA – we saw our steel plate sales drop by a third in one year. By 2015, our plate operations were running at only 55% of their capacity. Our plate prices fell to the lowest levels we had seen in more than ten years. When we are forced to price at levels that do not cover our costs, then we also are not generating the capital required to reinvest in our operations. And if we cannot reinvest, we cannot remain on the cutting edge of new technology for the future, for our commercial business or for our military business. In other words, the impact of the imports is felt throughout our business, commercial and military.

Staying on the cutting edge of new technology is equally important for our energy customers. ArcelorMittal USA produces a full range of steel grades for the energy transmission and distribution markets, including for the production of large diameter line pipe. We’ve been a leader in developing wide API X-70 steel for U.S. pipeline projects. We are committed to serving U.S. customers who need this advanced product and have invested significantly in the production of both plate and hot-rolled steel for our line pipe
customers. Those investments include accelerated cooling, surface quality control, slab processing and software for process control and statistical analysis to support our X-70 and other CTL plate production capabilities. But our ability to serve these markets is threatened when competition from low-priced, unfair imports precludes us from building a sustainable business.

The plate case is just one example of the impact that imports have had on our business. It has been a similar story on hot-rolled, cold-rolled, and corrosion-resistant steel. U.S. imports of flat rolled steel products increased 69 percent between 2013 and 2014. The impact on our business was devastating.

Mr. Secretary, we very much appreciate the attention this Administration has devoted to the state of the U.S. steel industry since it took office in January. It was my honor to stand in the Oval Office when the President announced the initiation of this Section 232 investigation. Nonetheless, the United States must address the problem of global excess steelmaking capacity or every other action you, or we, take won't matter.

This Department knows the numbers well – Chinese government industrial and trade policies have driven Chinese steel production from 128 million metric tons in 2000 to over 808 million metric tons last year. In 2016, China exported 108 million metric tons. Those exports have had direct negative effects on U.S. steel producers. They also have an indirect impact when they displace steel in other countries whose producers then ship to the U.S. market. And we have seen an increase in imports of downstream products made from cheap Chinese steel.

It is easy, and correct, to point to China as the main culprit. But it is not just China. We face challenges from countries as diverse as Korea, Russia, Turkey, and others.
The result – we sell less steel, receive less money for the steel we do sell, and employ fewer workers. Over the long term, this situation is not sustainable for U.S. producers who operate without the kind of government support provided to the Chinese steel industry.

Mr. Secretary, we welcome this investigation because we need solutions to the unfair import problem at the U.S. border. The antidumping and countervailing duty orders have certainly been helpful but are being circumvented.

But as you consider additional actions, please remember that we also need to find a solution to the excess steel capacity that is impacting global markets. We need governments throughout the steelmaking world to come together to make clear to China that they need to reduce their excess capacity in steel making – the way a market-based economy would – rather than exporting it. An objective of any actions should be to increase global pressure on China to change the policies that led to the creation of non-economic steel capacity and to discourage other governments from adopting similar policies. Those policies have distorted global trade flows and harmed our national security.

Thank you.