

CPTI

COMMITTEE ON PIPE & TUBE IMPORTS

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Statement of Tony Frabotta
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And Vice President of Zekelman Industries

Congressional Steel Caucus Hearing
On
The State of the Steel Industry

Wednesday, March 21, 2018
8:00 to 10:00 AM
2203 Rayburn House Office Building

Good morning Co- Chairman Bost, Co-Chairman Crawford, Vice Chairman Visclosky, and the distinguished members of the Congressional Steel Caucus. My name is Tony Frabotta and I am the Vice President of Zekelman Industries. Zekelman Industries is the largest producer of steel pipe and tube products in North America and has 2,000 employees at facilities located in Alabama, Arkansas, California, Illinois, Michigan, Ohio and Pennsylvania. I would also like to add that one of our facilities is located in Co-Chairman Crawford's district in Blytheville, Arkansas and in addition we have a significant number of employees residing in Vice Chairman Visclosky's district who work at our Chicago mills.

This morning I appear before the Caucus to speak on behalf of the Committee on Pipe and Tube Imports (CPTI), an industry trade association comprised of the nation's leading producers of an array of carbon and stainless steel pipe and tube and fittings products. CPTI member companies are located throughout the country in 32 states and 95 Congressional districts and today have over 37,000 employees engaged in the production of steel pipe and tube

products, which are used in our agricultural, automotive, construction, defense, energy, and transportation sectors. Our industry uses flat-rolled steel and long products to manufacture our welded and seamless pipe and tube products.

Today's Caucus hearing is timely for the industry and the nation because "steel" has returned to the forefront of national and international public policy. Zekelman Industries and the CPTI support the President's recent actions to address surging steel imports that endanger the U.S. national security by jeopardizing the viability of the nation's steel sector. We have supported this investigation since it was announced in April 2017 and remain optimistic that the measures announced on March 8, 2018 will make the necessary adjustments to imports to ensure a level playing field for U.S. producers and workers in the pipe and tube sector.

Of course, while we remain optimistic and look forward to working with the President and his trade team along with Members of Congress to enhance and build upon the foundation that has been provided by the Sec. 232, we remain concerned about external factors that continue to challenge our industry's ability to compete in 2018 and beyond even in the absence of a 232 remedy. The entire U.S. steel pipe and tube industry has been overwhelmed by surging imports. We continue to face uphill battles in many product lines. In fact, 2017 marked one of the highest years on record for imports of pipe and tube. Pipe and tube imports surged by 82% in 2017 from 4.6 to 8.4 million tons as the U.S. continued to be the dumping ground for global excess steel capacity. As we shared with the Administration and Congress, during this time numerous Asian pipe producers laundered dumped and subsidized Chinese steel which cannot enter the U.S. directly by transforming it into pipe and tube. As others have said this morning, South Korea is China's single largest export market for steel. South Korea is also the largest exporter of pipe and tube into the U.S., shipping between 2 and 3 million tons annually. The point to emphasize

to the Caucus is that South Korea has no domestic consumption for energy tubular products and yet they export the highest volumes to the U.S. In addition to energy tubular products, South Korea also sends vast amounts of standard pipe, structural tubing and stainless pipe and tube. It is clear to see the direct connection between China's steel exports to Korea and Korea's pipe and tube exports to the U.S. It only reiterates why it is critically important that we receive comprehensive relief. As a result this flood of imports has led to chronic losses at U.S. pipe and tube mills, worker reductions and layoffs and plant closures.

We will remain vigilant in our work with the Administration and Congress and this Caucus to ensure that the 232 remedy will end the flood of Korean pipe and tube imports. Our industry has used the trade laws for over three decades to challenge unfairly traded Korean pipe and tube imports and despite measured success, their imports reappear in short time. As the Secretary of Commerce has stated on occasion, the steel industry cannot continue to be subjected to a Whack-a-mole approach and we agree wholeheartedly. We are hopeful that with the continued support of the Trump Administration we can arrive at a remedy that addresses the "bad actors."

Going forward all of us in the U.S. pipe and tube sector certainly want to compete for projects that will build new pipelines, build new infrastructure, construct new residential and commercial structures, support the national defense, and stimulate the demand for other steel pipe and tube products. Across the country, CPTI member companies participate in these markets – making structural tubing products for defense vehicles, tubular products for the energy sector, tubular products for construction and pipe for infrastructure projects, and these are only a few examples of the variety of markets the industry serves. We rely on strong, broad-based, GDP growth to drive demand for our products. Of course our industry's success relies on our

ability to compete on a level playing field. If trade is not conducted fairly, our industry will not be able to compete for these projects

The CPTI also recognizes that chronic global steel overcapacity must be addressed and has participated in industry dialogues with the U.S. Government on critical issues being discussed at the OECD Steel Committee and Global Steel Forum meetings. We also recognize that the Administration is aware of the impact global steel overcapacity has had on the U.S. industry and its workers and are encouraged to know that the Administration continues to pursue enforceable reforms through international dialogues.

We also would like to thank the Caucus for their ongoing support of trade legislation that has strengthened the trade tools used to challenge unfair trade practices and tools essential to end chronic customs fraud, circumvention and evasion practices. The CPTI supports a robust Fiscal Year 2019 appropriations package that provides necessary resources for the Office of the U.S. Trade Representative, Department of Commerce, U.S. International Trade Commission, and U.S. Customs and Border Protection.

For over four decades the Steel Caucus has successfully kept the issues of importance to the industry and workers in the forefront – we thank each of you for your leadership and your commitment to a critical manufacturing sector that helped build this great nation. We at the CPTI certainly want to be part of the next chapter in rebuilding this country and pledge to work with you and your staff to successfully implement these policies. Thank you.