



CONGRESSIONAL STEEL CAUCUS

STATEMENT OF

MARK D. MILLETT, PRESIDENT & CEO, STEEL DYNAMICS, INC.

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Co-Chairman Bost, Co-Chairman Crawford and Vice Chairman Visclosky, distinguished members of congress, thank you for the opportunity to address the Congressional Steel Caucus. I thank you for your support of the U.S. steel industry and for supporting the U.S. industrial manufacturing base.

The Steel Dynamics Story

I am the President and CEO of Steel Dynamics, Inc., the fourth largest domestic steel producer in the United States, having an annual steelmaking capacity exceeding 11 million tons. We operate state-of-the-art facilities in nine States. Steel Dynamics is the youngest of the larger domestic steel producers. I, along with two other entrepreneurs founded Steel Dynamics in 1993. This is our 25th year. In that time, we have grown from a single steel mill in Butler, Indiana with 275 employees, to six steel-mills, seven steel fabrication plants and numerous other manufacturing facilities. We now employ over 7,700 individuals.

In January 2018, we were proud and humbled that *Forbes Magazine* named Steel Dynamics one of the World's Most Admired Companies. More relevant perhaps, is that we are also recognized as one of the most efficient steel producers in the world.

Steel Dynamics is an active member of the Steel Manufacturers Association, the primary trade association for U.S. electric arc furnace steel producers. SMA's 25 producer companies operate 57 steel plants around the country and account for 75 percent of domestic steel production. The SMA also has over 100 associate members who supply goods and services to the EAF steel producers.

Section 232 Tariffs

I would like to address the 232. The SMA and SDI strongly support President Trump's action which addresses the surge of steel imports that undermines the viability and vitality of American steel producers thereby threatening our national security.

We are optimistic that the 232 remedy will provide a level playing field for U.S. producers by reducing imports to allow steel utilization rates to approach 85% - a level at which much of the industry should earn its' cost of capital. We look forward to the measures going into effect for a period of sufficient duration for companies to reinvest in our domestic steel industry.

As a whole, the U.S. steel industry continues to find ways to cut costs while being innovative; continuing to hire, train and develop employees; and by delivering incredible value to US customers. But our industry cannot succeed in the face of an ongoing onslaught of government-subsidized and dumped steel from foreign countries.

China and Other Sources of Imports

The key problem is that China's state-sponsored growth in the steel sector has been unprecedented and detrimental not only to the U.S. steel industry, but to the global industry. In the early 2000s, China's steel capacity grew quickly to satisfy internal economic growth. But in 2006, China became a net exporter continuing to grow capacity even as their steel demand peaked. They continued this negligent growth through the financial crisis aftermath, when most of the world's steel industry suffered severe production cuts due to the collapse in global steel demand. Between 2009 and 2015, China's capacity to make steel expanded a further 350 million metric tons. For perspective, that is the equivalent of three and a half times current US production capacity. While China remained the world's largest steel consumer, their production vastly outstripped domestic demand and a flood of exports has saturated global markets since 2014.

U.S. steel producers responded with a series of successful antidumping and countervailing duty cases against steel imports from China and other countries, most recently in 2015 and 2016. Unfortunately, these cases resulted in only temporary relief. Imports of steel in 2017 increased 15 percent over 2016 levels, due largely to country and product shifting.

Chinese government support for its industry led to a reckless expansion when Chinese and global demand simply did not warrant this investment. These policies are not market-driven practices that have led to a "normal" expansion of production to meet consumption. They are unfair practices that include distortive support to state-owned enterprises. Such practices include: artificially low-cost financing, equity infusions in poorly performing companies from state-owned banks, and preferential provision of raw materials.

Other countries are also part of the excess capacity and trade flow problem. Now other countries believe they can have state-led growth like China's to not only meet their domestic demand but to also increase their exports. The Indian Government has announced plans to double domestic steel capacity between 2017 and 2030. While Indian steel demand is still growing, its net exports are growing at an excessive rate contributing to the global glut. Other countries such as Vietnam and Indonesia are also announcing expansion plans.

The last thing the global steel industry needs is for more countries to follow China's model and irrationally expand capacity beyond their own internal demand. While China recognizes it has a severe excess capacity problem, it will take years and continued pressure from other countries to get China to effectively reform its system. Despite claims to the contrary, China's efforts to shut down plants has not yet resulted in sufficient net capacity reductions to eliminate their excess capacity. China still exported over 60 million metric tons last year to global markets, by far the largest export level of any country. The Chinese state-driven growth model has not been eradicated, and Chinese steel companies still rely on government allocation of resources. By contrast, U.S. companies like Steel Dynamics have to compete and make business decisions based on actual investment metrics, including the impact of market-based sources of capital and market prices for land, raw materials, and energy.

We are also concerned that other countries, including but not limited to South Korea, import vast quantities of dumped and subsidized steel from China to make further processed steel products that are then shipped to the United States. South Korea is now the top export destination for Chinese steel, and has in turn become the largest exporter of steel pipe and tube to the United States.

As I have noted, we have successfully brought AD and CVD cases against unfair injurious imports and we supported government efforts to negotiate an end to global excess capacity through the G20 and other dialogues. However, these efforts have not stemmed the tide of relentless steel imports. That is why we support President Trump's 232 national security program on steel imports and will work with him and his Administration to make the program a success. I appreciate your attention and thank you, Congressman Visclosky, Congressman Bost, and Congressman Crawford for your bipartisan leadership of the Steel Caucus in working with us to make this vital program successful.