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March 11, 2025

The Honorable Jamieson Greer
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

RE: Request for Comments to Assist in Reviewing and Identifying Unfair Trade Practices and Initiating All Necessary Actions to Investigate Harm From Non-Reciprocal Trade Arrangements [USTR-2025-0001]

Dear Ambassador Greer:

In response to a request from the Office of the U.S. Trade Representative (USTR),¹ The American Iron and Steel Institute (AISI) hereby submits comments regarding unfair trade practices and non-reciprocal trade arrangements impacting the American steel industry. The foreign government laws, policies, and practices identified below severely distort global trade and are of particular concern to AISI and its members.

AISI serves as the voice of the American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI's membership is comprised of integrated and electric arc furnace (EAF) steelmakers, steel pipe and tube manufacturers and steel processors and fabricators, reflecting the production and distribution of both carbon and stainless steels. These steels are critical to America's national and economic security, including roads and bridges, buildings, the electrical grid, cars and trucks and all clean energy technologies. AISI also represents associate members who are suppliers to or customers of the steel industry.

I. INTRODUCTION

American steel producers know well the negative impact of foreign unfair trade practices, including subsidies and other unfair and discriminatory policies and practices, on domestic industries and their workers. Unfair trade practices such as

¹ Request for Comments to Assist in Reviewing and Identifying Unfair Trade Practices and Initiating All Necessary Actions to Investigate Harm From Non-Reciprocal Trade Arrangements, Office of the U.S. Trade Representative, February 25, 2025

subsidies and other forms of government support, continue to distort international trade in steel. Around the world, governments regularly intervene in steel markets to bestow unfair competitive advantages on their domestic steel industries, leading to overcapacity and overproduction followed by surges in dumped and subsidized steel exports to other markets. In the comments below we identify various subsidy practices and export restrictions used throughout the world which often lead to unfairly traded products and global market distortions.

According to the Organization for Economic Cooperation and Development (OECD) Steel Committee, global excess steel capacity totaled 573 million metric tons (MT) in 2024.² One significant source of overcapacity is China, where steel production in 2024 exceeded one billion metric tons for the fifth year in a row, despite a dramatically slowing demand for steel in that country. As a result, the OECD Steel Committee has noted the significant increase in Chinese steel exports in recent years as steel demand in that country has dropped while steel capacity and production have continued at elevated levels.³ In 2024 Chinese steel exports reached an all-time high of 117 million MT, up roughly 25 percent from 2023,⁴ and significantly more than the total annual U.S. production of steel.

The Chinese government is also expanding its unfair trade practices beyond its borders by subsidizing its steel producers in building additional export-oriented steelmaking capacity outside of China – particularly in Southeast Asian countries like Indonesia – through its Belt and Road Initiative. From 2010 to 2020, crude steel capacity in the Association of Southeast Asian Nations (ASEAN) region doubled and significant additional capacity expansion is underway, over 80 percent of which is the result of Chinese cross-border investments. In Indonesia alone, steel production has increased 600 percent over the last 10 years. These cross-border subsidies are helping build new sources of unfair trade that will follow the China model, putting American steel companies, our supply chain, our workers, and the two million jobs the steel industry supports, at risk. Given the use of these cross-border subsidies by China through its Belt and Road Initiative, it is critical that the U.S. government directly challenge these subsidies and address their negative effect on American steel producers.

Furthermore, while China is the largest and best-known perpetrator of market-distorting policies and practices affecting steel, it is not the only country pursuing such

² OECD 96th Session of the OECD Steel Committee Chair's Statement (November 13, 2024).

³ *Id.*

⁴ Jing Zhang “China’s steel exports face rising trade barriers as antidumping cases surge”, S&P Global, February 25, 2025, available at: <https://www.spglobal.com/commodity-insights/en/news-research/latest-news/metals/022525-chinas-steel-exports-face-rising-trade-barriers-as-antidumping-cases-surge>

policies. Over the last 10 years, for example, Vietnam has increased its steel production by 243 percent, meanwhile Vietnamese steel exports to the U.S. have increased by 264 percent since 2014.

Due to existing Section 232 tariffs and Section 301 tariffs on China, as well as significant antidumping and countervailing duties on Chinese steel, most Chinese steel exports do not come directly to the United States. But widespread transshipment of steel through third countries — including key trading partners like Mexico — means these exports still impact the U.S. steel market, as traders and importers pursue schemes to circumvent and evade U.S. tariffs and trade remedy orders. In addition, Chinese and other steel exports to third countries can displace sales of locally produced steel in those markets and lead to increased exports of third country steel production to the U.S. market.

Transshipment of steel through third party countries is also a common practice used to evade U.S. antidumping and countervailing duty (AD/CVD) orders. The most recent example of this practice came to light when U.S. Customs and Border Protection determined that substantial evidence demonstrated that Chinese-origin Oil Country Tubular Goods (OCTG) were being transshipped through Thailand in order to evade AD/CVD orders.⁵

Additional country-specific details on foreign government subsidies and export restrictions on key steel-making raw materials is provided below.

II. SUBSIDIES

Many foreign governments provide their domestic industries with various forms of subsidies, including prohibited export subsidies, giving those industries an unfair advantage in international competition, and creating significant trade barriers for U.S. companies operating globally. Indeed, many subsidies protect domestic products from foreign competition or artificially stimulate exports of a particular domestic product, thereby displacing U.S. exports in global markets. In addition, heavily subsidized producers introduce market-distorting behavior and other trade and investment imbalances to the global economy. For example, subsidized producers can more easily retain and grow market share in their home markets, making it more difficult for U.S. exporters to compete in those markets. Subsidies also allow producers to sell at below-

⁵ EAPA Cons. Case 7890: Various Importers (Notice of Determination as to Evasion, February 24, 2025), U.S. Customs and Border Protections, February 24, 2025, available at: https://www.cbp.gov/sites/default/files/2025-02/02-24-2025_-_trled_-_determination_-_7890_-_pv_508_compliant.pdf

market prices, allowing these producers to gain market share in the United States and third-country markets at the expense of U.S. producers.

The government subsidies identified below unfairly advantage foreign producers to the detriment of American steelmakers and should be addressed.

A. Transnational Subsidies

Governments have long provided subsidies to companies in pursuit of policy objectives. Subsidies are often one part of larger industrial policies designed to shelter and support domestic industries until they are strong enough to compete internationally. Developing economies, in particular, tend to have detailed plans for the development of specific industries as part of a larger plan for economic development. However, over the last decade, countries have increasingly begun providing transnational subsidies to assist domestic companies' operations abroad. Governments often find willing partners in the governments of other nations with developing economies. Consequently, companies receive an unfair competitive advantage in the form of subsidies from two different governments. Given differing policy objectives of each government, these transnational subsidies are often provided primarily in the form of partnerships or joint ventures to pursue dual policy objectives. Additionally, governments do not always explicitly announce or declare these as subsidies, instead phrasing them as economic partnerships, financing for development, or foreign direct investment.

Perhaps the most well-known transnational subsidy policy is China's One Belt One Road program, also referred to as the Belt and Road Initiative (BRI).⁶ As part of these programs, the Chinese government has pledged \$1 trillion in investment for overseas economic development. The Belt and Road programs provide a central role for state-owned enterprises (SOEs) and are pitched to developing nations as an "infrastructure-prioritized development path."⁷ Additionally, the Belt and Road Initiative assists China's efforts to reduce industrial overcapacity by "transferring domestic low-end manufacturing industries to the less developed countries along the BRI route."⁸ In August 2020, the second largest Chinese stainless steel producer,

⁶ Andrew Chatzky & James McBride, *China's Massive Belt and Road Initiative*, Council on Foreign Relations (Jan. 28, 2020) ("President Xi announced the initiative during official visits to Kazakhstan and Indonesia in 2013. The plan was two-pronged: the overland Silk Road Economic Belt and the Maritime Silk Road. The two were collectively referred to first as the One Belt, One Road initiative but eventually became the Belt and Road Initiative.").

⁷ Jon (Yuan) Jiang, *The Belt and Road Initiative: A Domestically-Motivated Program Fueling Global Competition*, China Brief (May 29, 2020), available at <https://jamestown.org/program/the-belt-and-road-initiative-a-domestically-motivated-program-fueling-global-competition/>.

⁸ *Id.*

Taiyuan Iron and Steel (TISCO) announced that it plans to develop an integrated stainless steel operation in Indonesia. More recently, in March 2021, the Indonesian government issued a press release regarding Chinese steel producer Nanjing Iron & Steel Group Co., Ltd.'s plans to invest in the Indonesian steel industry. By 2021, Chinese-funded BRI investments in the stainless steel industry in Indonesia totaled over \$3 billion, which support building vertically integrated, export-oriented stainless steel mills. Consequently, Indonesia's stainless steel capacity is now the second largest in the world, with over 6 million MT of annual production.

In short, China's Belt and Road programs subsidize Chinese overcapacity in industries dominated by SOEs such as steel in several ways. First and foremost are direct subsidies such as grants or loans. Second, BRI infrastructure projects funded by the Chinese government are often contingent on purchases from Chinese SOEs, artificially creating demand for Chinese products. In effect, these subsidies are Chinese content requirements as opposed to local content requirements. Third, the "[transfer of] domestic low-end manufacturing industries" often takes the form of Chinese SOE's establishing joint ventures or subsidiaries abroad, which effectively serve as an indirect conduit of Chinese subsidies to companies in other countries.

Malaysia is one example of the Chinese government's BRI transnational subsidies in practice. In February 2013, the Malaysian and Chinese governments jointly launched the MCKIP in the Port of Kuantan, Malaysia as a Belt and Road project.⁹ The MCKIP is jointly owned 51 percent by a Malaysian consortium (including 30 percent ownership by the Malaysian government) and 49 percent by Chinese SOEs under State-owned Assets Supervision and Administration Commission (SASAC) control.¹⁰ The MCKIP One Belt One Road project is a joint effort of both the Malaysian and Chinese governments and is a small piece of a larger BRI project to develop the East Coast Economic Region, including the construction of the East Coast Rail Link railroad.¹¹

One of the anchor companies of the MCKIP is Alliance Steel, a newly created Chinese SOE that is a joint venture of Guangxi Beibu Gulf International Port Group Co. Ltd.¹² and Guangxi Shenglong Metallurgical Co. Ltd., which are "jointly established by the

⁹ See generally Malaysia-China Kuantan Industrial Park Website, available at <http://www.mckip.com.my/>.

¹⁰ Alice Tsang, *Prospects for the Malaysia-China Kuantan Industrial Park and Kuantan Port*, Hong Kong Means Business (May 16, 2017), available at <https://hkmb.hktdc.com/en/1X0AA0CO/hktdc-research/Prospects-for-the-Malaysia-China-Kuantan-Industrial-Park-and-Kuantan-Port>.

¹¹ Kate Mayberry, *China signals Belt and Road shift with Malaysia rail project*, Al Jazeera (Apr. 15, 2019), available at <https://www.aljazeera.com/economy/2019/4/15/china-signals-belt-and-road-shift-with-malaysia-rail-project>.

¹² Guangxi Beibu Gulf International Port Group Co Ltd also holds the Chinese Consortium investment in MCKIP and is under SASAC control.

two governments.”¹³ As a Chinese SOE, Alliance Steel benefits from a combination of subsidized lending and grants from the Chinese government. Similarly, the Malaysian government has announced subsidies for investors in MCKIP ranging from 15 years of corporate tax exemption to preferential land prices,¹⁴ all of which could benefit Alliance Steel. These subsidies have bestowed a substantial competitive advantage to Alliance Steel, both in the domestic Malaysian steel market and for export sales. In 2019, the Malaysian Iron and Steel Industry Federation blamed Alliance Steel for tanking the local steel market, resulting in losses for the Malaysian steel industry.¹⁵

Transnational subsidies have also had a significant impact in Indonesia. Indonesia is widely recognized as China’s closest ally in the BRI program, with Chinese President Xi Jinping and Indonesian President Prabowo Subianto vowing to further strengthen bilateral ties in a November 2024 meeting where Xi said that China is eager to work with Indonesia to “write a new chapter of joint self-reliance, solidarity and cooperation, mutual benefit and win-win results as major developing countries.”¹⁶ This statement builds on a decade of strong BRI-funded cooperation in the stainless steel sector between the two countries: shortly after the United States imposed AD/CVD duties on certain stainless steel flat products from China, China began to invest in stainless steel production and nickel mining in Indonesia through the BRI. Tsingshan,¹⁷ one of the largest private stainless steel manufacturers in China with significant connections to the Zhejiang provincial government, is the majority investor in the two of the BRI-funded industrial parts in Indonesia focused on nickel mining and processing (stainless steel has historically been the primary market for nickel ore) and stainless steel production.

The Indonesian government supports China’s BRI agenda by strongly enforcing a mix of local content requirements and export bans as a means of compelling transnational subsidies and foreign direct investment from other countries. Between 2009 to 2014, legislation in Indonesia introduced domestic processing requirements

¹³ Alliance Steel Website, Company Profile, available at http://alliancesteel.com.my/articleList_6_1.html.

¹⁴ Alice Tsang, *Prospects for the Malaysia-China Kuantan Industrial Park and Kuantan Port*, Hong Kong Means Business (May 16, 2017), available at <https://hkmb.hktdc.com/en/1X0AA0CO/hktdc-research/Prospects-for-the-Malaysia-China-Kuantan-Industrial-Park-and-Kuantan-Port>.

¹⁵ Ee Ann Nee, *Misif blames China-owned Alliance Steel for Malaysian industry’s losses*, The Sun Daily (Oct. 24, 2019), available at <https://www.thesundaily.my/business/misif-blames-china-owned-alliance-steel-for-malaysian-industry-s-losses-CX1527411>.

¹⁶ China’s Xi Jinping hails ‘new chapter’ in relations with Indonesia, Nov. 10, 2024, <https://hongkongfp.com/2024/11/10/chinas-xi-jinping-hails-new-chapter-in-relations-with-indonesia/>.

¹⁷ Tsingshan is composed of multiple related companies; the primary international arms of which are Tsingshan Holding Group, Shanghai Decent Investment Group, and Eternal Tsingshan Group. See <https://www.tssgroup.com.cn/en/contact/contact-us/>.

for nickel ore, iron ore, chromium, and coal. Additionally, export licenses are required for exports of many of these materials. Notably, in 2020, Indonesia stopped all exports of nickel ore.¹⁸ The combined effect of these policies is to mandate a local metals supply chain in Indonesia, with companies agreeing to joint ventures with Krakatau Steel – a major state-owned Indonesian steel producer – to receive export licenses.

Critically, over the past decade, Krakatau Steel has created several joint ventures with foreign companies: Krakatau-POSCO for slab and hot rolled plate, Krakatau Nippon Steel Sumikin (KNSS) for cold rolled and galvanized steel products,¹⁹ and Krakatau Osaka Steel (KOS) for long products. Both KOS²⁰ and KNSS²¹ have received preferential financing from the Japan Bank for International Cooperation, and Krakatau POSCO has received substantial ongoing support from the Korean government.²² In short, Indonesia and Korea have a relationship going back at least to 2012 that includes industrial cooperation and, in the case of Krakatau POSCO, transnational subsidization. Silmy Karim, the CEO of Krakatau Steel explained in an

¹⁸ Fransiska Nangoy, *Indonesia to stop nickel ore exports in January 2020-official*, Reuters (Sep. 2, 2019), available at <https://www.reuters.com/article/indonesia-mining/indonesia-to-stop-nickel-ore-exports-in-january-2020-official-idUSJ9N22S04E>.

¹⁹ KNSS, *Joint Venture Manufacturing and Selling Automotive Flat Steel Products in Indonesia, Holds Opening Ceremony*, Nippon Steel (Aug. 8, 2018), available at https://www.nipponsteel.com/en/news/20180808_100.html.

²⁰ *Loan for Construction Steel Manufacturing and Sales Business of Japanese Company in Indonesia*, Japan Bank for International Cooperation (Nov 27, 2015), available at <https://www.jbic.go.jp/en/information/press/press-2015/1127-44275.html>.

²¹ *Loan for Construction Steel Manufacturing and Sales Business of Japanese Company in Indonesia*, Japan Bank for International Cooperation (Mar. 4, 2016), available at <https://www.jbic.go.jp/en/information/press/press-2015/0304-46923.html>.

²² The Embassy of Indonesia in Seoul, Korea highlights the close ties between the Republic of Korea and Indonesia, which now includes a “special strategic partnership...that would not merely {be} transactional but must be based on the spirit of mutual assistance” as of November 2017. Embassy of Indonesia in Seoul, Korea, available at https://kemlu.go.id/seoul/en/pages/hubungan_bilateral/558/etc-menu. Additionally, both Heads of State signed a “Memorandum of Understanding between the Ministry of Industry of the Republic of Indonesia and the Ministry of Trade, Industry and Energy of the Republic of Korea on Industrial Cooperation.” *Id.* The Embassy of Indonesia in Seoul website also indicates that “[i]n 2012, Indonesia and South Korea had agreed to establish the Indonesia-ROK Comprehensive Economic Partnership (IK-CEPA) in order to increase trade and economic relations, in which it based on 3 (three) main pillars, namely...trade and investment facilitation.” *Id.* Moreover, in December 2015, the Indonesian Investment Coordinating Board (BKPM) signed a memorandum of understanding with Woori Bank. *BKPM Teams up with South Korean Bank to Boost FDI*, Tempo.Co (Dec. 19, 2015), available at <https://en.tempo.co/read/729173/bkpm-teams-up-with-south-korean-bank-to-boost-fdi>. The Head of the BKPM stated publicly that the goal of the cooperation is to increase foreign direct investment to the industrial sector in Indonesia. MG Noviarizal Fernandez, *BKPM Intensify Promotion to South Korea*, Bisnis.com (Dec. 17, 2015), available at <https://ekonomi.bisnis.com/read/20151217/9/502746/bkpm-gencarkan-promosi-ke-korea-selatan>.

interview that POSCO invested \$3.5 billion in Krakatau POSCO and that the Korea Exim Bank restructured the debt to help Krakatau Steel.²³ At approximately the same time, at the request of Indonesia, the Korean Exim Bank announced that it “intends to provide untied soft loans under the name of the Economic Development Partnership Facility.”²⁴

These case studies of China-Malaysia, China-Indonesia and Korea-Indonesia exemplify how transnational subsidies provide an unfair advantage in international competition and are a significant trade barrier for U.S. companies operating globally. Indeed, as with purely domestic subsidies, transnational subsidies have the consequence of protecting domestic products from foreign competition or artificially stimulating exports of a particular domestic product, thereby displacing U.S. exports in global markets. Given that transnational subsidies increasingly put American steel companies at a competitive disadvantage against foreign producers that are being subsidized by their own and other governments, the U.S. government should take the steps necessary to ensure that appropriate remedies are applied in order to secure a level playing field at home and abroad for U.S. producers and suppliers of steel products. The European Union, for instance, has recently begun imposing countervailing duties on imports from third-countries that are subsidized by the Chinese government through the Belt and Road initiative.²⁵ Notably, the European Union has countervailed subsidies provided by Chinese authorities and through a joint China-Egypt economic cooperation zone in Egypt to Egyptian exporters.²⁶ In effect, the European Union has attributed Chinese subsidies to Egypt, thus allowing advantages conferred under BRI programs to Egyptian exporters to be remedied under the European Union’s countervailing duty law.²⁷

The evolving European approach to combatting transnational subsidies afforded foreign producers in third countries through China’s Belt and Road program and other

²³ Putri Adityowati, *At Least We Can Breathe Now*, Tempo Magazine (Feb. 4, 2020), available at <https://magz.tempco.co/read/36370/at-least-we-can-breathe-now>.

²⁴ South Korea KIND Explores Potential Investment in Indonesia, The Insider Stories (Sept. 23, 2019), available at <https://theinsiderstories.com/south-korea-kind-explores-potential-investment-in-indonesia/>.

²⁵ See Gibson Dunn, *European Commission Imposes Countervailing Duties on Imports from Egypt for Subsidies Provided by China* (June 24, 2020), available at <https://www.gibsondunn.com/european-commission-imposes-countervailing-duties-on-imports-from-egypt-for-subsidies-provided-by-china/>.

²⁶ *Id.*

²⁷ *Id.* See also Mukesh Bhatnagar, *The Indian Review of Corporate and Commercial Laws, Guest Post: EU Targets China’s Belt and Road Initiative in Egypt through Countervailing Duty* (Aug. 22, 2020), available at <https://www.irccl.in/single-post/2020/08/23/guest-post-eu-targets-china-s-belt-and-road-initiative-in-egypt-through-countervailing-du>.

initiatives is consistent with WTO law,²⁸ and it is also replicable under U.S. law. That is, the U.S. government can pursue similar remedies to counterbalance the adverse effects of transnational subsidies stemming from China and other countries. However, the Commerce Department has traditionally taken the position that the agency will not countervail a subsidy if it is funded “[b]y a government of a country other than the country in which the recipient firm is located.”²⁹ While the Commerce Department recently repealed the regulatory provision embodying this position,³⁰ AISI believes that Congress should also act to pass legislation confirming that transnational subsidies are countervailable under U.S. trade remedy law. AISI therefore urges that legislation such as the Leveling the Playing Field 2.0 Act be enacted to accomplish this objective.

In the meantime, AISI encourages USTR to pay special attention to the systemic problem of transnational subsidies and the unfair competitive advantages they provide to foreign steel producers. AISI urges USTR to work with the Commerce Department and other government agencies to collect the information required and take all necessary action to combat the growing problem of transnational subsidies in global steel markets.

B. Other Subsidies

1. China

The Chinese government at all levels (*i.e.*, central, provincial, and local) provides massive government subsidies to Chinese manufacturers, including steel producers. Subsidies have historically accounted for as much as four-fifths of the profits reported by the Chinese steel industry.³¹ These subsidies include billions of dollars through preferential loans and directed credit, equity infusions, debt-to-equity swaps, land-use discounts, government-mandated mergers, tax exemptions and rebates, and direct cash grants.³²

²⁸ See *id.*; WTO Agreement on Subsidies and Countervailing Measures at Art. 1.1(a)(1).

²⁹ 19 C.F.R. § 351.527.

³⁰ *Regulations Improving and Strengthening the Enforcement of Trade Remedies Through the Administration of the Antidumping and Countervailing Duty Laws*, 89 Fed. Reg. 20766 (Department of Commerce, March 25, 2024).

³¹ Fayen Wong, *Steel industry on subsidy life-support as China economy slows*, Reuters (Sept. 18, 2014) (“For the first half of 2013, subsidies accounted for 22 percent of total profits posted by China’s listed steel mills, and reached 47 percent in the full year. In the first six months of 2014, the figure jumped to 80 percent”).

³² See, e.g., David O. Shullman, *Protect the Party: China’s growing influence in the developing world*, Brookings (Jan. 22, 2019), available at <https://brook.gs/3ds0WIG>; Alan H. Price, Timothy C. Brightbill, Christopher B. Weld, and D. Scott Nance, *Money for Metal: A Detailed Examination of Chinese Government*

One economist estimates that “China dedicates about 3 percent of its GDP to direct and indirect corporate subsidies.”³³

As a result of such subsidies, China’s steel industry has increased production far beyond domestic demand and now accounts for more than half of worldwide crude steel production.³⁴ The Commerce Department currently maintains 27 countervailing duty orders on steel-related products from China.³⁵ Subsidies that the Commerce Department has recently deemed to be countervailable include the provision of inputs for less than adequate remuneration, preferential lending through state-owned commercial and policy banks, and preferential tax treatment for export-oriented and foreign-invested enterprises.³⁶ While Made in China 2025 singles out ten specific

Subsidies to its Steel Industry (July 2007); Faye Wong, *Steel industry on subsidy life-support as China economy slows*, Reuters (Sept. 18, 2014) (“A total of 2,235 firms, or 88 percent of Chinese listed companies, received government subsidies totaling 32.2 billion yuan (\$5.24 billion) in the first half of 2014.... Most of the subsidies - largely from local governments - were channeled to the steel, cement and property sector in the form of cash, tax rebates or support for loan repayments”).

³³ U.S.-China Economic and Security Review Commission Annual Report (Dec. 2020) at 225, available at https://www.uscc.gov/sites/default/files/2020-12/2020_Annual_Report_to_Congress.pdf.

³⁴ August 2024 Crude Steel Production, World Steel Association (September 24, 2024) available at <https://worldsteel.org/media/press-releases/2024/august-2024-crude-steel-production/>

³⁵ International Trade Administration, Department of Commerce, available at: <https://www.trade.gov/data-visualization/adcvd-proceedings>

³⁶ See, e.g., Issues and Decision Memorandum accompanying *Certain Oil Country Tubular Goods from the People’s Republic of China*, 85 Fed. Reg. 38,849 (Dep’t Commerce June 29, 2020) (final results of the expedited second sunset review of the countervailing duty order); Issues and Decision Memorandum accompanying *Certain Collated Steel Staples from the People’s Republic of China*, 85 Fed. Reg. 33,626 (Dep’t Commerce June 2, 2020) (final affirmative countervailing duty determination and final affirmative critical circumstances determination); Issues and Decision Memorandum accompanying *Carbon and Certain Alloy Steel Wire Rod from the People’s Republic of China*, 85 Fed. Reg. 17,533 (Dep’t Commerce Mar. 30, 2020) (final results of the expedited first five-year sunset review of the countervailing duty order); Issues and Decision Memorandum accompanying *Non-Oriented Electrical Steel from the People’s Republic of China*, 85 Fed. Reg. 11,339 (Dep’t Commerce Feb. 27, 2020) (final results of the expedited first sunset review of the countervailing duty order); Issues and Decision Memorandum accompanying *Carbon and Alloy Steel Threaded Rod from the People’s Republic of China*, 85 Fed. Reg. 8,844 (Dep’t Commerce Feb. 18, 2020) (final affirmative countervailing duty determination); Issues and Decision Memorandum accompanying *Certain Fabricated Structural Steel from the People’s Republic of China*, 85 Fed. Reg. 5,384 (Dep’t Commerce Jan. 30, 2020) (final affirmative countervailing duty determination); Issues and Decision Memorandum accompanying *Aluminum Wire and Cable from the People’s Republic of China*, 84 Fed. Reg. 58,137 (Dep’t Commerce Oct. 30, 2019) (final affirmative countervailing duty determination); Issues and Decision Memorandum accompanying *Refillable Stainless Steel Kegs from the People’s Republic of China*, 84 Fed. Reg. 57,005 (Dep’t Commerce Oct. 24, 2019) (final affirmative countervailing duty determination); Issues and Decision Memorandum accompanying *Circular Welded Austenitic Stainless Pressure Pipe from the People’s Republic of China*, 84 Fed. Reg. 52,460 (Dep’t Commerce Oct. 2, 2019) (final results of the expedited second sunset review).

industries for state support, it is intended to upgrade the entire manufacturing sector, including the steel industry.³⁷

Moreover, several of the enumerated industries (machine tools, aerospace, maritime transport, rail transport, new-energy vehicles, power equipment, and agricultural equipment) are large consumers of steel products.³⁸ Recent steel industry industrial policies have been drafted explicitly to implement the Made in China 2025 plan's objectives.³⁹ Indeed, in 2021, the Commerce Department assessed one of its highest ever subsidy rates against subsidiaries of Chinese, state-owned manufacturers of intermodal container chassis.⁴⁰ While the Chinese government has stopped using the term "Made in China 2025" in response to international criticism, the policy's objectives remain in place under updated terminology.⁴¹ AISI remains concerned that state subsidization of upgraded manufacturing facilities could bestow further unfair competitive advantages on Chinese steel producers vis-à-vis U.S. and other global competitors.

AISI members, along with other U.S. manufacturers, have long expressed concern over China's policy of controlling the exchange rate between its currency (known as the renminbi (RMB) or the yuan) and the U.S. dollar. Traditionally, China has intervened in the foreign exchange markets to weaken the yuan, to give its exporters a boost and make it more expensive for its trading partners to export.⁴² The effects of China's currency manipulation have been profound.⁴³ China has allowed the value of

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Guidance for the Iron and Steel Industry to Reduce Excess Capacity and Resolve Difficulties for Future Development*, State Council, available at http://www.gov.cn/zhengce/content/2016-02/04/content_5039353.htm.

⁴⁰ Issues and Decision Memorandum accompanying *Certain chassis and Subassemblies Thereof from the People's Republic of China*, 86 Fed. Reg. 86 Fed. Reg. (Dep't Commerce Mar. 22, 2021) (final affirm. countervailing duty determ.).

⁴¹ See, e.g., Tai Ming Cheung et al., *China's Roadmap to Becoming a Science, Technology, and Innovation Great Power in the 2020's and Beyond: Assessing its Medium- and Long-Term Strategies and Plans*, UC Institute on Global Conflict and Cooperation (July 2022) at 36.

⁴² In 2004, for example, AISI joined a coalition of U.S. industrial, service, agricultural, and labor associations seeking relief under Section 301[a] of the Trade Act of 1974, as amended, from China's manipulation of the renminbi. Petition for Relief under Section 301[a] of the Trade Act of 1974 on behalf of the China Currency Coalition (Sept. 9, 2004), available at <http://www.aflcio.org>. This petition demonstrated that China's exchange-rate policy constitutes a prohibited export subsidy within the meaning of Articles 1, 2, and 3 of the SCM Agreement and Articles VI and XVI of the GATT 1994. *Id.* at 50.

⁴³ In 2017, C. Fred Bergsten and Joe Gagnon of the Peterson Institute for International Economics published a study, "Currency Conflict and Trade Policy," that estimates that currency manipulation by U.S. trading partners caused the United States to run about \$200 billion in higher trade deficits annually, cost more than 1 million jobs during and after the Great Recession, and was a factor in causing the

the yuan to drop significantly once again against the dollar. As a result, the U.S. government officially designated China as a currency manipulator on August 5, 2019,⁴⁴ just one day after China's central bank, the People's Bank of China (PBC), allowed the yuan to fall to a new low yuan-to-dollar ratio of 7-to-1.⁴⁵ The U.S. and Chinese governments began discussions and negotiations during the fall of 2019 on currency, which led in January 2020 to the Treasury Department removing China from its list of currency manipulators. AISI respectfully disagrees with the decision to remove China's currency manipulator designation, instead moving it to only a Monitoring List where it currently remains.⁴⁶ The Chinese government's manipulation of its currency has not ceased. Indeed, in 2021, the People's Bank of China took overt measures to weaken the yuan.⁴⁷

China's subsidy practices continue to evolve in ways that make them more opaque and challenging to address under existing subsidy disciplines. For example, while the government has historically relied heavily on subsidized bank loans from government-owned or controlled banks, it has more recently shifted its emphasis to equity investments through "government guidance funds" that have been established at all levels of government. In the first quarter 2020, there were more than 1,700 of these funds with nearly \$700 billion in capital making investments throughout the economy.⁴⁸

recession and in slowing the recovery from it. China was by far the world's largest currency manipulator and its currency manipulation encouraged other export-dependent economies to manipulate their currencies to keep up. Bergsten and Gagnon wrote that China's currency manipulation accounted for one-third of the U.S. job displacement from the rapid growth in Chinese imports that began when China joined the WTO. C. Fred Bergsten and Joe Gagnon, *Currency Conflict and Trade Policy*, Peterson Institute (June 2017).

⁴⁴ U.S. Department of the Treasury, *Treasury Designates China as a Currency Manipulator* (Aug. 5, 2019), available at <https://home.treasury.gov/news/press-releases/sm751>.

⁴⁵ The Treasury Department noted in its press release that the PBC openly acknowledges "that it has extensive experience manipulating its currency and remains prepared to do so on an ongoing basis." Id. As a result of the Treasury Department's decision in August, the U.S. government will begin engagement with the IMF on efforts to "eliminate the unfair competitive advantage by China's latest actions." U.S. Department of the Treasury, *Treasury Designates China as a Currency Manipulator* (Aug. 5, 2019), available at <https://home.treasury.gov/news/press-releases/sm751>.

⁴⁶ Report to Congress: *Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States*, U.S. Department of the Treasury (June. 2024) at 4-5, available at <https://home.treasury.gov/system/files/136/June-2024-FX-Report.pdf>

⁴⁷ See Evelyn Cheng, *China Rushes to Pull Back the Yuan from a Three-Year High* (Jun. 2, 2021), available at <https://www.cnbc.com/2021/06/03/china-sets-yuan-rmb-weaker-vs-us-dollar-for-first-time-in-a-week.html>.

⁴⁸ Ngor Luong, Zachary Arnold & Ben Murphy, *Understanding Chinese Government Guidance Funds: An Analysis of Chinese-Language Sources*, Center for Security and Emerging Technology (Mar. 2021) at 4, available at <https://cset.georgetown.edu/publication/understanding-chinese-government-guidance-funds/>.

Chinese officials hope to grow these funds to at least \$1.55 trillion.⁴⁹ While many of them are focused on emerging high-tech sectors, they are also being used to support technological upgrades in traditional industries such as steel pursuant to industrial policies like Made in China 2025.⁵⁰

Continued subsidization has propped up excess industrial capacity and prevented reductions that have been promised time and time again. While China continues to claim they are reducing production capacity, its crude steel output exceeded one billion metric tons – for the fifth year in a row.⁵¹

2. Japan

Like China, Japan has a history of manipulating its currency, the Yen,⁵² in a manner that encourages exports and discourages imports.⁵³ As demonstrated by the American Automotive Policy Council and others, Japanese companies have used this manipulation to gain a competitive advantage.⁵⁴ This policy aids Japanese automakers and encourages increased exports of Japanese steel.⁵⁵

⁴⁹ *Id.*

⁵⁰ See, e.g., Emily Feng, *China's State-Owned Venture Capital Funds Battle to Make an Impact*, Financial Times (Dec. 23, 2018), available at <https://www.ft.com/content/4fa2caaa-f9f0-11e8-af46-2022a0b02a6c>.

⁵¹ December 2024 Crude Steel Production, World Steel Association (January 24, 2025) available at <https://worldsteel.org/media/press-releases/2025/december-2024-crude-steel-production-and-2024-global-totals/>

⁵² See, e.g., Ralph Jennings, *It's Not Quite China, But Japan Is Controlling Currency Prices To Help Exporters*, Forbes (Mar. 7, 2017), available at <https://www.forbes.com/sites/ralphjennings/2017/03/09/a-case-for-japan-as-asias-other-big-currency-manipulator/?sh=180b05f77545>; Chikako Mogi and Hiroko Komiya, *Japan's Three Biggest Banks Declare Yen's Depreciation Is Over*, Bloomberg (Mar. 1, 2016), available at <https://www.bloomberg.com/news/articles/2016-03-01/japan-s-three-biggest-banks-declare-yen-s-depreciation-is-over> (stating that “the yen is the second-most undervalued major currency by a purchasing-power measure”).

⁵³ See Silvia Amaro, *Trump does have a point on the Japanese yen being undervalued: Strategist*, CNBC (Feb. 8, 2017), available at <https://www.cnbc.com/2017/02/08/trump-does-have-a-point-the-japanese-yen-is-undervalued-strategist.html>.

⁵⁴ American Automotive Policy Council, *U.S. Trade Agreements & Currency Manipulation* at 7 (“Japan has used direct intervention in currency markets – and the threat of intervention – to gain a competitive export advantage”).

⁵⁵ See Silvia Amaro, *Trump does have a point on the Japanese yen Being undervalued: Strategist*, CNBC (Feb. 8, 2017), available at <https://www.cnbc.com/2017/02/08/trump-does-have-a-point-the-japanese-yen-is-undervalued-strategist.html>; Bradford Wernle, *Ford's Hinrichs: Toyota, Japanese unfairly aided by currency manipulation*, *www.autonews.com* (Feb. 6, 2014), available at <https://europe.autonews.com/article/20140207/ANE/302079984/ford-s-hinrichs-toyota-japanese-unfairly-aided-by-currency-manipulation>; Yuka Obayashi, *In glum steel market, Abenomics-inspired Nippon Steel is upbeat*, Reuters (Sept. 30, 2013), available at <https://www.reuters.com/article/steel-nippon/in-glum-steel-market-abenomics-inspired-nippon-steel-is-upbeat-idUKL6N0HQ2V420130930>.

Additionally, in 2023, Japan enacted the Green Transformation Promotion Act (GX Act) aimed at providing subsidies for decarbonization efforts in Japan. In 2024 JFE Steel and Nippon Steel both applied for subsidies under this program in order finance the building of new EAF's, with JFE Steel expecting their new EAF facility to be commissioned between 2027 and 2028.⁵⁶

3. India

The Indian government also heavily subsidizes its domestic industries, including its steel industry.⁵⁷ The Indian steel industry was developed 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,⁵⁸ and the government continues to play a large role in the industry. The Indian Ministry of Steel, a branch of the Indian government, "deals with coordination and planning of the growth and development of Iron and Steel Industry in the country."⁵⁹ Reflecting the ambitious goals of its National Steel Policies, India's support for its steel industry is direct and massive. AISI applauds USTR for its successful challenge of India's export subsidy schemes at the WTO in November 2019, but it is also aware that India is unlikely to conform with the ruling until it has exhausted the WTO appeals process.

In 2024, India was the world's second-largest steel producer.⁶⁰ The Indian government provides benefits to Indian steel producers through a number of subsidy programs, including export incentives, debt forgiveness, preferential loans, captive mining rights and controls over raw material prices, all of which adversely impact the ability of U.S. steelmakers to export to India.

In March 2023, India's Commerce Ministry announced the country's latest Foreign Trade Policy (FTP), which continues to include subsidies targeted at boosting exports. The FTP seeks to increase India's exports to \$2 trillion by 2030.⁶¹

⁵⁶ Catherine Hill, Japanese steel giants apply for government subsidy to go green, Steel Times International, November 7, 2024, available at: <https://www.steeltimesint.com/news/japanese-steel-giants-apply-for-government-subsidy-to-go-green>

⁵⁷ USTR 2019 NTE Report at 245.

⁵⁸ See Import Administration, U.S. Dep't of Commerce, *Report to the President, Global Steel Trade, Structural Problems and Future Solutions* (2000).

⁵⁹ See Indian Ministry of Steel, available at <https://steel.gov.in/>.

⁶⁰ December 2024 crude steel production and 2024 global crude steel production totals, worldsteel, January 24, 2025, available at: <https://worldsteel.org/media/press-releases/2025/december-2024-crude-steel-production-and-2024-global-totals/>

⁶¹ Centre unveils new foreign trade policy, targets \$2 trillion, The Times of India, (March 2023) available at http://timesofindia.indiatimes.com/articleshow/99141527.cms?from=mdr&utm_source=contentofintere

Indian steel producers also receive significant subsidies at the subnational level.⁶² Individual Indian states, including Maharashtra, Gujarat, Haryana, Karnataka, Jharkhand, Orissa, Andhra Pradesh, and Chhattisgarh, have ambitious plans to leverage government support into an enormously expanded steel industry. These include state-level “industrial policies” that provide packages of incentives, including tax reductions and rebates, grants, preferential loans and goods and services for less than adequate remuneration.⁶³ Many of these policies explicitly call for Indian state governments to provide customized subsidies to certain sectors or large companies (including in the steel industry) at the discretion of state officials.⁶⁴ When the Goods and Services Tax was instituted in 2017,⁶⁵ local governments revised their incentive plans to ensure that “beneficiaries from various sectors, including automobile, steel, [and] cement” continued to receive “interest and power tariff subsidies apart from the exemption in stamp duty, octroi duty and electricity duty.”⁶⁶

4. Brazil

The Brazilian government also grants significant subsidies to its domestic industries, including its steel industry, which boost Brazilian exports, give Brazilian producers an unfair advantage in global trade competition and make it more difficult for U.S. producers to compete in Brazil and in third-country markets.

For example, the Brazilian Development Bank (BNDES) provides long-term financing at subsidized interest rates to Brazilian industries and much of this support has been

st&utm_medium=text&utm_campaign=cppst.

⁶² See, e.g., Issues and Decision Memorandum accompanying *Finished Carbon Steel Flanges from India*, 85 Fed. Reg. 18,193 (Dep’t Commerce Apr. 1, 2020) (final results of countervailing duty review) at 7 (“State Government of Uttar Pradesh – Exemption from Entry Tax for the Iron and Steel Industry); OCTG from India I&D Memo at 3-4 (listing subsidies provided by the State Government of Maharashtra and Uttar Pradesh).

⁶³ See, e.g., Karnataka Industrial Policy 2020–2025, available at <https://www.karnataka.com/industry/karnataka-industrial-policy/>; State Government of Andhra Pradesh, *Industrial Development Policy 2015-20*, available at https://www.apindustries.gov.in/VCIC/Data/PolicyDocuments/Andhra_Pradesh_Industrial_Development_Policy_2015_20.pdf; State Government of Maharashtra, *Package Scheme of Incentives 2013* (Apr. 1, 2013), available at <https://maitri.mahaonline.gov.in/PDF/PackageSchemeofIncentives2013.pdf>; Government of Haryana, *Enterprises Promotion Policy-2015*, available at https://investharyana.in/content/pdfs/Haryana_Book_Final1.pdf.

⁶⁴ See, e.g., Karnataka Industrial Policy 2020–2025; State Government of Maharashtra, *Package Scheme of Incentives 2013* (Apr. 1, 2013).

⁶⁵ See Saheli Roy Choudhury, *India rolls out its biggest tax reform in 70 years. Here’s what it means*, CNBC (June 30, 2017), available at <https://www.cnbc.com/2017/06/30/india-gst-to-bring-short-term-implementation-challenges-and-uncertainty.html>.

⁶⁶ 2024 World Steel in Figures, World Steel Association at 9.

directed at critical industries.⁶⁷ Although the Brazilian government has announced “plan[s] to reduce BNDES’s role further as it continues to promote the development of long-term private capital markets, BNDES will continue to play a large role, particularly in concession financing, such as Rio de Janeiro’s water and sanitation privatization projects, in which BNDES can finance up to 65 percent of direct investments.”⁶⁸ BNDES also recently established the Finame low carbon program, which provides financing for the acquisition and sale of solar and wind energy generation systems, solar heaters, buses and trucks that are either electric hybrids or powered exclusively by biofuel, and other machines and equipment with higher energy efficiency rates or that contribute to the reduction of greenhouse gas emissions.⁶⁹ The program allows for the financing of up to 100 percent of the investment on energy efficient products with payment terms of up to ten years with a two-year grace period, however, the products must be new, manufactured in Brazil, and accredited by the Finame program. . The Brazilian government also subsidizes its exporting industries through the Special Regime for the Acquisition of Capital Goods by Exporting Enterprises (RECAP), which suspends taxes on new machines, instruments and equipment imported by companies that commit for at least two years to export goods and services accounting for 50 percent of their overall gross income for the previous year.⁷⁰

5. Korea

For several years, the Korean government has provided subsidies for favored local industries,⁷¹ including its steel industry. Over the past several years , the United States government issued a number of countervailing duty orders on Korean steel exports, including but not limited to: (i) corrosion-resistant steel; (ii) cold-rolled steel; (iii) hot-rolled steel; (iv) carbon and alloy cut-to-length steel plate; (v) large diameter welded pipe and (vi) seamless carbon and alloy steel standard, line, and pressure pipe in response to several of these subsidies.⁷² These subsidies include: preferential loans from government banks, export loans, equity infusions, tax exemptions, and grants.⁷³

⁶⁷ 2023 Investment Climate Statement – Brazil, *available at* <https://www.state.gov/reports/2023-investment-climate-statements/brazil/>

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ USTR 2019 NTE Report at 61.

⁷¹ *Id.* at 321.

⁷² International Trade Administration, Department of Commerce, ADCVD Proceedings, *available at* <https://www.trade.gov/data-visualization/adcvd-proceedings>

⁷³ See Issues and Decision Memorandum accompanying *Certain Hot-Rolled Steel Flat Products from the Republic of Korea*, 81 Fed. Reg. 53,439 (Dep’t Commerce Aug. 12, 2016) (final affirmative determination) at Section VII.

The subsidies have had significant effects, ranging from contributing to the global steel overcapacity crisis to distorting downstream industries. For example, Korea produces almost no oil or gas,⁷⁴ yet through government subsidies has developed and sustained a pipe and tube production industry as an offtake for its excess hot-rolled coil capacity.⁷⁵ Given the lack of domestic demand for these downstream products, they are almost entirely exported and frequently end up in the U.S. market. Korea continues to be the largest exporter of OCTG to the U.S. market.⁷⁶ The Korean pipe industry is further distorted by price fixing – six Korean pipe producers were found by the Korean government to have colluded to fix prices from 2003 to at least 2013.⁷⁷

Continued high levels of steel exports from China to Korea further encourage Korean government subsidies to its steel producers to assist them in their exports of steel to other markets, including the U.S. market. According to the Commerce Department's Global Steel Trade Monitor, China exported over 8.4 million MT of steel to Korea in 2023.⁷⁸ In 2023, Korea imported 14.9 million MT of steel, while at the same time exporting 26.8 million MT of steel, resulting in Korea becoming the fourth largest net exporter of steel at 12 million MT in 2023.⁷⁹

The Trade Preferences Extension Act of 2015 (TPEA) amended the Tariff Act of 1930 to allow Commerce to disregard a respondent's actual cost of an input when the "particular market situation" (PMS) in the country of production "does not accurately reflect the cost of production in the ordinary course of trade." During Senate debate on the TPEA, Senator Brown identified the Korean OCTG and steel industries as examples of industries where government subsidization enables foreign competitors to dominate overseas markets.⁸⁰ In 2016, in the 2014 – 2015 administrative review of OCTG from

⁷⁴ U.S. Energy Information Administration, International Data, *Total Petroleum and Other Liquids Production 2015 – 2019*, available at <https://www.eia.gov/petroleum/data.php>.

⁷⁵ See Issues and Decision Memorandum accompanying *Oil Country Tubular Goods from the Republic of Korea*, 85 Fed. Reg. 41,949 (Dep't Commerce July 13, 2020) (final results of antidumping duty admin. review) at cmt. 1-B.

⁷⁶ *Drilling Down*, Fastmarkets AMM (Mar. 2020) at 10, available at https://www.amm.com/pdf/2020/Fastmarkets_STP_March2020.pdf; see also *US OCTG imports up 2.6% in December*, Steel Orbis (Feb. 9, 2022) available at <https://www.steelorbis.com/steel-news/latest-news/us-octg-imports-up-26-percent-in-december-1232897.htm?searchKey=octg%20korea&sc=article>.

⁷⁷ Don Yanchunas, *S. Korean pipe producers fixed prices: US mills*, American Metal Market (July 12, 2018), available at <https://www.amm.com/Article/3820339/S-Korean-pipe-producers-fixed-prices-US-mills.html>.

⁷⁸ International Trade Administration, Global Steel Trade Monitor, available at <https://www.trade.gov/data-visualization/global-steel-trade-monitor>

⁷⁹ 2024 World Steel in Figures, World Steel Association at 27, <https://worldsteel.org/wp-content/uploads/World-Steel-in-Figures-2024.pdf>

⁸⁰ See Issues and Decision Memorandum accompanying *Oil Country Tubular Goods from the Republic of Korea*, 85 Fed. Reg. 41,949 (Dep't Commerce July 13, 2020) (final results of antidumping duty admin.

Korea, the Commerce Department confirmed that unfairly-traded Chinese hot-rolled flat products and subsidies from the Korean government had contributed to the creation of a PMS in regards to the production of OCTG in Korea. The Commerce Department has made similar findings in subsequent Korea steel pipe administrative reviews.

Another source of subsidization by the Korean government is the state-owned Korea Electric Power Corporation (KEPCO), which was created to “satisfy the nation's electric power supply and demand.”⁸¹ According to the WTO's 2016 Trade Policy Review of Korea, “there is a direct subsidy in place in the form of the sale of electricity at prices below costs,” and, because “the electricity price varies widely between sectors,” there are significant cross-subsidies between consumers.⁸² The Korean government, through KEPCO, also purchases electricity from steel producers for more than adequate remuneration, only to sell it back to them at subsidized prices.

The WTO's trade policy review of Korea notes that, in addition to provision of below-cost inputs to industrial consumers like the steel industry, “tax incentives are used extensively as an instrument of industrial policy to encourage investment” and “state-owned financial institutions have a major role in assisting Korea's industrial development.”⁸³ With respect to the steel industry:

The government has been providing funds to raise the competitiveness of the steel sector in producing high-end products: 30 steel products are selected over a period of 10 years (3 products per year). Financial support of W100 billion is to be provided until 2019, with the aim of manufacturing the world's best eco-friendly smart steel plates under the World Premier Materials project. To establish a “green steel industry,” the Government is to provide W150 billion, representing 60 percent of the firm's total R&D costs (possibly from 2012) for eight years, to develop CO2-free technologies for the iron and steel sector.⁸⁴

Counter to its efforts to develop a greener industry, the government also provides carbon emissions credits for free or at subsidized prices to steel companies.⁸⁵ In

review) at cmt. 1-B (citing Congressional Record-Senate, S2899, S2900 (May 14, 2015)).

⁸¹ KEPCO Overview, available at

<http://home.kepco.co.kr/kepco/EN/A/htmlView/ENAAHP001.do?menuCd=EN010101>

⁸² Republic of Korea, Trade Policy Review (2016), WT/TPR/346 at 93.

⁸³ Republic of Korea, Trade Policy Review (2016), WT/TPR/346 at 89-90.

⁸⁴ *Id.* at 131.

⁸⁵ *Korea Emissions Trading Scheme*, International Carbon Action Partnership (updated Sept. 15, 2020), available at

[https://icapcarbonaction.com/en/?option=com_etsmap&task=export&format=pdf&layout=list&systems\[\]=47](https://icapcarbonaction.com/en/?option=com_etsmap&task=export&format=pdf&layout=list&systems[]=47); Asia Development Bank, *The Korea Emissions Trading Scheme: Challenges and Emerging Opportunities*

September 2016, the Korean government issued a detailed industrial policy plan to support the modernization and “price competitiveness” of the domestic steel industry.⁸⁶ The plan calls on the government to provide capital to steel producers for R&D, acquisitions, and investment in new facilities for producing high value-added products, including through the Korea Development Bank and the Ministry of Trade, Industry, and Energy.⁸⁷ In an administrative review of the countervailing duty order on Certain Corrosion-Resistant Steel Products from Korea, the Commerce Department found that Korean steel company Dongbu received long-term loans from the Korea Development Bank and benefited from the restructuring of debt despite being uncreditworthy.⁸⁸

The Korean government also heavily subsidizes the domestic shipbuilding industry, one of the key demand drivers for steel, both by purchasing from the industry and providing financial benefits to companies that will make purchases.⁸⁹ In November 2018, the government of Japan requested consultations with Korea over the subsidization of its shipbuilding industry and the European Union joined in the consultations⁹⁰ and filed an additional complaint in 2020, however neither of these cases ever moved past consultations.⁹¹ In early October 2020, in an administrative review of the countervailing duty order on Certain Hot-Rolled Steel Products from Korea, the Commerce Department found that the Korean government had provided subsidies to Hyundai Steel in the form of free port usage rights and the right to collect fees from third-party users.⁹²

In addition to these subsidies, the Korean government manages its currency, providing a benefit to domestic manufacturers. The Treasury Department assessed that the Korean “won depreciated 3.7 percent against the dollar in 2019, while depreciating slightly on a real effective basis.”⁹³ AISI agrees with the Treasury Department that as a country with

(Nov. 2018) at 15, available at <https://www.adb.org/sites/default/files/publication/469821/korea-emissions-trading-scheme.pdf>.

⁸⁶ Government of the Republic of Korea, *Proposal for Strengthening the Competitiveness of the Steel Industry* (Sept. 30, 2016).

⁸⁷ *Id.*

⁸⁸ Issues and Decision Memorandum accompanying *Certain Corrosion-Resistant Steel Products from the Republic of Korea*, 81 Fed. Reg. 35,310 (Dep’t Commerce June 2, 2016) (final affirm. deter., and final affirm. critical circumstances deter., in part) at 26-34.

⁸⁹ Government of the Republic of Korea, Ministry of Trade, Industry and Energy, *Gov’t provides five measures to increase competitiveness of shipping industry*, Press Release (Oct. 31, 2017).

⁹⁰ WTO, *DS571: Korea – Measures Affecting Trade in Commercial Vessels (Japan)*, available at https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds571_e.htm.

⁹¹ WTO, *DS594: Korea-Measures Affecting Trade in Commercial Vessels (second complain) (Japan)*, available at https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds594_e.htm

⁹² Issues and Decision Memorandum accompanying *Certain Hot-Rolled Steel Flat Products From the Republic of Korea*, 85 Fed. Reg. 64,122 (Dep’t Commerce Oct. 9, 2020) (final results of countervailing admin. review).

⁹³ U.S. Department of the Treasury, *Foreign Exchange Policies of Major Trading Partners of the United States*

well-developed institutions and markets, Korea “should limit currency intervention to only truly exceptional circumstances of disorderly market conditions.”⁹⁴

Despite numerous affirmative countervailing findings, the Korean government has demonstrated a firm resolve to subsidize its steel industry through all available channels. AISI emphasizes the heightened threat that such pervasive subsidization poses to the U.S. industry and encourages the U.S. government to prioritize resolving the overarching issue of the Korean government’s interference in its steel industry.

6. Vietnam

The Vietnamese government provides subsidies to select industries, in an effort to support the development of the domestic economy. The Commerce Department recently found in its investigation of Vietnam’s wind tower industry that the Vietnamese government provides import duty exemptions on imports of raw materials used in exported goods.⁹⁵ Under Decree No. 75/2011/ND-CP, the Government of Vietnam provides investment credit and export credit to companies participating in eligible projects, such as producers of cold-rolled steel.⁹⁶ The Vietnamese government also supports small and medium-sized enterprises through payment for consulting services and training programs.⁹⁷ Additionally, Commerce last year announced that it had denied Vietnam’s request for market economy status, citing the Vietnamese government’s continued interference in the economy.⁹⁸

The Vietnamese government also manipulates its currency – the Vietnamese dong – as a means of subsidizing its domestic exporters, which include Vietnamese steel producers. Indeed, in 2021, USTR published a report detailing the findings of its investigation under Section 301 of the Trade Act of 1974 concluding that “Vietnam’s acts, policies,

(Jan. 2020) at 6, 25, *available at* <https://home.treasury.gov/system/files/136/20200113-Jan-2020-FX-Report-FINAL.pdf>.

⁹⁴ *Id.*

⁹⁵ See Memorandum from Davina Friedmann, Senior Case Analyst, AD/CVD Operations, Off. VI to Erin Kearney Program Manager AD/CVD Operations, Off. VI, re: *Final Determination of Countervailing Duty Investigation of Utility Scale Wind Towers from Vietnam: Calculation Memorandum for CS Wind Vietnam Co., Ltd.* (June 29, 2020) at 5.

⁹⁶ See Statement of Reasons Concerning the Final Determinations with Respect to the Dumping and Subsidizing of Cold-Rolled Steel from China, South Korea, and Vietnam, Canada Border Services Agency (Nov. 15, 2018) at Appendix II.

⁹⁷ Pritesh Samuel, *Government Incentives for SMEs in Vietnam – 2 New Circulars*, Vietnam Briefing (Sept. 3, 2019), *available at* <https://www.vietnam-briefing.com/news/government-incentives-smes-vietnam-2-new-circulars.html/>.

⁹⁸ *Raw Honey From the Socialist Republic of Vietnam: Initiation of Antidumping Duty Changed Circumstances Review*, 89 Fed Reg. 64411-12 (International Trade Administration August 7, 2024)

and practices with respect to currency valuation, including excessive foreign exchange market interventions and other related actions, taken in their totality, are unreasonable and burden or restrict U.S. commerce.”⁹⁹ Specifically, the USTR found that “Vietnam manages its exchange rate based on its interest in achieving certain economic goals; that the acts, policies, and practices it has chosen with respect to the exchange rate have contributed to undervaluation of the exchange rate; that Vietnam uses FX market interventions as a key tool to manage the exchange rate in a manner that has contributed to persistent undervaluation; and that this undervalued exchange rate is accompanied by substantial current account and trade imbalances (including with the United States).”¹⁰⁰ This investigation followed a determination from the Treasury Department that the Vietnamese currency was undervalued in 2019 by approximately 4.7 percent, due in part to interventions from the Vietnamese government.¹⁰¹ Likewise, the Commerce Department has countervailed the undervaluation of the Vietnamese dong as a subsidy in the agency’s ongoing investigation of Passenger Vehicle and Light Trucker Tires from Vietnam, finding that currency was undervalued both in the POI, *i.e.*, 2019, and in the years immediately preceding the POI .¹⁰²

In July 2021, the Treasury Department reached an agreement with the State Bank of Vietnam (SBV) that recognized that Vietnam is bound under the Articles of Agreement of the IMF to avoid manipulating its exchange rate to prevent effective balance of payments or gain an unfair competitive advantage and that it will “refrain from any competitive devaluation of the Vietnamese dong.”¹⁰³ The joint statement also states that the SBV is “making ongoing efforts to further modernize and make more transparent its monetary policy and exchange rate framework.”¹⁰⁴

As highlighted above, when a country intervenes in its currency markets to weaken its domestic currency it can have a profound and adverse effect on its foreign trading partners. Accordingly, AISI encourages USTR to ensure that Vietnam implements the agreement to ensure that it does not manipulate its exchange rate for the benefit of

⁹⁹ USTR, *Section 301 Investigation: Report on Vietnam’s Acts, Policies, and Practices Related to Currency Valuation* (Jan. 15, 2021), available at

<https://ustr.gov/sites/default/files/files/Press/Releases/Vietnamcurrency301report.pdf>.

¹⁰⁰ *Id.* at 1.

¹⁰¹ David Lawder, *U.S. Treasury says Vietnam currency was undervalued in 2019 in tire probe assessment*, Reuters (Aug. 25, 2020), available at <https://www.reuters.com/article/us-usa-trade-vietnam/u-s-treasury-says-vietnam-currency-was-undervalued-in-2019-in-tire-probe-assessment-idUSKBN25L24X>.

¹⁰² See *Issues and Decisions Memorandum for the Final Determination in the Countervailing Duty Investigation of Passenger Vehicle and Light Truck Tires From the Socialist Republic of Vietnam*, DOC Case No. C-552-829 (Inv.) at 24 (May 21, 2021).

¹⁰³ U.S. Department of the Treasury, *Joint Statement from the U.S. Department of the Treasury and the State Bank of Vietnam* (July 19, 2021), available at <https://home.treasury.gov/news/press-releases/jy0280>.

¹⁰⁴ *Id.*

Vietnamese exporters and to the detriment of U.S. companies seeking to do business in Vietnam.

7. Indonesia

Indonesia provides fiscal and non-fiscal incentives to local companies, ranging from tax incentives, land assistance, and discounted electricity. The steel industry in Indonesia is dominated by Krakatau Steel, an Indonesian SOE, which is heavily subsidized. The Indonesian government bailed out Krakatau Steel by restructuring \$2.2 billion in debt.¹⁰⁵ Other subsidies to Krakatau Steel include equity infusions,¹⁰⁶ local content requirements, and provision of iron ore and coal for LTAR because of export bans on minerals. Further as discussed below, Krakatau Steel has created several joint venture steel companies, which are also subsidized both by the Indonesian government and other governments through transnational subsidies.

Indonesia has 41 state-owned enterprises, which operate in almost all sectors of the economy, including mining, energy, manufacturing, steel, and logistics.¹⁰⁷ According to the State Department, twenty Indonesian SOEs account for a quarter of the value of all listed shares on the Indonesian stock exchange.¹⁰⁸ Moreover, SOEs make up 55 percent of the Indonesian economy.¹⁰⁹ Additionally, many sectors report that SOEs “receive strong preference for [Government of Indonesia] projects.”¹¹⁰ For example, former Indonesian President Joko “Jokowi” Widodo has placed SOEs at the center “of the government’s economic development plans” and “aims to expand the SOE sector rather than make it lean.”¹¹¹ In fact, in 2015, the Indonesian government injected \$3 billion into various SOEs.¹¹² Recipients of the funds include Aneka Tambang, which plans to build

¹⁰⁵ *Krakatau Steel will finish the restructuring of its US\$ 2.2 billion debt by the end of 2019*, IDN Financials (Dec. 13, 2019), available at <https://www.idnfinancials.com/news/30791/krakatau-steel-finish-restructuring-debt>.

¹⁰⁶ *Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia*, 64 Fed. Reg. 40,457, 40,462 (Dep’t Commerce July 26, 1999) (preliminary affirmative countervailing duty determination and alignment of final countervailing duty determination with final antidumping duty determination).

¹⁰⁷ U.S. Department of State, Bureau of Economic and Business Affairs, *2023 Investment Climate Statements: Indonesia* (2024) available at: <https://www.state.gov/reports/2024-investment-climate-statements/indonesia/>; Kyunghoon Kim, *Jokowi wakes up the leviathan*, New Mandala (Dec. 2, 2016).

¹⁰⁸ *Id.*

¹⁰⁹ U.S. Department of State, Bureau of Economic and Business Affairs, *2022 Investment Climate Statements: Indonesia* (2022), available at <https://www.state.gov/reports/2022-investment-climate-statements/indonesia/>.

¹¹⁰ *Id.*

¹¹¹ Kyunghoon Kim, *Jokowi wakes up the leviathan*, New Mandala (Dec. 2, 2016), available at <https://www.newmandala.org/jokowi-wakes-leviathan/>.

¹¹² *Id.*

an alumina refinery, and Krakatau Steel, which plans to modernize its plants.¹¹³ In 2018, the Indonesian government issued a plan to use state-owned holding companies as a way to stimulate sluggish economic growth in the country by putting large sums of capital towards supporting the expansion of SOEs.¹¹⁴ In 2020, Krakatau Steel benefited from a government orchestrated debt restructuring.¹¹⁵

III. RAW MATERIALS EXPORT RESTRICTIONS

Many countries have enacted substantial barriers to raw material exports to ensure an abundant domestic supply, at low prices, for their steelmakers and other manufacturers. These export barriers include, but are not limited to, export quotas, taxes, and licensing requirements. Foreign governments use such restrictions to discourage exports of raw materials, promote the development of domestic industries, and subsidize domestic downstream industries.

Many of these trade barriers violate WTO agreements, and all of them adversely impact U.S. manufacturers and the entire global economy. Manufacturing industries in the countries that engage in this market manipulation are granted an unfair competitive advantage, while manufacturers in other countries, like the United States, face limited supplies and higher prices for strategic raw materials.¹¹⁶ The result is an increase in costs throughout the production chain, from intermediate to finished goods, as well as other distortions throughout the global economy. Some of the most restrictive global export barriers, which negatively affect the U.S. and global steel industries, are described below.

¹¹³ Wataru Suzuki, *Indonesia's growth strategy: Inject cash into state companies*, Nikkei Asian Review (Feb. 5, 2015), available at <https://asia.nikkei.com/Business/Indonesia-s-growth-strategy-Inject-cash-into-state-companies>; *Indonesia's Antam-Inalum's alumina smelter delayed to 2024*, Reuters (March 21, 2022), available at <https://www.reuters.com/article/indonesia-aluminium/indonesias-antam-inalums-alumina-smelter-delayed-to-2024-idUSL3N2VO1LY>.

¹¹⁴ Kyunghoon Kim, *Indonesia's state-owned predicament*, Asia & the Pacific Policy Society (June 26, 2018), available at <https://www.policyforum.net/indonesias-state-owned-predicament/>.

¹¹⁵ *House of Representatives approves Rp 3 trillion government loan for Krakatau Steel*, IDN Financials (July 16, 2020), available at <https://www.idnfinancials.com/news/35212/house-representatives-approves-government-loan-krakatau-steel>.

¹¹⁶ See OECD, *Steelmaking Raw Materials: Market and Policy Developments*, DSTI/SU/SC (2012)1/FINAL (Oct. 11, 2012) at 57 ("OECD, *Steelmaking Raw Materials 2012*"); Presentation of the Secretariat for the 81st Steel Committee Meeting, Item 4. *Developments in Markets for Steelmaking Raw Materials: Assessing the Gains from More Open Export Policies* (Sept. 8, 2016) at 2.

A. China

China controls approximately 63 percent of global rare earths mining capacity and 85 percent of global rare earths refining capacity,¹¹⁷ and for years, the Chinese government has imposed export quotas, export taxes, and other measures to limit the export of raw materials, for the benefit of its domestic industries. These restraints have caused a global scarcity of certain raw materials and have driven up prices of raw materials in global markets. China has moved to strengthen state control over the rare earths industry in a manner that may also result in *de facto* restraints on exports of these raw materials. In December 2021 China approved a merger of three of China's largest rare earth SOE's along with two other companies creating the China Rare Earth Group which accounts for 30 percent of China's production of rare earth metals as well as 60-70 percent of China's heavy rare earth metals.¹¹⁸

Chinese exertion of state control over its rare earth industry is a vital part of China's plan to develop integrated supply chains.¹¹⁹ Despite two WTO Dispute Settlement Body findings that China's export restrictions on raw materials are inconsistent with its WTO obligations, China appears to have no intention of ending its use of such restraints, if in different forms, to advance its trade and industrial agenda. The raw materials, including copper, magnesia, tin, among others, are critical for the competitiveness of American manufacturing. China's export duties artificially raised the prices of these materials for global manufacturers across industries ranging from wind energy to

¹¹⁷ Lara Seligman, China Dominates the Rare Earths Market. This U.S. Mine Is Trying to Change That, Politico, (Dec. 14, 2022) available at: <https://www.politico.com/news/magazine/2022/12/14/rare-earth-mines-00071102>.

¹¹⁸ Felix K Chang, China's Rare Earth Metals Consolidation and Market Power, Foreign Policy Institute, (March 2, 2022) available at: <https://www.fpri.org/article/2022/03/chinas-rare-earth-metals-consolidation-and-market-power/>

¹¹⁹ In 2016, MIIT also issued a Rare Earths Industry Development Plan (2016-2020), which calls for continuing development of downstream application industries pursuant to Made in China 2025, and for reducing exports of primary rare earth materials 27 percent by 2020. While the plan does identify formal measures to achieve this, it also seeks to "establish a social responsibility report system and credit blacklist system for rare earth exporting enterprises, which could be used to exert political pressure or otherwise coerce potential exporters to reduce exports and channel rare earth resources to domestic strategic industries. It is thus likely that the six state enterprise rare earth groups will not operate on a purely commercial basis and will channel rare earth supplies to favored domestic industries or enterprises to further industrial policy objectives. Notice of the Ministry of Industry and Information Technology Regarding Publication of the Rare Earths Industry Development Plan (2016-2020) Gong Xin Bu Gui [2016] No. 319 (Sept. 29, 2016) at 11-12, 27.

defense.¹²⁰ AISI agrees with USTR that it is “deeply concerning that the United States has been forced to bring multiple cases to address the same obvious WTO violations.”¹²¹

In February 2024, China released its first batch of quotas for rare earth mining and smelting and separation for 2024, with a rare earth mining quota of 135,000 tonnes, and a smelting and separation quote of 127,000 tonnes, up by 12.5 percent and 10.4 percent from 2023.¹²² Additionally, this year China proposed new regulations to further control the supply of rare earth minerals, stating that these resources belong to the government and it will therefore oversee the development of the industry, of which China accounts for roughly 90 percent of the global supply.¹²³

China seeks to undermine U.S. national security and defense by reducing the availability of rare earths.¹²⁴ With some of China’s own sources for key raw materials at risk, the possibility that it resorts to more export restraints will only increase.¹²⁵ To this end, supply chain issues during the COVID-19 pandemic highlighted the importance of diversifying China’s sources for inputs.¹²⁶ Since rare earths constitute a small portion of manufacturing costs, individual manufacturers or industries often do not have the

¹²⁰ See Robert Castellano, A new China rare earth embargo would damage several U.S. companies’ technology competitiveness, Seeking Alpha (June 28, 2018), available at <https://seekingalpha.com/article/4184580-new-china-rare-earth-embargo-damage-several-u-s-companies-technology-competitiveness>; Barbara Lewis and Ernest Sheyder, China cutting rare earth output, unnerving global manufacturers, Reuters (Oct. 24, 2018), available at <https://www.reuters.com/article/us-china-rareearths/china-cutting-rare-earth-output-unnerving-global-manufacturers-idUSKCN1MY2GZ>; Panos Mourdoukoutas, China Threatens To Cut Rare Earths Suppliers To the U.S. – Bad Idea, Forbes (May 16, 2019), available at <https://www.forbes.com/sites/panosmourdoukoutas/2019/05/16/china-threatens-to-cut-rare-earths-supplies-to-the-us-bad-idea/#5193244e7486>.

¹²¹ USTR 2023 NTE Report at 97.

¹²² The Fastmarkets team, China issues first batch of rare earth quotas for 2024, Fastmarkets, (Feb 7, 2024) available at: <https://www.fastmarkets.com/insights/china-issues-first-batch-of-rare-earths-quotas-for-2024/>

¹²³ Reuters, “China issues rare earth regulations to further protect domestic supply” (June 29, 2024), available at: <https://www.reuters.com/markets/commodities/china-issues-rare-earth-regulations-further-protect-domestic-supply-2024-06-29/#:~:text=The%20regulations%2C%20issued%20by%20the,world's%20dominant%20producer%2C%20accounting%20for>

¹²⁴ Sun Yu and Demetri Sevastopulo, China targets rare earth export curbs to hobble US defense industry, Financial Times, (Feb. 16, 2021) available at <https://www.ft.com/content/d3ed83f4-19bc-4d16-b510-415749c032c1>.

¹²⁵ Andy Home, Pressure builds on China’s raw materials supply chains, Reuters (Apr. 2, 2020), available at <https://reut.rs/2Fsgwri>.

¹²⁶ Jamie Smyth, US-China: Washington revives plans for its rare earths industry, Financial Times (Sept. 14, 2020), available at <https://on.ft.com/3nObbMr>.

means to prioritize developing alternative sources.¹²⁷ Experts emphasize that developing alternative sources of rare earths may require a level of funding to which only governments have access.¹²⁸

B. India

India ranks among the world's leading producers of many critical raw materials, including coal, iron ore, manganese ore, chromite, zinc, bauxite, and aluminum.¹²⁹ Despite substantial reserves of such materials,¹³⁰ India restricts their exports to manage the price of certain raw materials and other economic inputs and benefit its own consuming industries. Such measures include export tariffs, export quotas, and an opaque and confusing export licensing scheme, each of which significantly reduces India's contribution to the world's supply of raw materials used in steel production.¹³¹

C. Indonesia

Indonesia has imposed a number of export restrictions on various raw materials that are important to steel production such as nickel. For example, it initially implemented a full ban on the export of nickel ore in 2014 to ensure ample supply of raw materials at below cost for a newly-established stainless steel producer.¹³² In response, one Chinese company, Tsingshan, built a 3.0 to 3.5 million MT production stainless steel facility in Indonesia, almost exclusively for export markets to the United States and Europe, as Indonesian consumption of stainless steel products is well below the annual production capabilities at this facility.¹³³ While the government of Indonesia in January

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ India Brand Equity Foundation, Metals and Mining Sept 4, 2020), available at <https://www.ibef.org/industry/metals-and-mining.aspx>.

¹³⁰ *Id.*; U.S. Geological Survey, Mineral Commodity Summaries (2020) at 21 31, 47, 105, available at <https://pubs.usgs.gov/periodicals/mcs2020/mcs2020.pdf>.

¹³¹ USTR 2019 NTE Report at 245-246.

¹³² China's stainless sector facing tough March: Tsingshan, Fastmarkets AMM (Feb. 28, 2019), available at <https://www.amm.com/Article/3314585/Chinas-stainless-sector-facing-tough-March-Tsingshan.html>.

¹³³ In November 2017, a 50-50 joint venture was announced between U.S.-based Allegheny Technologies and an affiliate of the Tsingshan Group to produce stainless steel sheet in North America using Indonesian redi-to-roll slabs, which are then hot rolled into coils in the United States. Grace Lavigne Asenov, ATI, Tsingshan form stainless sheet venture (update) Fastmarkets AMM (Nov. 2, 2017), available at <https://www.amm.com/Article/3763984/ATI-Tsingshan-form-stainless-sheet-venture-update.html>. Further, in February 2019, a Chinese consortium led by Contemporary Amperex Technology Ltd and Tsingshan began working on a lithium battery industrial park in Sulawesi, Indonesia. In July 2020, Tsingshan expanded their investment to \$15 billion and shortly thereafter Indonesia re-implemented a complete ban on nickel exports for 2020 through 2022. A Chinese Steel Giant Is Upsetting the Global

2017 announced a partial lifting of the export ban, a new ban on nickel ore exports went into effect in January 2020, two years earlier than originally planned.¹³⁴ As a result of this action by the Indonesian government, in November 2019, the European Union filed a complaint at the WTO on Indonesia's export bans and policies on nickel ore in particular, as well as scrap, coal and coke, iron ore and chromium, and in November 2022 the WTO ruled in favor of the European Union.¹³⁵ In 2022, Indonesia's President announced his intent to stop exports of other raw materials from Indonesia, including bauxite ore, gold, and tin ore.¹³⁶

The restrictions on nickel exports are particularly troubling given that Indonesia has the largest nickel ore mining reserves in the world. According to a report by S&P Global Indonesian nickel production dominated the world market in 2023 accounting for 40.2 percent of the world's nickel.¹³⁷ Notably, Indonesia's nickel export restrictions have encouraged foreign steelmakers to invest heavily in Indonesia to take advantage of these restrictions at the expense of U.S. and other world steelmakers by manipulating the nickel market¹³⁸ and producing stainless steel with nickel pig iron (NPI) that generates nearly 10 metric tons of CO₂-equivalent per metric ton of stainless steel.¹³⁹ AISI encourages USTR to work with its counterparts, particularly in Europe, to address these export restrictions that distort world markets for key steel making raw materials.

Nickel Market, Bloomberg (Nov. 1, 2019), available at <https://www.bloomberg.com/news/articles/2019-11-01/the-chinese-steel-giant-that-s-roiling-the-global-nickel-market>.

¹³⁴ Bernadette Christina, "Indonesian nickel miners consider selling ore locally ahead of 2020 ban, Reuters (Nov. 12, 2019), available at <https://www.reuters.com/article/us-indonesia-nickel/indonesian-nickel-miners-consider-selling-ore-locally-ahead-of-2020-ban-idUSKBN1XM1QS>

¹³⁵ WTO backs EU in nickel dispute, Indonesia plans appeal, Reuters (November 30, 2022), available at <https://www.reuters.com/markets/commodities/indonesia-plans-appeal-after-losing-wto-nickel-dispute-with-eu-2022-11-30/>.

¹³⁶ Jo-Ann Huang, Turning nickel into EV batteries: Indonesia wants to take its mining industry to the next level (April 13, 2022), available at <https://www.cnbc.com/2022/04/14/indonesia-wants-to-stop-exporting-minerals-make-value-added-products.html>.

¹³⁷ Indonesian nickel production dominated commodity market, S&P Global, (Feb 6, 2024) available at: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/indonesian-nickel-production-dominates-commodity-market-80242322>

¹³⁸ See The 18 Minutes of Trading Chaos that Broke the Nickel Market, March 14, 2022, <https://www.bloomberg.com/news/articles/2022-03-14/inside-nickel-s-short-squeeze-how-price-surges-halted-lme-trading>; Nickel Drama Highlights Tsingshan's Role in Energy Transition, May 13, 2022, <https://chinadialogue.net/en/business/nickel-drama-highlights-tsingshans-role-in-energy-transition/>.

¹³⁹ In contrast, highly scrap-reliant U.S. stainless steel producers generate approximately 2 metric tons of CO₂-equivalent per metric ton of stainless steel.

D. Other Global Export Restrictions

The OECD has identified a significant number of export restrictions on raw materials used in steelmaking by various countries.¹⁴⁰ For example:

- On July 2, 2016, Argentina implemented a 360-day ban on all exports of scrap of iron, steel, copper, and aluminum. According to USTR, Argentina has “consistently extended the ban in subsequent years.”¹⁴¹ The Government most recently extended this ban on February 11, 2023, through December 31, 2024.¹⁴²
- China India, Ukraine, Kazakhstan, Russia, and several EU countries all impose export restrictions on coking coal.¹⁴³
- Malaysia imposes a non-automatic export licensing requirement on exports of minerals and ores.¹⁴⁴
- Vietnam continues to impose a 40 percent export tax on iron ore, and a 22 percent export tax on nickel, cobalt, aluminum, lead, and zinc ores and concentrates.¹⁴⁵ Further, Vietnam imposes a 10 to 15 percent export tariff on coal, which the government has refused to lower.¹⁴⁶ On July 14, 2021,

¹⁴⁰ OECD, *Export Restrictions in Raw Materials* at 27-32; Directorate-General for External Policies, Policy Department, *Trade in Commodities: Obstacles to Trade and Illegal Trade* (2015) at 18-20.

¹⁴¹ USTR 2021 NTE Report at 25.

¹⁴² Argentina: Government re-establishes temporary export ban on certain ferrous and non-ferrous products and extends it to plastic products, *Global Trade Alert*, (February 10, 2023) available at <https://www.globaltradealert.org/intervention/116879/export-ban/argentina-government-re-establishes-temporary-export-ban-on-certain-ferrous-and-non-ferrous-products-and-extends-it-to-plastic-products>.

¹⁴³ OECD Methodological note to the Inventory of Export Restrictions on Industrial Raw Materials Document (Jan. 12, 2020), available at: <https://www.oecd.org/trade/topics/trade-in-raw-materials/documents/methodological-note-inventory-export-restrictions-industrial-raw-materials.pdf>.

¹⁴⁴ USTR 2021 NTE Report at 346.

¹⁴⁵ See MoF maintains raw iron export tax, *Viet Nam News* (July 13, 2017). OECD, *Export Restrictions in Raw Materials* at 29. See also Vietnam metallurgy association raises alarm over illegal iron ore exports to China, *Tuoi Tre News* (Aug. 2, 2014); Has iron ore been smuggled across the border?, *Vietnam.net* (Dec. 2, 2014); 2013 WTO Trade Policy Review Report: Vietnam at 173, Table A3.5; see also Trang Nguyen, *A Guide to Import and Export Procedures in Vietnam*, *Vietnam Briefing* (Sept. 9, 2021), available at <https://www.vietnam-briefing.com/news/a-guide-to-import-and-export-procedures-vietnam.html/>.

¹⁴⁶ See Finance Ministry refuses to cut tax rates for coal industry, *Vietnam.net* (July 31, 2017).

Vietnam announced that it was imposing a 5 percent export tariff on billet.¹⁴⁷

E. Global Export Restrictions on Steel Scrap

Steel scrap, a raw material in which few countries are self-sufficient despite worldwide production, is subject to more export restrictions than any other steel input.¹⁴⁸ The global steel industry depends on trade in scrap and other key raw materials such as iron ore, coke, coal, and ferroalloys. Free global trade of steel scrap is especially important given the role steel scrap plays in facilitating reduced emissions in both integrated and electric arc furnace steelmaking. Approximately 30 countries restrict scrap exports, which has resulted in market distortions, severe shortages, and increased prices.

1. Effects of Scrap Export Restrictions

Export restrictions on steel scrap have a significant effect on the world market. Reduced international supply can lead to higher global prices. Limits on scrap availability impact all consumers of scrap and negatively impact important manufacturing sectors in the U.S. economy. Because the vast majority of steel scrap is used to make new steel, government restrictions on global scrap supply have adverse effects on those U.S. steelmakers that use electric arc furnaces for production as scrap is a significant input. Other key U.S. industries affected include foundries, construction, automotive manufacturing, and appliances. The problem impacts companies of all sizes, from national manufacturers to small family-owned businesses, and jeopardizes jobs in manufacturing and consuming industries.

While export restrictions depress global steel scrap availability, often causing prices to increase,¹⁴⁹ countries imposing the restrictions can maintain higher stocks of the material at lower prices within their countries, thus subsidizing their downstream industries and giving local producers an unfair competitive advantage. Furthermore, frequent changes to these restrictions, coupled with a general lack of transparency, create significant uncertainty over scrap supply and availability, rendering scrap prices highly volatile.

¹⁴⁷ Vietnam to impose 5% export tax on steel billets, cut import tax on some products, Reuters (July 14, 2021), available at <https://www.reuters.com/article/us-vietnam-steel-tariffs/vietnam-to-impose-5-export-tax-on-steel-billets-cut-import-tax-on-some-products-idUSKBN2EK11Y>.

¹⁴⁸ OECD, *Steelmaking Raw Materials* 2012 at 56; Presentation of Eric Harris, OECD/South Africa Workshop on *Steelmaking Raw Materials* (Dec. 11, 2014) at 9.

¹⁴⁹ See K.C. Fung and Jane Korinek, *Economics of Export Restrictions as Applied to Industrial Raw Materials*, OECD Trade Policy Paper No. 155, TAD/TC/WP (2012)23/FINAL (Apr. 26, 2013) at 4.

2 Scrap Export Restrictions Imposed Globally

A number of countries have imposed complete bans on scrap exports, including the following: Argentina;¹⁵⁰ Armenia;¹⁵¹ Guyana;¹⁵² Indonesia;¹⁵³ Kazakhstan;¹⁵⁴ Kenya;¹⁵⁵ Nigeria;¹⁵⁶ Sri Lanka;¹⁵⁷ Trinidad and Tobago;¹⁵⁸ and the UAE.¹⁵⁹ Moreover, other countries are considering, or have already implemented, new steel scrap restrictions.

Mexico has also instituted an export ban on scrap metal used in food containers.¹⁶⁰ AISI urges USTR to closely monitor these developments, which would be inconsistent with the goals of USMCA.

¹⁵⁰ Argentina extends scrap export restrictions, available at <https://www.kallanish.com/en/news/steel/market-reports/article-details/argentina-continues-to-restrict-scrap-exports-1221/>.

¹⁵¹ Gayane Hovsepyan, Armenia Temporarily Bans Export of Non-Ferrous Scrap, *hetq* (Jan. 14, 2021), available at: <https://hetq.am/en/article/126257>.

¹⁵² In February 2017, the Guyana government temporarily resumed scrap trade for “for a limited period of three months.” Scrap metal trade opens for 3 months, *Guyana Times* (Feb. 6, 2017), available at <https://guyanatimesgy.com/scrap-metal-trade-opens-for-3-months/>. See also Scrap metal dealers call on Govt to lift ban on export (March 18, 2021), available at <https://guyanatimesgy.com/scrap-metal-dealers-call-on-govt-to-lift-ban-on-export/>.

¹⁵³ USTR 2019 NTE Report at 293; USTR 2020 NTE Report at 275; DJJ OECD Presentation at 18.

¹⁵⁴ Kazakhstan introduces a ban on scrap exports from May 6 (April 28, 2022), available at <https://gmk.center/en/news/kazakhstan-introduces-a-ban-on-scrap-exports-from-may-6/>.

¹⁵⁵ State to lift ban on scrap metal business, *Business Daily* (Mar. 16, 2022), available at <https://www.businessdailyafrica.com/bd/economy/state-plans-to-lift-ban-on-scrap-metal-business-3750198>.

¹⁵⁶ WTO, Trade Policy Review: Nigeria, WT/TPR/S/356 (May 9, 2017) at 45; DJJ OECD Presentation at 18.

¹⁵⁷ Sri Lanka restricts scrap metal exports Nation’s government cites need to boost domestic metals production, *Recycling Today* (Nov. 17, 2020), available at <https://www.recyclingtoday.com/article/sri-lanka-scrap-metal-export-restrictions/>.

¹⁵⁸ T&T following Guyana in move to curb metals theft (Aug. 19, 2022), available at: <https://www.stabroeknews.com/2022/08/19/business/tt-following-guyana-in-move-to-curb-metals-theft/>.

¹⁵⁹ KPMG: UAE: Temporary ban on export and re-export of iron scrap and paper waste (July 20, 2022), available at <https://home.kpmg/us/en/home/insights/2022/07/tnf-uae-temporary-ban-on-export-and-re-export-of-iron-scrap-and-paper-waste.html>.

¹⁶⁰ Mexico curbs key food exports, cutting red tape and sanitary rules to combat inflation (Oct. 4, 2022), available at <https://www.foodingredientsfirst.com/news/mexico-curbs-key-food-exports-cutting-red-tape-and-sanitary-rules-to-combat-inflation.html#:~:text=Mexico%20curbs%20key%20food%20exports,sanitary%20rules%20to%20combat%20infla%20ti on&text=04%20Oct%202022%20%2D%2D%20Mexico's,down%20its%2014.2%25%20food%20inflatio n>

The Honorable Jamieson Greer

March 11, 2025

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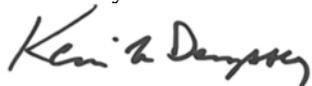
The EU has announced proposals aimed at restricting the export of “waste” materials, including metals, as part of its review of the Waste Shipment Regulation.¹⁶¹ Recycled ferrous metals, including steel, are infinitely recyclable, with the vast majority of the metals in use today having been produced with recycled metals as the raw material input. While branded as an effort to increase recycling within the EU, these proposed revisions fail to distinguish between problematic and non-problematic waste streams, treating steel scrap the same as other wastes (*e.g.*, plastics) that raise real environmental problems. Elements of these proposals appear targeted towards providing European steel manufacturers with a cost advantage and not towards achieving legitimate climate goals. AISI is concerned that any restrictions on the EU’s export of recycled material will have the harmful and trade-distorting effect of restricting the export of scrap and other critical raw materials used in steelmaking. The resulting impacts would be detrimental to the competitiveness of American steelmaking.

Notably, China imposes a 40 percent export tax on scrap, severely restricting its exports of the raw material and benefiting its domestic manufacturers. Depending on global scrap prices, this export tax is at times high enough to amount to a *de facto* export ban. China now produces and uses more steel scrap than any other country, and its scrap reservoir is projected to continue growing rapidly for at least another decade. Restrictions on access to this reservoir of scrap are a major competitive disadvantage for U.S. steel producers and an unfair competitive advantage for Chinese steel producers.

IV. CONCLUSION

The unfair trade practices described in this submission distort global trade and international competition and harm the American steel industry. As the administration looks to restore fairness in U.S. trade relations and counter non-reciprocal trade arrangements, AISI recommends taking action to ensure that policies like the ones outlined above do not further harm American workers and industries alike.

Sincerely,



Kevin M. Dempsey
President and Chief Executive Officer

¹⁶¹ Revised EU waste shipment rules likely to start in 2024, impacting scrap exporters, S&P Global, 9 April 28, 2023) available at <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/042823-feature-revised-eu-waste-shipment-rules-likely-to-start-in-2024-impacting-scrap-exporters>.