



**Oral Statement of Kevin M. Dempsey
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At the Hearing on Investigation No. 332-591
“Economic Impact of Section 232 and 301 Tariffs on U.S. Industries”
United States International Trade Commission
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Good morning, Mr. Chairman and Members of the Commission. My name is Kevin Dempsey, and I am the President and CEO of the American Iron and Steel Institute. 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.

The American steel industry serves as the backbone of the U.S. manufacturing sector and is essential to America’s national and economic security, as both U.S. military programs and our critical infrastructure are dependent on U.S.-produced steel products. It is also important to note that the steel industry in the United States has the lowest carbon dioxide emissions intensity among the world’s largest steel-producing nations. Thus, the use of domestically produced steel leads to lower levels of carbon emissions than would be the case if higher-emitting foreign steel imports were used.

In 2017, following repeated surges in imports fueled by global overcapacity in steel, the Secretary of Commerce initiated an investigation into the impact of steel imports on our national security. The Secretary’s report to the President the following year found that “the present quantities and circumstance” of steel imports “threaten to impair the national security as defined in Section 232.” The Secretary further determined that the only effective means of removing this threat was to reduce imports to a level that would allow American steel mills to operate at 80 percent or more of their production capacity.

Based on the Secretary’s findings, the President in March 2018 established a program of tariffs and quotas to limit steel imports. These measures, in combination with a number of trade remedy orders, reduced the volume of steel imports from over 38 million tons in 2017 to less than 28 million tons in 2019. Import volume fell further to 22 million tons in 2020, amid the COVID-19 recession. Although imports increased in 2021 to 31.5 million tons, import levels remained below peak pre-pandemic levels.

The Section 232 measures also reduced the share of the market taken by imports. In 2017, the year before the tariffs took effect, import penetration was about 27 percent.

Import market share fell to less than 23 percent in 2018 and to just over 19 percent in 2019, and then fell further in 2020 before rebounding to just under 21 percent in 2021.

As steel imports fell, domestic steelmaking capacity utilization increased. Capacity utilization was only 74 percent in 2017 but increased to just under 80 percent by 2019, before the COVID-19 recession caused the utilization rate to drop in 2020. However, capacity utilization recovered to over 81 percent in 2021 and is running at 80.5 percent in the first half of 2022.

In addition, the Section 232 program incentivized new capital spending by domestic steelmakers, with announced investments of nearly \$22 billion in new, expanded or restarted production since March 2018, and approximately 22 million net tons of steelmaking capacity have come on-line or been announced since that time.

While the Section 232 measures had these positive impacts on the domestic steel industry, the available evidence suggests there has been no significant broad negative impact to the economy as a whole. For example, the Economic Policy Institute (EPI) in 2021 examined the Section 232 measures with respect to impacts on both domestic steelmakers and steel-consuming industries. Using econometric analysis, EPI examined the causal relationship between steel prices and the prices of durable goods broadly, as well as prices of several categories of steel-containing goods. The results of this analysis indicated the “Section 232 measures had no meaningful real-world impact on prices of steel-consuming products.”

While the Section 232 program has therefore been effective from many policy perspectives, it must also be emphasized that the relief under Section 232 is discretionary and has been modified over time to allow progressively more imports to enter the U.S. market free of Section 232 tariffs.

For example, in 2019, the U.S. negotiated agreements with Canada and Mexico that lifted the Section 232 tariffs on all steel imports from these two countries, which are historically among the largest exporters of steel to the United States.

More recently, the United States and the EU agreed to replace the Section 232 tariffs with a tariff-rate quota as of January 1 of this year, which permits duty-free entry for a significant volume of steel from the EU. Similar TRQ agreements were subsequently reached with the governments of Japan and the United Kingdom. In addition, very significant volumes of steel products have been and continue to be excluded from the Section 232 tariffs through product-specific exclusions.

As a result, as demand recovered following the COVID-19 recession, steel imports significantly increased in 2021 and have continued to do so in 2022, taking the largest share of the U.S. market since the Section 232 measures were first implemented in 2018.

Finished import market share increased from 18 percent in 2020 to 21 percent in 2021, to 24 percent in the first five months of this year.

At the same time, the global steel overcapacity crisis continues to plague steelmakers worldwide, with excess capacity estimated to be 544 million metric tons in 2021, more than six times total steel production in the United States. And many countries continue to increase their steel capacity. For example, cross-border investments into Southeast Asia, including many incentivized through China's Belt and Road Initiative, will add over 90 million metric tons of new, export-oriented steelmaking capacity in that region alone over the next few years.

Given these developments, we believe the Section 232 program remains critically important for our national security. Thank you for the opportunity to present our views on the Section 232 steel tariffs. I would be happy to answer any questions.