



**Pre-Hearing Statement of Kevin M. Dempsey
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For the Hearing on Investigation No. 332-591
“Economic Impact of Section 232 and 301 Tariffs on U.S. Industries”
United States International Trade Commission
Washington, DC

July 8, 2022

In advance of the July 21, 2022, hearing at the U.S. International Trade Commission (ITC), the American Iron and Steel Institute (AISI) submits these comments on the economic impact of the Section 232 steel tariffs on U.S. industries. 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 steelmakers, and associate members who are suppliers to or customers of the steel industry.

The American steel industry serves as the backbone of the U.S. manufacturing sector and is essential to America’s national defense, national economic security and homeland security. U.S. national defense requirements for military systems and U.S. national security requirements for critical infrastructure are both dependent on the availability of U.S.-produced steel products. The domestic steel industry is also proud to be the cleanest of the leading steel industries in the world, producing steel with lower carbon dioxide emissions intensity than major competing steel industries.

I. Introduction

Fueled by global overcapacity, repeated surges in steel imports over the decade preceding the imposition of the Section 232 tariffs threatened the American industry and the jobs it supports. Given the essential role of the industry to our nation’s defense and its critical infrastructure, the U.S. government in 2018 imposed a comprehensive program of tariffs and quotas on steel imports under Section 232 of the Trade Expansion Act of 1962 in 2018 to protect the U.S. national security.

As detailed below, the Section 232 program on steel imports, in combination with trade remedy orders, has played an important role in stabilizing the domestic steel industry after repeated surges in imports and facilitated new investment by the American steel industry in new and upgraded plant and equipment. Following the implementation of the Section 232 measures, domestic steelmakers undertook billions of dollars in investments, including for facility upgrades and investments in new steelmaking

capabilities in key market segments, as well as acquisitions and consolidations to increase efficiencies. At the same time, recent economic analyses indicate no significant negative effects on the broader economy attributable to the Section 232 actions.

However, it is also important to acknowledge certain limitations of the Section 232 program, as significant volumes of steel have been excluded from that relief as several countries have been either entirely exempted from relief (as in the case of Canada and Mexico – two of the largest sources of steel imports into the United States) or have negotiated quota or, more recently, tariff-rate quota agreements that allow substantial volumes of steel from those countries to enter the U.S. market free from Section 232 tariffs. In addition, very significant volumes of steel products have been excluded from the Section 232 tariffs and quotas through the granting of product-specific exclusions.

Furthermore, it should be recognized that while the Section 232 program is intended to address national security concerns regarding the health of the steel industry generally, it is not designed to address the effects of dumped and subsidized imports that negatively impact steel producers of specific steel products. As the Commission well knows, there have been numerous instances where domestic steel producers of certain steel products have suffered material injury or the threat of such injury due to dumped and/or subsidized imports which necessitated the granting of relief under the U.S. antidumping (AD) and countervailing duty (CVD) laws. The discretionary and changing nature of the relief granted by the Section 232 program, while valuable to the industry overall, is in no way a substitute for the continued maintenance and full enforcement of AD/CVD orders where dumping and/or subsidies have been determined to exist that are a cause of injury or threat to a domestic industry producing like products.

II. Rationale for the Section 232 Measures

Section 232 of the Trade Expansion Act of 1962, as amended, authorizes the president to adjust the imports of an article and its derivatives that are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security. In April 2017, the Secretary of Commerce initiated an investigation under Section 232 into the effect of imports of steel mill products on the national security of the United States.

Following a public hearing in May 2017, as well as a public comment process and interagency consultations with the Department of Defense and a number of other federal agencies, the Secretary of Commerce issued a report to the president in January 2018 in which he determined that “steel is important to U.S. national security” and that “the present quantities and circumstance of steel imports are ‘weakening our internal economy’ and threaten to impair the national security as defined in Section 232.” The Secretary further determined that “the only effective means of removing the threat of impairment is to reduce imports to a level that should, in combination with good

management, enable U.S. steel mills to operate at 80 percent or more of their rated production capacity.”¹

In making his determination that steel is important to U.S. national security, the Secretary found that national security includes not only projected national defense requirements, but also U.S. critical infrastructure sectors, including transportation systems, the electric power grid and energy generation systems, and water systems. He further found that domestic steel production is essential to meet these national security needs, and that ensuring adequate domestic steel production depends on maintaining a healthy and competitive U.S. steel industry.²

The Secretary also found that “notwithstanding numerous anti-dumping and countervailing duty orders, which are limited in scope, imports of most types of steel continue to increase” and that “excessive steel imports have adversely impacted the steel industry” as demonstrated by mill closures, a decline in employment in the industry, lost domestic sales and market share, all of which caused the U.S. industry, as a whole, to operate on average with negative net income from 2009-2016.³ Indeed, while AD/CVD orders then in place were generally effective in addressing the pricing and/or volume of imports subject to those specific trade remedy measures, high volumes of steel continued to enter the U.S. market that were not subject to such orders.

The Secretary further found that as steel imports increased, domestic steel production capacity has been stagnant and production has decreased, leading to declining steel capacity utilization rates which were not economically sustainable. He noted that utilization rates of 80 percent or greater are necessary to sustain adequate profitability and continued capital investment, research and development and workforce enhancement in the steel sector.⁴

Finally, the Secretary found that global excess steel capacity also contributes to the adverse impacts on the domestic steel industry, as the “overhang of excess capacity means that U.S. steel producers, for the foreseeable future, will face increasing competition from imported steel as other countries export more steel to the United States to bolster their own economic objectives and offset loss of markets to Chinese steel exports.”⁵

¹ Bureau of Industry and Security, “The Effects of Imports of Steel on the National Security: An Investigation Conducted Under Section 232 of the Trade Expansion Act of 1962, As Amended,” *U.S. Department of Commerce* (Jan. 11, 2018) at 2-5, available at https://www.commerce.gov/sites/default/files/the_effect_of_imports_of_steel_on_the_national_security_-_with_redactions_-_20180111.pdf

² *Id.* at 2-3.

³ *Id.* at 3-4.

⁴ *Id.* at 4.

⁵ *Id.* at 4-5.

III. Impact of Section 232 Measures

The comprehensive program of Section 232 quotas and tariffs introduced in 2018 has had a positive impact on the domestic steel industry with no significant negative effects on the broader economy.

The Section 232 quotas and tariffs, in combination with AD/CVD orders, stemmed the flow of imported steel mill products into the United States in the years that followed imposition of the measures. The total volume of steel mill product imports fell from 38.1 million net tons in 2017 to 27.9 million net tons in 2019, a reduction of 10.2 million tons.⁶ The volume of finished steel mill product imports likewise fell from 30 million net tons in 2017 to 21.1 million net tons in 2019, a reduction of 8.5 million tons.⁷ Volumes of both total steel mill product imports and finished steel mill product imports fell further in 2020, to 22.0 million net tons and 16.1 million net tons, respectively, amid a sharp recession caused by the onset of the COVID-19 pandemic.⁸ Although imports increased sharply in 2021, rising to 31.5 million metric tons and 22.8 million metric tons, respectively, import levels remained below pre-pandemic peaks.⁹

In addition, the Section 232 measures had a positive impact on the domestic industry by reducing the share of the domestic steel market taken by imports in the years immediately following the imposition of the national security import relief. Over the five-year period 2013 to 2017, imports of finished steel products as a share of apparent steel use in the United States averaged 26.5 percent.¹⁰ In 2017, the last full year before the program took effect, the import penetration was 26.9 percent.¹¹ The share fell sharply to 22.9 percent in 2018 and to 19.2 percent in 2019.¹² Import penetration fell further in 2020, reaching 17.8 percent¹³ before rebounding to 20.8 in 2021¹⁴ amid the volatility of the COVID-19 pandemic-era economy.

⁶ American Iron and Steel Institute, “2020 Annual Statistical Report,” p. 3.

⁷ *Id.*

⁸ *Id.*

⁹ American Iron and Steel Institute, “2021 Annual Statistical Report,” p. 3. (forthcoming)

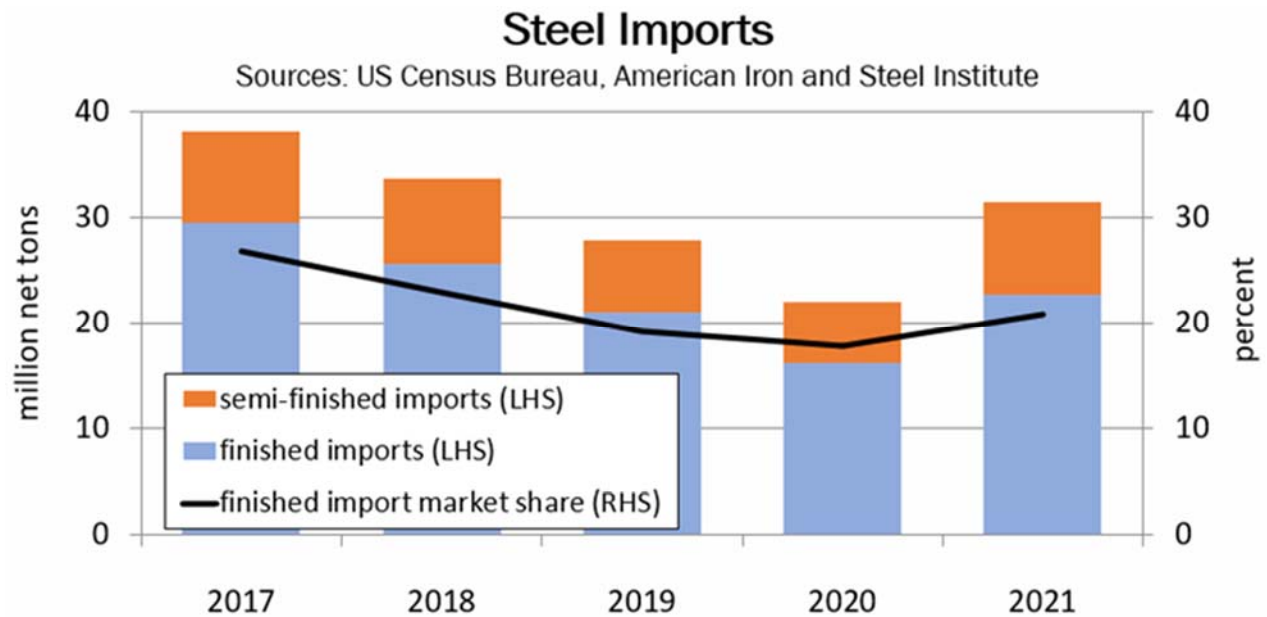
¹⁰ American Iron and Steel Institute (2020), *op. cit.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ American Iron and Steel Institute (2021), *op. cit.*



As steel imports fell, utilization of domestic steelmaking capacity as a whole increased. Raw steelmaking capacity utilization measured only 74 percent in 2017, prior to implementation of the Section 232 measures.¹⁵ Capacity utilization increased to 78.2 percent in 2018 and 79.8 percent in 2019, before falling back to 68.1 percent in the COVID -19 recession year of 2020.¹⁶ However, domestic steelmaking capacity utilization recovered to 81.2 percent in 2021,¹⁷ and is running at 80.7 percent year-to-date in 2022 as of the week ending June 25, 2022.¹⁸

¹⁵ American Iron and Steel Institute (2020), *op. cit.*

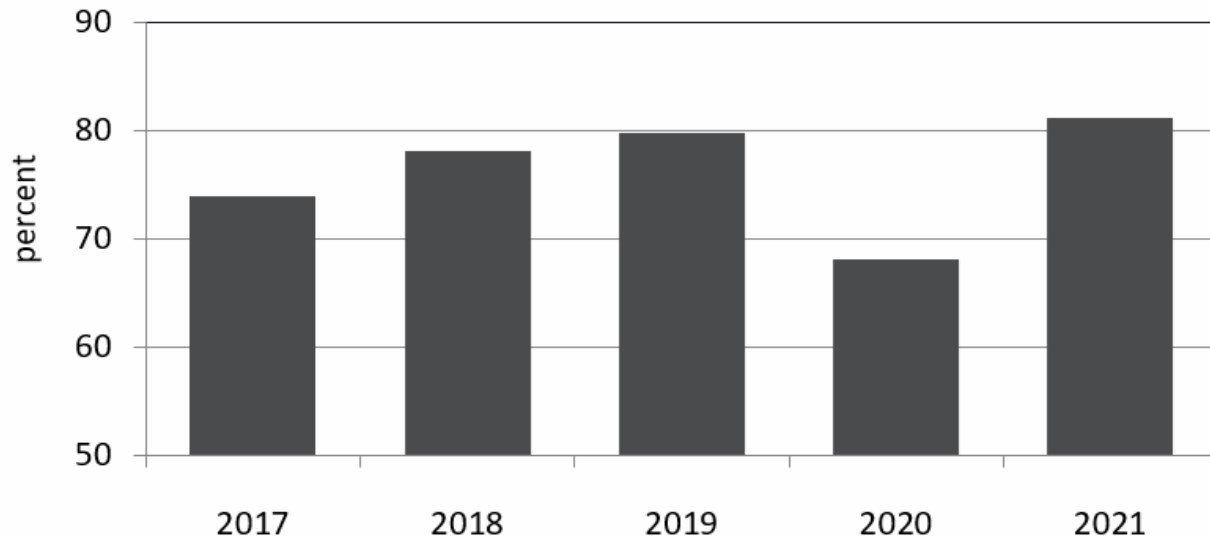
¹⁶ *Id.*

¹⁷ American Iron and Steel Institute (2021), *op. cit.*

¹⁸ American Iron and Steel Institute weekly raw steel report for week ending June 25, 2022.

Raw Steelmaking Capacity Utilization

Source: American Iron and Steel Institute



Prior to the imposition of the Section 232 tariffs and other import relief, high levels of imports were a critical factor forcing several steel companies to temporarily close major steel-making facilities. According to the Bureau of Labor Statistics, employment in the steel industry declined by almost 14,000 jobs between 2015 and 2017. More than 8,000 of these jobs returned between 2017 and 2019 before the COVID-19 recession in 2020 cut short the steel industry's recovery.¹⁹

In addition to providing immediate relief to steelmakers and steelworkers leading to lower import volumes and shares and higher utilization rates, the Section 232 program has furthered the long-term productivity and competitiveness of the industry by incentivizing a wave of capital spending by domestic steelmakers. With renewed confidence that their businesses would not be undermined by overall high and increasing levels of steel imports, domestic steel producers have announced investments of nearly \$22 billion in new, expanded or restarted production since March 2018.

Moreover, approximately 22 million net tons of raw steelmaking capacity have come on-line or have been announced to be built since that time.

¹⁹ Steel industry employment cited here is the sum of employment NAICS code 3311 (Iron and Steel Mills) and NAICS code 3352 (Steel Product Manufacturing from Purchased Steel.) See <https://data.bls.gov/PDQWeb/ce>.

New Iron and Steelmaking Capacity Since 2018			
Status	Company	Location	Capacity (Million Net Tons)
2018	Commercial Metals	Durant, OK	0.4
2020	Nucor	Sedalia, MO	0.4
2020	Big River Steel	Osceola, AR	1.5
2020	Nucor	Frostproof, FL	0.4
2020	U.S. Steel	Fairfield, AL	1.6
2020	Cleveland Cliffs	Toledo, OH	NA (HBI plant)
2021	JSW	Mingo Junction, OH	1.5
2022	Steel Dynamics	Sinton, TX	3.0
2022	Nucor	Ghent, Ky	1.4
2022	North Star BlueScope	Delta, OH	0.9
2022	Nucor	Brandenburg, KY	1.2
2023	ArcelorMittal	Calvert, AL	1.7
2023	Commercial Metals	Mesa, AZ	0.5
2024	Nucor	Weirton, WV	3.0
2024	Nucor	TBA	0.6
2024	U.S. Steel	Osceola, AR	3.0
TBA	Nucor	Lexington, NC	0.4

While the Section 232 measures have had a positive impact on the domestic steel industry, the available evidence suggests there has been no significant broad negative economic impact to the economy as a whole.

Although not directly comparable to the Section 232 actions on steel imports, the steel safeguard tariffs and tariff-rate quotas implemented in 2002 under Section 201 of the Trade Act of 1974 provide the closest historical case for comparison. The International Trade Commission, in its mid-point investigation of the impact of the safeguard actions alluded to the challenges in generalizing the nature of the impact on downstream industries. It noted that “Many [downstream] firms had difficulty distinguishing between the effects of the safeguard measures and other changes in market conditions”²⁰ and that “...changes in competitive factors after the safeguard actions were implemented varied in nature across steel-consuming industries and often across firms within industries.”²¹

²⁰ United States International Trade Commission, “Steel-Consuming Industries: Competitive Conditions With Respect to Steel Safeguard Measures (Investigation No. 332-452), p. xxvii,” September 2003, found at https://www.usitc.gov/publications/332/3632/pub3632_exe_summ.pdf.

²¹ *Id.*

Nonetheless, among the principal findings of the investigation was that “... the effect of the safeguard measures on the U.S. welfare ranged from a welfare gain of \$65.6 million to a welfare loss of \$110.0 million, with a central estimate of a welfare loss of \$41.6 million.”²² In other words, the most likely impact on the overall economy of the safeguard measures fell within the range of a small gain to a small decrease.

More recently, the Economic Policy Institute (EPI) in 2021 examined the Section 232 measures on steel imports with respect to, among other things, impacts on domestic steelmakers and on steel consuming industries. The EPI report noted that “Section 232 measures delivered near-immediate benefits”²³ in curbing steel imports and import penetration.

Moreover, using econometric analysis, EPI examined the causal relationship between steel prices and prices of durable goods broadly as well as prices of several specific categories of steel-containing durable goods, including motor vehicles and motor vehicle parts, construction equipment, electrical equipment, household appliances, and nonresidential construction goods. The results indicated the “Section 232 measures had no meaningful real-world impact on prices of steel-consuming products (such as motor vehicles).”²⁴ EPI attributes this finding to the relatively low share of steel in proportion to the overall cost structure of such goods.²⁵ Moreover, the Section 232 program incorporated a product exclusions process allowing for steel products unable to be produced domestically, either in substantial quantity or quality, to be sourced by importers without tariff.

Finally, the economic impact of the Section 232 measures should be judged in broad context. In addition to price effects on downstream industries and overall economic welfare, considerations such as national security, supply chain security and environmental sustainability should be examined. The national security basis for the Section 232 has been discussed above. Disruptions stemming from the COVID-19 pandemic and ongoing geopolitical turmoil have exposed the fragile state of global supply chains and have only heightened the importance of a viable domestic steel industry to the long-term economic and national security interests of the United States.

Environmental sustainability must also be a critical consideration in evaluating economic impact. It is notable in this regard that the steel industry in the United States has the lowest carbon dioxide emissions intensity among the largest steel producing

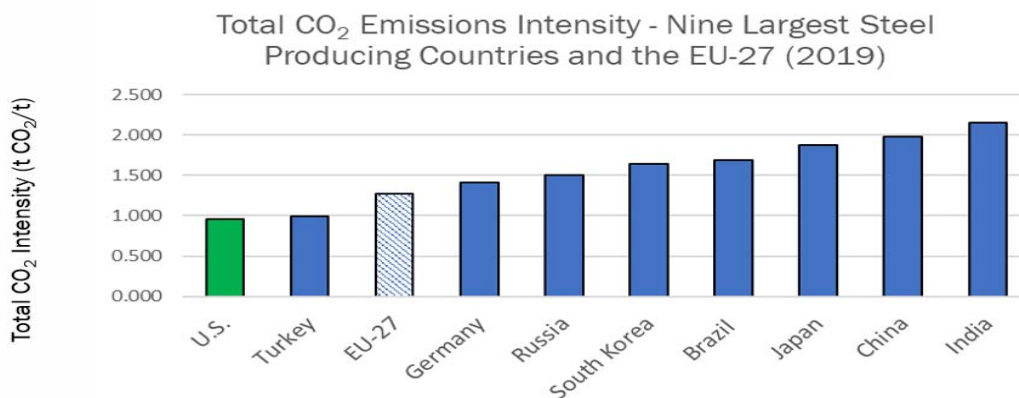
²² *Id.*, p. xxiv-xxx.

²³ Hersh, Adam S. and Robert E. Scott, “Why Global Steel Surpluses Warrant U.S. Section 232 Import Measures,” Economic Policy Institute, March 24, 2021, found at [https:// www.epi.org/publication/why-global-steel-surpluses-warrant-u-s-section-232-import-measures](https://www.epi.org/publication/why-global-steel-surpluses-warrant-u-s-section-232-import-measures).

²⁴ *Id.*

²⁵ *Id.*

nations.²⁶ Thus, the use of imported steel leads to overall higher levels of carbon emissions than would be the case if lower-emitting domestic steel production were utilized.



Adapted from: Hasanbeigi, "Steel Climate Impact: An International Benchmarking of Energy and CO₂ Intensities," Global Efficiency Intelligence, 2022.

The adverse effects of using higher carbon dioxide emitting imported steel are not considered in traditional evaluations of the economic impact of international trade policy. AISI estimates that that imported steel mill products accounted for 12.7 million metric tons more carbon dioxide emissions in 2021 than if the steel had been produced at the average carbon intensity of the domestic industry. These additional carbon dioxide emissions are the equivalent of 2.7 million passenger vehicles driven for one year or 1.6 million homes' energy use for one year.²⁷

IV. Recent Developments and Concerns

a. Significant volumes of steel imports are no longer covered by Section 232 tariffs due to product exclusions, country exemptions and TRQs

Over the last year, the U.S. government has made substantial modifications to the Section 232 remedy on steel imports. Last October, the United States and the European Union (EU) announced an agreement to implement an alternative arrangement that

²⁶ Hasanbeigi, Ali, "Steel Climate Impact: An International Benchmarking of Energy and CO₂ Intensities," Global Efficiency Intelligence, April 2022, available at <https://www.globalefficiencyintel.com/steel-climate-impact-international-benchmarking-energy-co2-intensities>. The study's carbon emissions intensity estimates include most Scope 1 and Scope 2 emissions, and Scope 3 emissions from upstream production of steelmaking raw materials such as pig iron, direct reduced iron and coke.

²⁷ AISI analysis of data from U.S. Census Bureau and Hasanbeigi, Ali, "Steel Climate Impact: An International Benchmarking of Energy and CO₂ Intensities," Global Efficiency Intelligence, April 2022; EPA GHG Equivalencies Calculator, available at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

replaced the Section 232 steel tariffs with a tariff-rate quota (TRQ). The TRQ for EU member states, which went into effect on January 1, 2022, provides for duty-free entry for 3.3 million metric tons of steel imports on an annual basis.²⁸ In addition, the agreement with the EU provides for up to 1.1 million metric tons of excluded products to enter the U.S. duty free annually for two years from the EU and not be counted against the TRQ volume.²⁹ Following separate negotiations with the governments of Japan and the United Kingdom, similar agreements were reached resulting in TRQs that went into effect April 1 (granting duty-free treatment for 1.25 million metric tons of steel imports from Japan annually)³⁰ and June 1 (granting duty-free treatment for 500,000 metric tons of steel imports from the United Kingdom annually), respectively.³¹

The U.S. government also negotiated separate agreements with the governments of Canada and Mexico in 2019 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. Steel imports from Australia also have been exempted entirely from the Section 232 tariffs as a result of an agreement struck between the two governments in 2018, while the U.S. government negotiated separate agreements with the governments of Argentina, Brazil and South Korea in 2018 to impose quotas on their steel exports to the United States in lieu of steel tariffs. Additionally, the Commerce Department announced in May 2022 that the U.S. government would temporarily suspend Section 232 tariffs on steel from Ukraine for one year, in an effort to provide economic relief to that country as it suffers from the effects of the ongoing Russian invasion.

These various agreements and actions permit a substantial volume of steel to enter the United States each year free from the Section 232 tariffs. In addition, since the implementation of the Section 232 program, the Commerce Department has maintained a product exclusions process to permit domestic steel users to petition for the right to import specific steel products free from Section 232 tariffs or quotas under certain circumstances. In December 2020, Commerce went one step further by implementing a program of General Approved Exclusions (GAEs), which allow certain steel products to

²⁸ Joint US-EU Statement on Trade in Steel and Aluminum, Office of the U.S. Trade Representative (Oct. 31, 2021), available at <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/october/joint-us-eu-statement-trade-steel-and-aluminum>.

²⁹ *Id.* See also “U.S., EU Eye Global Coalition to Fix Steel, Aluminum Markets,” Bloomberg (Oct. 31, 2021), available at <https://www.bloomberg.com/news/articles/2021-10-31/u-s-eu-eye-global-coalition-to-fix-steel-aluminum-markets?srnd=premium&oref=ATN0rNv3#xj4y7vzkg>.

³⁰ Tai, Raimondo Statements on 232 Tariff Agreement with Japan, Office of the U.S. Trade Representative (Feb. 7, 2022), available at <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/february/tai-raimondo-statements-232-tariff-agreement-japan>; see also Proclamation 10356 of March 31, 2022, 87 Fed. Reg. 19,351 (March 31, 2022).

³¹ Tai, Ramondo Statements on 232 Tariff Agreement with the United Kingdom, Office of the U.S. Trade Representative (Mar. 22, 2022), available at <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/march/tai-raimondo-statements-232-tariff-agreement-united-kingdom>; see also Proclamation 10406 of May 31, 2022, 87 Fed. Reg. 33,591 (June 3, 2022).

enter the U.S. market duty-free without obtaining a user-specific product exclusion from the Section 232 tariffs and quotas.

This product exclusion process has allowed a significant volume of additional steel to enter the United States free of Section 232 tariffs. This program continues in place today, despite the fact that, in the view of domestic steel producers, the system has been ripe for abuse, allowing a very substantial volume of steel products to enter the United States free from Section 232 tariffs or quotas despite the availability of like or directly competitive domestic steel production.

b. Steel imports are again increasing

As the U.S. economy has recovered from the economic impact of the COVID-19 pandemic felt in 2020, steel imports into the U.S. market markedly 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 implemented in 2018. In 2021, steel imports increased by 43 percent over 2020 levels. Further, in the first five months of 2022, just as the TRQ on imports of steel from EU member states went into effect, steel imports increased by an additional 18 percent over the same period in 2021, according to the U.S. Census Bureau. Meanwhile, finished import market share has rebounded recently, increasing to 20.8 percent in 2021, up from 17.8 percent in 2020. Year-to-date in 2022, finished steel imports are taking a significantly larger share of the U.S. market, at 24 percent through May 2022.

c. Global overcapacity remains high

Meanwhile, the global steel overcapacity crisis continues to plague steelmakers worldwide. At the most recent OECD Steel Committee meeting in March 2022, the Chairman of the Steel Committee issued a statement which reported that global steel excess capacity has remained at persistently elevated levels since 2018, standing at 544 million metric tons in 2021,³² more than six times total steel production in the United States.

The OECD Secretariat also reported that, despite the glut of steelmaking capacity worldwide, many countries continue to increase investments in steel production capacity, particularly in Asia. This new capacity includes many cross-border investments by Chinese producers into Southeast Asia that have been incentivized through China's Belt and Road Initiative in the region. In fact, the South East Asia Iron and Steel Institute estimates that over 90 million metric tons of steelmaking capacity is

³² Statement by Mr. Ulf Zumkley, Chair of the OECD Steel Committee, "91st Session of the OECD Steel Committee – Chair's Statement," OECD (Mar. 29-31, 2022), available at <https://www.oecd.org/sti/ind/91-oecd-steel-chair-statement.htm>).

planned for that region in the coming years, much of it by Chinese steelmakers.³³ It is expected that more new capacity will be added in that region than the entire steel industry in the U.S. produced in 2021.

d. Previous episodes of global economic volatility have led to damaging import surges

These developments relating to increasing imports and continuing massive global overcapacity are extremely concerning as global financial market volatility has erupted this year. The U.S. steel market has historically been subject to large surges of steel imports in the years following global financial crises, including most recently, the Asian Financial Crisis of the late 1990s and the Great Recession of 2008-9, with steel imports taking a larger share of the U.S. market than before these crises. In the past, foreign governments have heavily subsidized their domestic industries, including steel, in order to keep their workforce employed, which then results in large excesses of steel and other goods exported to the global and U.S. markets. Absent the Section 232 remedy on steel imports, and maintenance and continued enforcement of AD/CVD orders, domestic steelmakers would be especially vulnerable to such surges during an economic downturn.

In recent months, as increased inflation continues to adversely impact the U.S. and global economies, certain groups have advocated for suspending or eliminating select tariffs, including the Section 232 tariffs on steel imports, based on the claim that such action would be a way to reduce inflationary pressures. However, an analysis released by the Economic Policy Institute (EPI) in June 2022 counters the argument that the Section 232 and 301 tariffs have contributed to recent spikes in inflation in the United States. As documented in the EPI analysis, both sets of tariff measures were implemented in 2018, two years prior to the onset of the COVID-19 pandemic and related COVID-induced recession that has produced significant supply chain dislocations and price increases in many sectors. As detailed by EPI, available economic data demonstrate that the tariffs implemented in 2018 have had little effect on U.S. prices.³⁴

According to the EPI analysis, removal of both these sets of tariffs would result in a one-time price decline of just 0.2 percent, compared to the significant supply chain disruptions caused by the pandemic and the Russian invasion of Ukraine, which have largely propelled the recent spike in inflation.³⁵ Tariff programs put into place four

³³ Wee-Jin Yeoh, "The ASEAN Steel Industry Development: Investment and Green Energy Challenges," South East Asia Iron and Steel Institute (Mar. 30, 2022), available at https://www.oecd.org/industry/ind/Item_6.3_SEAISI.pdf.

³⁴ Adam S. Hersh, "Revoking tariffs would not tame inflation," Economic Policy Institute (Jun. 21, 2022), available at <https://www.epi.org/blog/revoking-tariffs-will-not-tame-inflation-but-it-would-leave-our-supply-chains-even-more-vulnerable-to-disruption/>.

³⁵ *Id.*

years ago, and recently-modified to include tariff-rate quotas for EU member states, Japan and the United Kingdom, are not the cause of inflation in the U.S. and if these tariffs were removed or suspended, domestic steelmakers would be left vulnerable to new surges of steel imports, in particular of those products not otherwise subject to AD/CVD orders.

V. Conclusion

Driven by global overcapacity, repeated surges in steel imports over the decade preceding the imposition of the Section 232 relief threatened the health of the steel industry in the United States. Given the critical role of the industry to the nation's defense and its critical infrastructure, the U.S. government responded by imposing a comprehensive program of tariffs and quotas on steel imports under Section 232 in 2018 to protect U.S. national security.

The Section 232 program on steel imports played an important role in stabilizing the domestic steel industry and facilitated significant new investment by American steel producers in facility upgrades, new steelmaking capabilities in key market segments, and acquisitions and consolidations to increase efficiencies. At the same time, economic analyses indicate no significant negative effects on the broader economy attributable to the Section 232 actions.

Since the Section 232 program was originally put in place, significant volumes of steel have been excluded from the Section 232 relief as a number of countries have been either entirely exempted from relief (as in the case of Canada and Mexico) or have negotiated quota or tariff-rate quota agreements that allow substantial volumes of steel from those countries to enter the U.S. market free from any Section 232 tariffs. In addition, very significant volumes of steel products have been excluded from the Section 232 tariffs through product-specific exclusions.

As a result of these changes in the Section 232 program and comparably strong domestic demand for steel, imports are once again increasing, both in absolute volumes and as a share of the U.S. market, even as global excess steel capacity remains at significant levels. Under these circumstances, AISI supports maintenance of the existing Section 232 program on steel imports.