Testimony of Thomas J. Gibson
President and CEO
American Iron and Steel Institute

For the Hearing on Policy Recommendations on the Global Steel Industry Situation and Impact on U.S. Steel Industry and Market (Docket: USTR-2016-0001)

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Good morning, I am Tom Gibson, President and CEO of the American Iron and Steel Institute. AISI represents both integrated and electric furnace steelmakers accounting for approximately 70 percent of U.S. steelmaking capacity, with facilities in 41 states. I appreciate the opportunity to be here today.

The U.S. steel industry has been severely impacted by the surge in dumped and subsidized imports that have flooded the U.S. market. Finished steel imports took a record 29 percent of the U.S. market in 2015, while domestic steel shipments declined by over 12 percent, and capacity utilization averaged just 70 percent for the year. Several of my member companies have been forced to temporarily close major steel-making facilities, and employment in the steel industry has declined by 13,500 jobs since January 2015.

This import surge is the result of foreign government interventionist policies that have fueled massive, and growing, global overcapacity in steel, estimated by the OECD to be about 700 million metric tons today. More than half of that overcapacity – 425 million metric tons – is located in China, where government market-distorting policies have dramaticly increased the size of thier industry, to the point that it today represents half of all global steel production.

After many years of growth, Chinese steel demand has declined over the last two years, and steel demand in China is expected to drop further over the coming decade. As a result, the Chinese industry has increasingly relied on exports to consume its surplus production, with Chinese steel exports rising to 112 million metric tons in 2015, an amount greater than the 96 million metric tons of steel consumed in the United States last year.

This has led to increased imports of dumped and subsidized Chinese steel in the U.S. In addition, Chinese steel exports to third countries are being further processed into steel products that are then exported to the United States. For example, Chinese billets may be further processed in Turkey into long products which are then exported to the United States, while Chinese flat-rolled steel may be converted into pipe products in Korea which are then exported to the U.S. market.

The overcapacity crisis plaguing the global steel industry is largely a result of foreign government interventionist policies and practices. For example, China for decades has directly subsidized its steel industry and Chinese provincial governments continue to prevent obsolete capacity from closing. And this Chinese model of government intervention is now being emulated in other countries as well, perpetuating the growing overcapacity problem.

To address this crisis, AISI recommends a three-pronged policy approach:

First, vigorously enforce U.S. trade laws. It is essential that the U.S. Government use all means available under our trade laws to provide immediate relief to the U.S. industry from the injurious effects of the surge in imports, including the improvements made to these laws by Congress last year in the Leveling the Playing Field Act, to offset the full amount of dumping and subsidization currently benefitting unfairly traded imports. Likewise, Customs and Border Protection should also use all the tools made available under the recently-enacted ENFORCE Act to prevent and address evasion of AD/CVD orders on steel products.

The Administration must also continue to treat China as a non-market economy for antidumping purposes and not give in to Chinese demands that it be automatically graduated to market economy status in December 2016. Granting China such status before it has truly become a market economy would completely undermine the effectiveness of our trade laws.

Second, the Administration should press for binding commitments from China and other countries to eliminate excess capacity resulting from government market-distorting policies and practices. Promises of future action to reduce capacity by China and other governments are not enough, as there have been instances in the past where capacity reduction plans were offset by new capacity additions.

Third, the Administration should seek binding commitments by all major steelmaking nations to eliminate current market-distorting subsidy programs specific to the steel sector and to refrain from introducing new subsidy programs in the future. These commitments must apply not only to central governments, but also to provincial and state and local programs.

Thank you for the opportunity to testify today. I would be happy to answer any questions.