

Mississippi Valley Trade Transportation Council

AIIS Steel Challenges in 2018 and Beyond

Overview of Economic Impact of Ill-advised Trade Actions

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American Institute for International Steel

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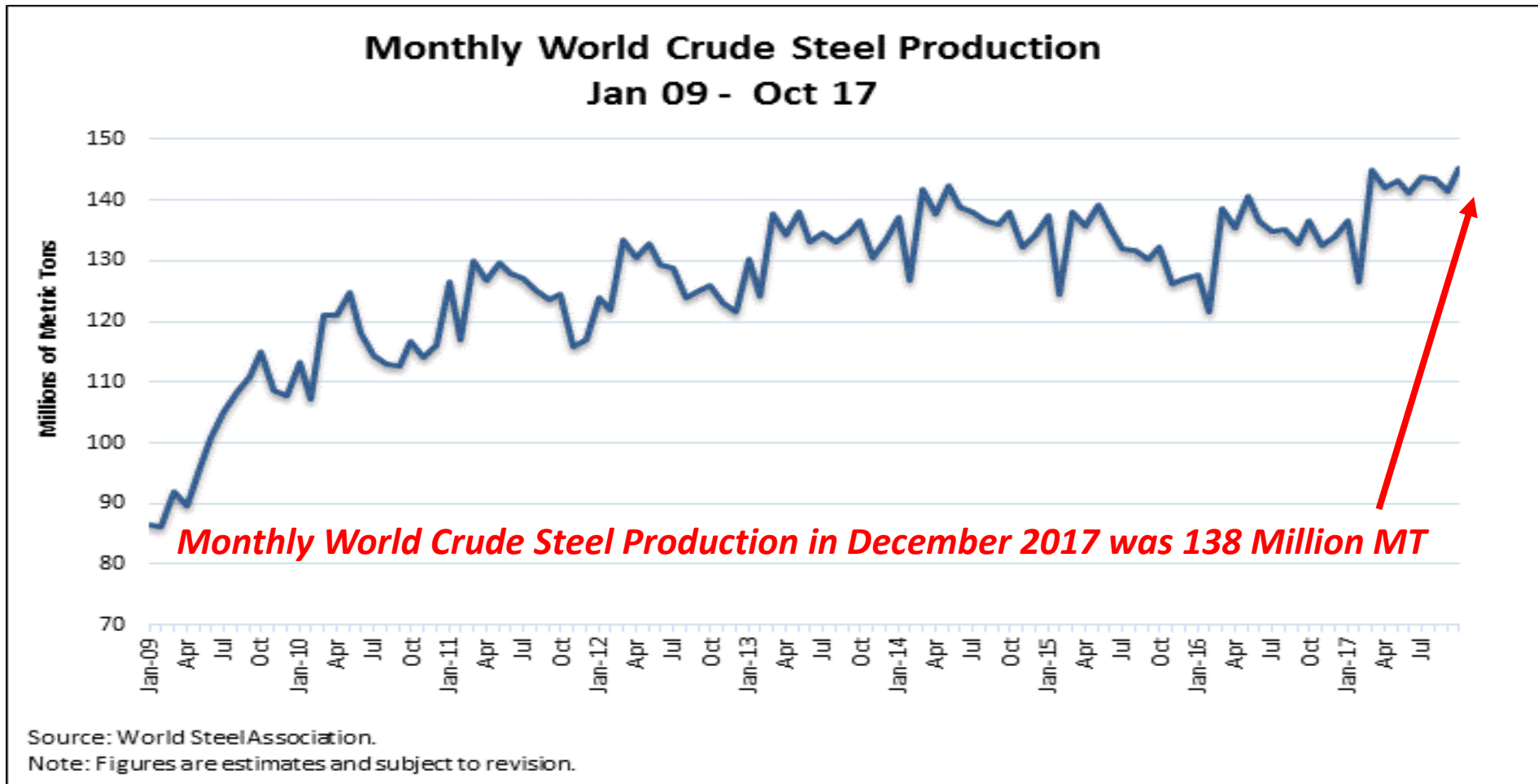
What is the Economic Strength of
the United States Steel Industry

Global Trade magazine asked the question:

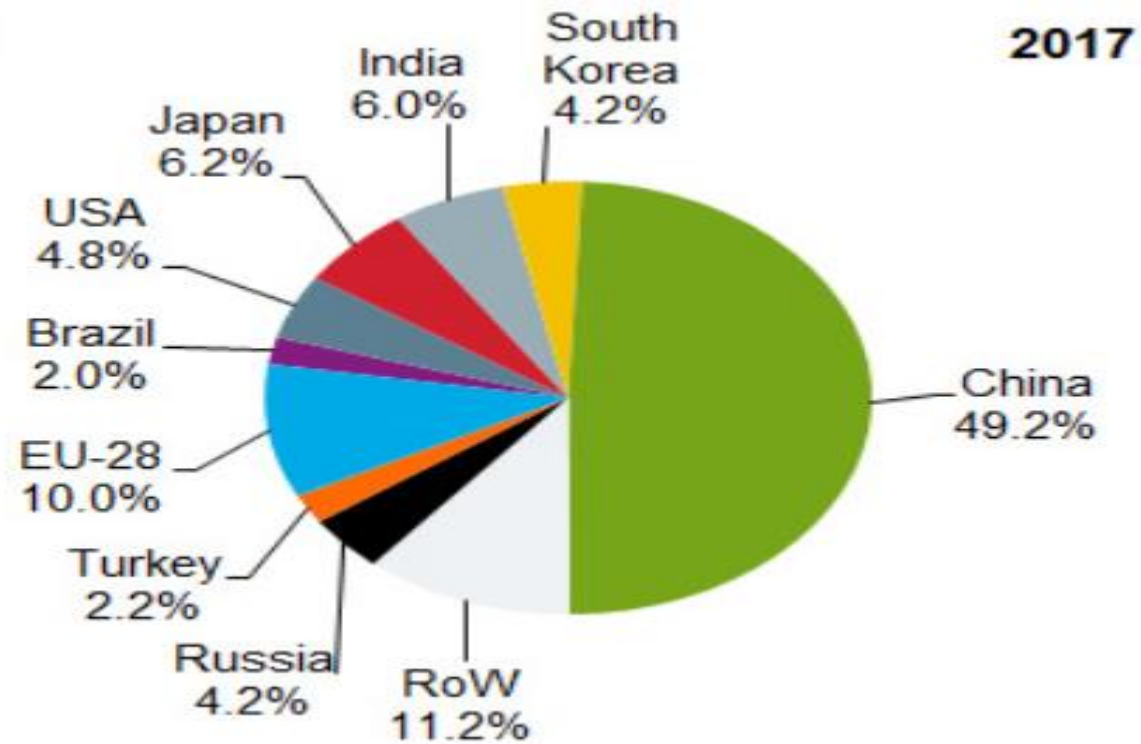
“So how is the steel industry in the United States doing?”

- The Department of Commerce’s data indicated that many companies are doing quite well
- Of the six largest domestic steel producers – AK Steel, Carpenter Technology, Commercial metals, Nucor, Steel Dynamics, and US Steel the DOC stated in its April 2017 report that four of the six are currently profitable and that the industry has been profitable overall since 2009
- It went on to say that in Q1 2017 five of the companies returned total profits of \$696 million.
- Even considering the US Steel loss the industry’s net profit was \$515 million for the quarter

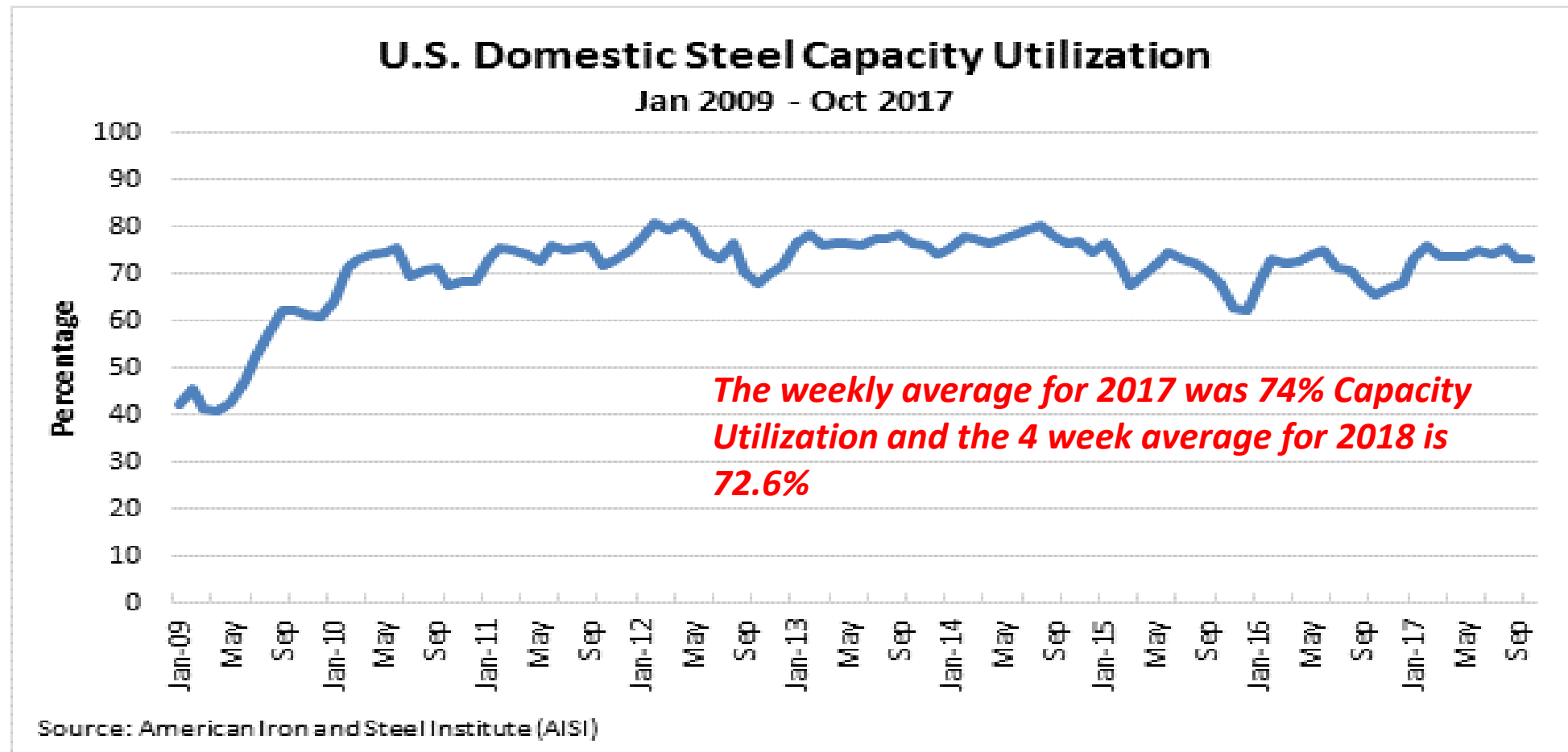
Monthly World Crude Steel Production



Share of World Crude Steel Production

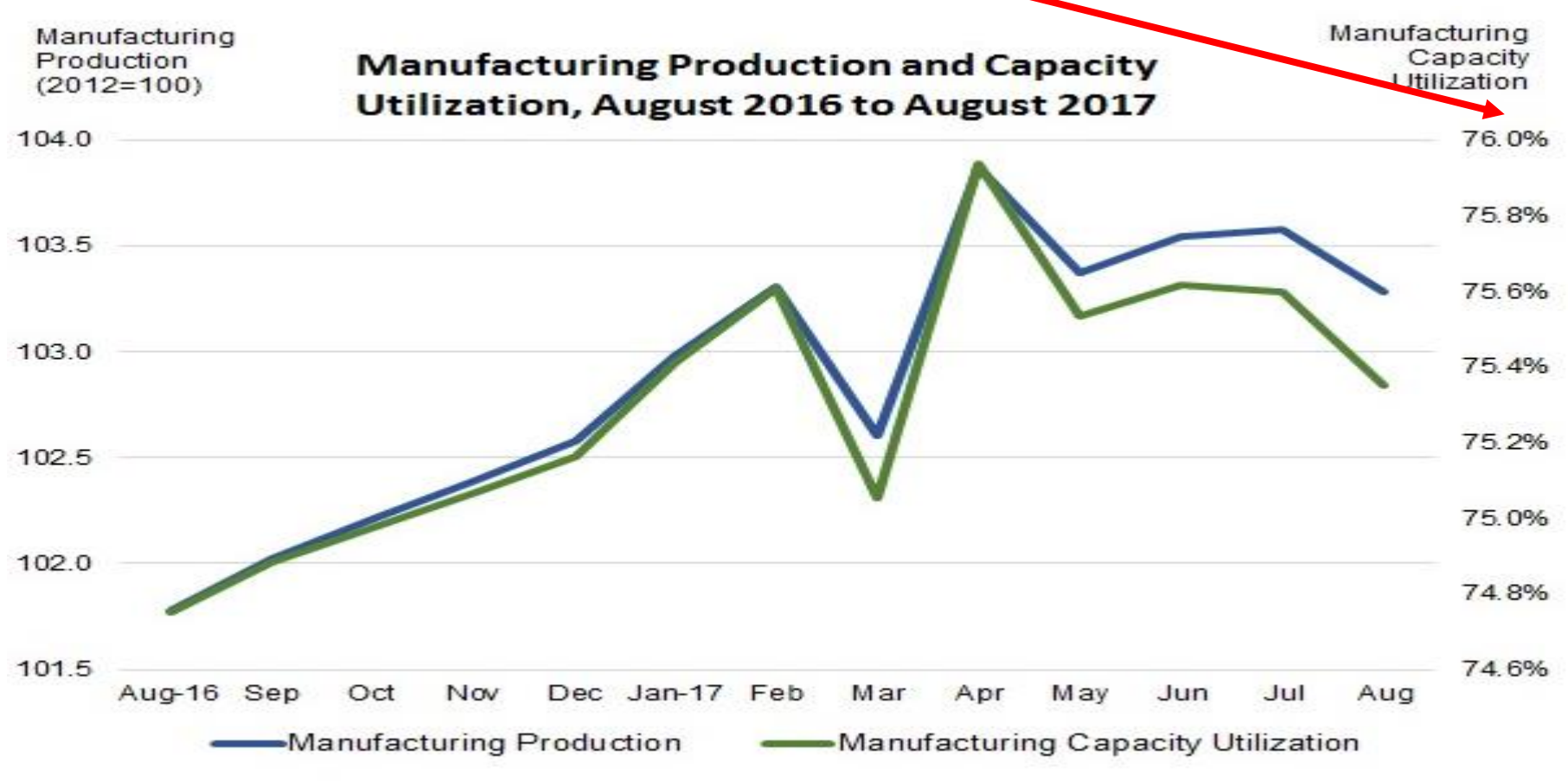


U. S. Domestic Steel Capacity Utilization

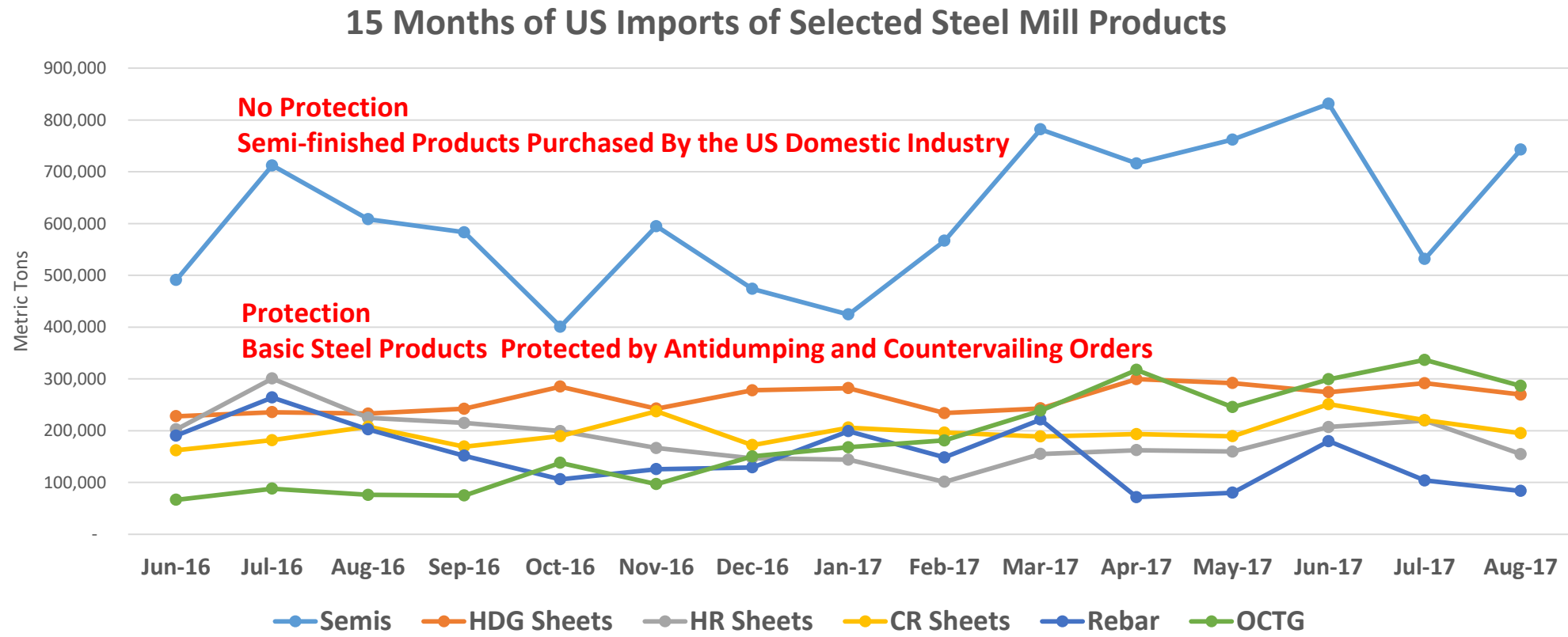


Manufacturing Production and Capacity Utilization

The Manufacturing Capacity Utilization was 76.4% in December 2017



What Does Protection Look Like

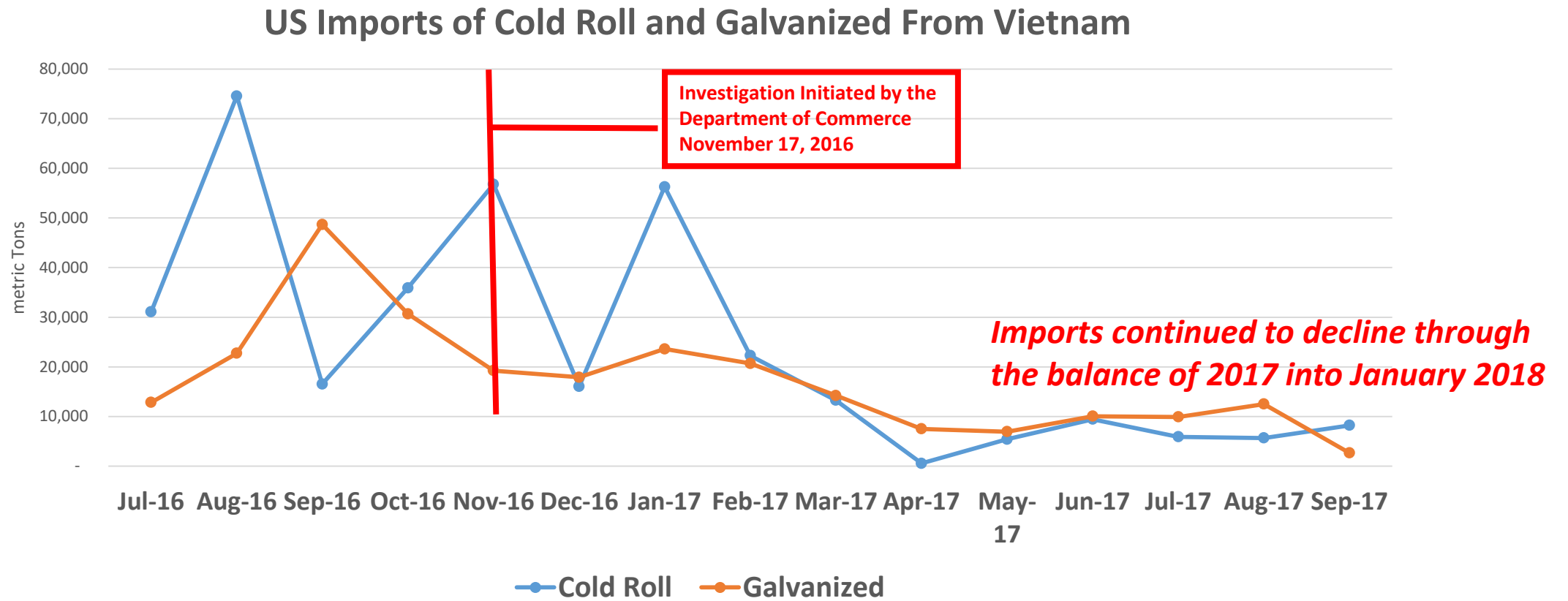


The Significant Threat of New and Delayed Trade Actions

Circumvention investigation of corrosion – resistant steel products and cold rolled steel products from Vietnam using Chinese substrate initiated by the Department of Commerce on November 17, 2016.

- The claim is that the cost of products coming from Vietnam should include the US AD / CVD duties that apply to the product if shipped directly from China.
- Another significant issue is that it challenges the long standing principal of substantial transformation.
- The DOC final determination on both products has recently been pushed to February 15, 2018 although their preliminary determination are now scheduled for October 30th.

Uncertainty = Fear



The Significant Threat of New and Delayed Trade Actions

- Section 232 – Investigation of the effect of imported steel products on US National Security.
 - This DOC investigation was initiated in April 2017, and after considerable blowback from various government, and industry groups as well as significant work by the AIIS, the DOC self-imposed fast-track investigation has been temporary slowed, and now resolution may extend to May 2018.

How Protected is the Domestic Steel Industry in the United States

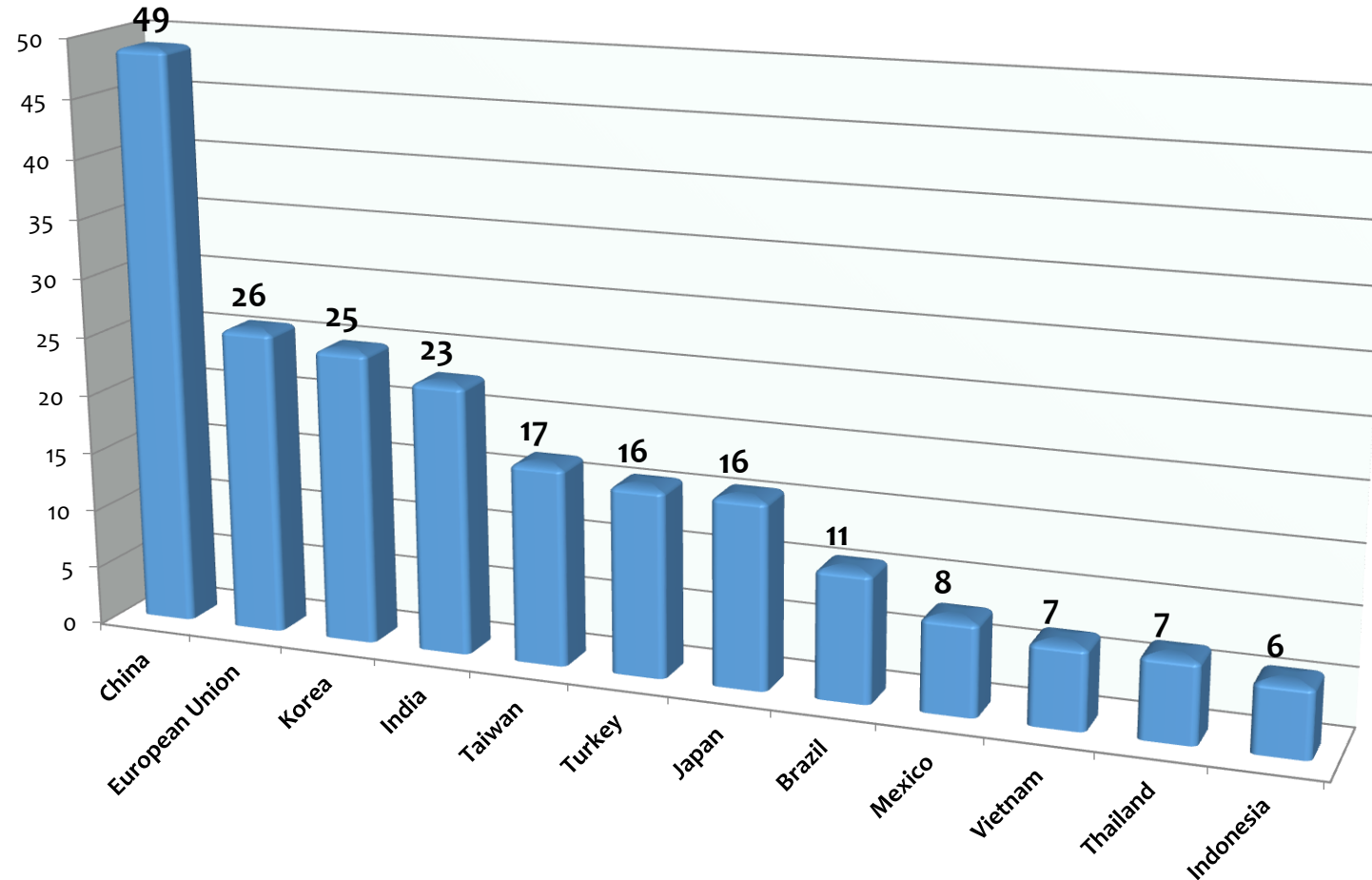
Of All Antidumping and Countervailing
Duty Orders Currently on the Federal
Register Those Against Imported Steel
Products Represent 40% of that Total

Basic Steel Products

Covered by AD and CVD Orders or Investigations

- Cut-to-length Carbon and Alloy Steel Plate
- Hot-rolled Steel Flat Products
- Cold-rolled Steel Flat Products
- Corrosion-resistant Steel Products
- Tin Mill Products
- Diffusion-annealed Flat-rolled Steel Products
- Clad Steel Plate
- Non-oriented Electrical Steel
- Hot-rolled Stainless Steel Plate In Coils
- Stainless Steel Sheet And Strip
- Standard (Welded Circular) Pipe
- Line Pipe
- Oil Country Tubular Goods (OCTG)
- Cold-drawn Mechanical Tubing
- Seamless Carbon and Alloy Steel Pipe
- Light-walled Rectangular Pipe and Tube
- Heavy-walled Rectangular Pipe and Tube
- Carbon Steel Butt-welded Pipe Fittings
- Stainless Steel Butt-welded Pipe Fittings
- Welded Stainless Steel Pipe
- Carbon and Alloy Steel Wire Rod
- Steel Concrete Reinforcing Bar (Rebar)
- Finished Carbon Steel Flanges
- Stainless Steel Wire Rod
- Stainless Steel Bar

Principal Targets : Number of AD and CVD Orders and Investigations



What are the Risks to the Imported Steel Supply Chain of Unsound Trade Protectionism

Martin Associates — The 2016 Economic Impact of Imported Iron and Steel Products on The U.S. Marine Transportation System and the U.S. Economy : Executive Summary

- The AIS with the help of members and friends commissioned Martin Associates to produce this comprehensive economic impact analysis.
- Dr. John Martin, is a nationally-known economist who has conducted more than 600 seaport economic impact studies for the majority of ports throughout the United States
- The purpose of this study is to quantify the national economic impact of imported iron and steel products moving through the nation's seaports and using the country's highways, rail and inland waterways to move the products from the seaport and inland waterways ports to the intermediate and final end users.

2016 National Economic Impacts Generated by the Imported Iron and Steel products on the National Marine Transportation System and Domestic Users

1. 3 million jobs supported by port activity

- Direct Jobs: 26,432
- Induced Jobs: 33,182
- Indirect Jobs: 24,338
- Related importers direct, induced and indirect: 1,216,863

\$239.8 billion of total economic activity - accounts for **1.3% of U.S. GDP** in 2016

- \$4.2 billion direct business revenue
- \$4.8 billion of re-spending of personal income and consumption expenditures
- \$230.7 billion of economic output by related importers

\$62.7 billion total personal income and local consumption

- **\$53,796:** Average salary for direct employees

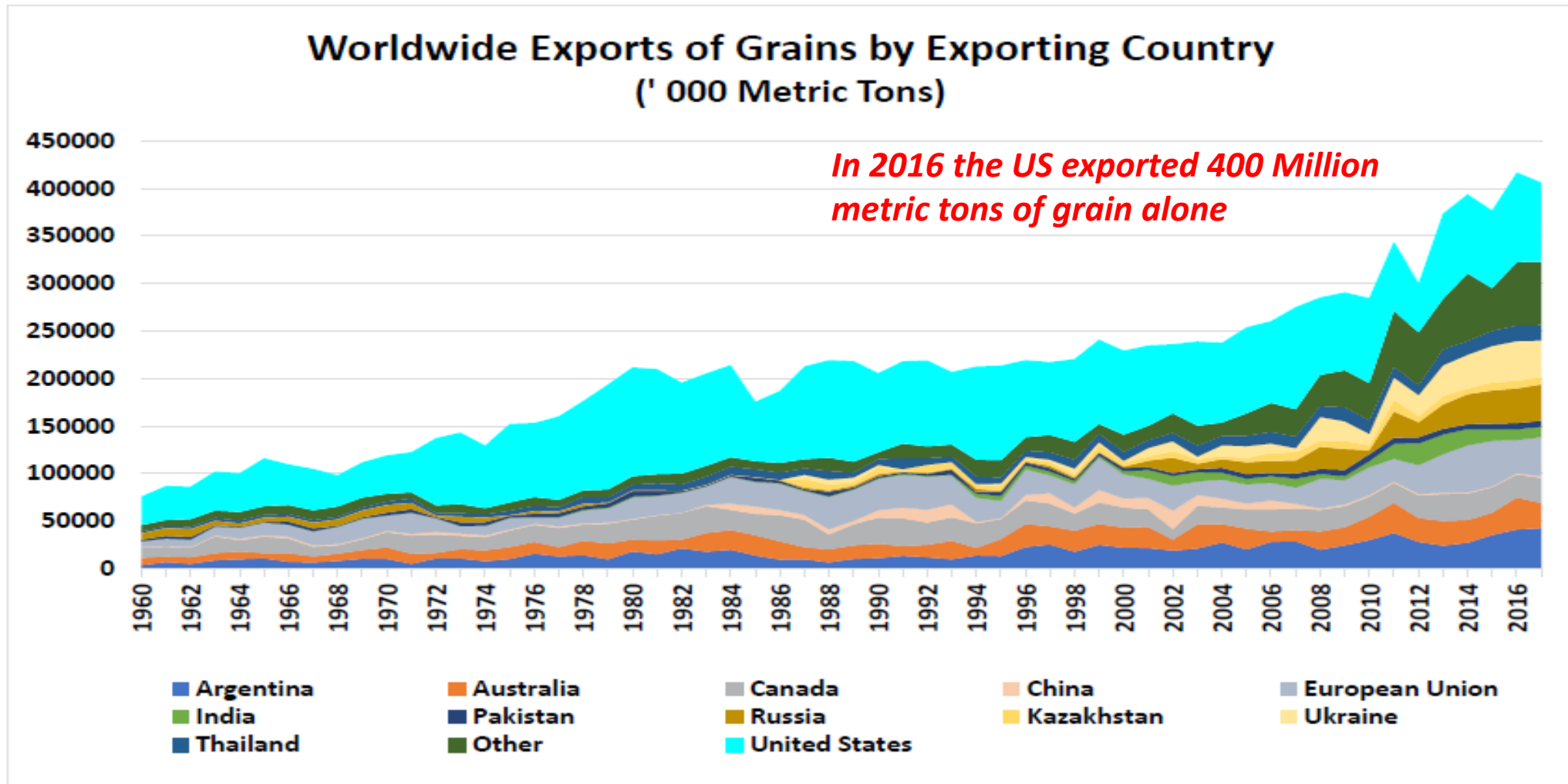
\$19.4 billion of federal, state, and local taxes

- \$2.3 billion local tax generated by direct, induced, and indirect activity
- \$17.1 billion generated by importers using the imported steel

Such Broad-Based Trade Actions Will Have Unintended Consequences

- The application of broad-based remedies for the protection of the steel industry of the United States will force our traditional trading partners to retaliate with similar trade protectionist measures against U.S. Exports of products outside the steel realm
- There has already been significant voices raised by our traditional trading partners to restrict exports of our critically important agriculture sector
- The major US Agriculture Associations have joined the AIS's vigorous opposition efforts to such broad-based actions, namely the Department of Commerce's Section 232 of the Trade Expansion Act of 1962 investigation

Retaliation Against U.S. Agricultural Exports is a Serious Issue



The Risk to Grain Exports Through Retaliation from the Lower Mississippi River

- With the vessel backhaul capacity decreased by import restrictions on imported steel the ocean freight cost for grain exports will subsequently increase
- In 2016 approximately 47 million tons of grain was exported via the Lower Mississippi River
- Using the Martin Associates grain export model, exported U.S. grain through the Lower Mississippi generated 10,830 direct and indirect jobs, and supported about 39,000 jobs in the nation's agricultural industry.
- Even without export restrictions through retaliation these jobs and the economic value they generate will be at risk

Some Notable AIIS Initiatives in Pursuit of Free and Responsible Trade in Steel

- ❖ April 2016 USTR Hearing Testimony regarding excess steel capacity issue (selected for a prime spot at the beginning of the program)
- ❖ 2016 Meetings with Congressmen Green and Babin
- ❖ 2017 Meeting with Congressman Culberson
- ❖ May 2017 Dept. of Commerce Testimony (selected for one of 37 speaking slots out of 400-plus applications)
- ❖ June 2017 National Press Conference #1 (well attended)
- ❖ Sept 2017 National Press Conference #2 and launch of the Martin Study (well-attended)
- ❖ Engagement with key Congressional staff regarding the Martin economic impact study
- ❖ Outreach to and building alliances with like-minded organizations also likely to be adversely affected by
- ❖ 232-based trade restrictions, such as the soybean and chicken producers
- ❖ AIIS Board Letter to President Trump to Terminate Section 232 Investigation