

Steel and the U.S. Economy



Steel is a vital industry for America's economy. It's essential to our national defense, for building and modernizing our infrastructure, and as a critical material for advanced manufacturers producing everything from food packaging to household appliances to cars and trucks. American steel companies are developing innovative and technologically advanced products that are changing how steel is used. These lighter, stronger steels are helping American manufacturers compete and thrive.

The global steel industry faces a crisis of overcapacity. Global production has dramatically increased over the past two decades, far exceeding requirements of the market. This has led to a high number of imports, many of them unfairly traded, and a decline in U.S. steel production. American steel companies and workers have felt the impact of global overcapacity and unfair, illegal trade practices. According to the U.S. Bureau of Labor Statistics, the U.S. steel industry has suffered 16,000 layoffs since January 2015 as steel companies have idled or reduced production in their facilities.

The American steel industry is critical to national security and it is vital that we maintain a strong domestic steel production capability.



China's role in steel overcapacity

China has been the main contributor to global steel overcapacity. In recent years, China has been producing more steel products than are needed for their current market, then dumping excess steel on the global market – including in the United States. In addition, they have been engaging in market-distorting practices such as government subsidies, export finance support and currency manipulation – all of which impacts the global steel industry.

According to the World Steel Association, in 2000, China produced approximately 14 percent of the world's steel, slightly more than U.S. production of 11 percent that same year. In 2015, China accounted for more than 49 percent of the world's steel production, almost as much as the rest of the world combined. Also, in 2015, China exported 112 million metric tons of steel to the world, a 20-percent increase over an already record-setting 2014.

The American steel industry has been calling for stronger action from U.S. policymakers as the adverse implications from China's aggressive, distorted trade practices on the U.S. economy have serious impacts on American jobs and industry. There must be a level playing field. The United States is the most open market in the world. American manufacturers can compete and innovate with anyone – as long as the playing field is level. Today, the playing field is not level.

U.S. Responses and Actions

- The U.S. Department of Commerce and the U.S. International Trade Commission have investigated numerous cases involving dumped and subsidized steel products from China that have injured or threaten material injury to the domestic steel industry. As a result of these investigations, the United States currently maintains 37 separate antidumping and countervailing duty orders on Chinese mills¹.
- The United States has engaged with China through bilateral discussions and multilateral dialogues to seek to secure its agreement to reduce Chinese steel overcapacity. The U.S. steel industry is seeking from China a clear capacity-reduction plan with the ability to strictly verify reductions.
- The Chinese economy is a command economy, not a market economy. China should not be awarded Market Economy Status (MES) without first earning that privilege by adhering to market forces and practices and meeting every criteria.
- For our nation's economic and national security, the American steel industry must survive and not be undermined by unfair, illegal trade practices conducted by China. U.S. trade laws must be properly interpreted and aggressively enforced. The Trade Promotion Authority and Trade Adjustment Assistance bills, signed into law in June 2015, both include clarification of injury standards.

“China has used massive subsidies and other trade distorting measures that are in violation of its WTO obligations to provide an unfair advantage to its steel industry. Ongoing dialogues between the United States and China regarding these problems have not been successful in bringing China into compliance.”

Source: American Iron & Steel Institute, September 21, 2016

Conclusion

China has used dumping, subsidies and other trade-distorting measures in violation of U.S. trade laws to provide an unfair advantage to its steel industry. As a result, excess steel has flooded into the U.S. market, driving down prices, causing job losses, and creating an uneven playing field for American steel companies.

China sees its own economic success over the past decade as an affirmation that it can continue its production and export practices. The U.S. government must act to end China's trade-distorting policies and practices and require their compliance with U.S. trade laws.

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