

RICHARD M. NOLAN
8TH DISTRICT, MINNESOTA



COMMITTEE ON TRANSPORTATION AND
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CONSERVATION AND FORESTRY
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WASHINGTON OFFICE
2380 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6211

NOLAN.HOUSE.GOV
FACEBOOK.COM/USREP/RICKNOLAN
TWITTER.COM/USREP/RICKNOLAN

Congress of the United States
House of Representatives
Washington, DC 20515-2308

WRITTEN STATEMENT OF THE HONORABLE RICHARD M. NOLAN
MEMBER OF CONGRESS
for
MINNESOTA'S EIGHTH CONGRESSIONAL DISTRICT

BEFORE THE PUBLIC HEARING CONCERNING POLICY RECOMMENDATIONS ON THE
GLOBAL STEEL INDUSTRY SITUATION AND IMPACT ON US STEEL INDUSTRY AND
MARKET (USTR-2016-0001)

APRIL 12, 2016

To the representatives of the Office of the US Trade Representative, the Department of Commerce and those from other federal agencies, thank you for allowing me to submit written testimony on the above captioned case.

We must put a stop to illegal dumping of subsidized foreign steel that has devastated America's iron ore mining and steel industries. Currently, the Department of Commerce is enforcing 161 anti-dumping or countervailing duty orders against foreign iron and steel products. While in recent months we have seen signs that our fight against illegal trade practices is producing positive results, we still face ongoing damage to our national economy and a continued threat to our national security.

Over the last year alone, nearly 2,000 miners and steelworkers, and another 1,500 workers in businesses that support mining have lost their jobs in my district. Around the country, more than 12,000 workers in our iron ore mining and steel industries are out of work, and more layoffs could occur if companies go idle or permanently shut down.

Saving our domestic iron ore mining and steel industries means more than just saving jobs. It also means ensuring the protection of our national security, our national economy and the local communities that rely on these vital industries. It is estimated that every US steel industry job supports seven jobs throughout the community. Again, this could not be more apparent than on Minnesota's Iron Range where, over the last few months, many "downstream" businesses patronized by mining workers and their families have suffered the effects of illegal steel dumping. For example, Zup's grocery store and the half-century old Drug & Variety Store in Aurora, Minnesota – businesses people rely on – both recently closed their doors for good because of the economic situation brought on by the downturn in the mining industry.

With that said, there has been reason for optimism in recent months due to a strong commitment from President Obama and his Administration to crack down on trade cheater nations. In December, the President dispatched White House Chief of Staff Denis McDonough to the Iron Range to discuss how we could get the nearly 2,000 laid-off miners back to work – and put a stop to the illegal dumping of

DULUTH OFFICE
11 EAST SUPERIOR STREET, SUITE 125
DULUTH, MN 55802
PHONE: (218) 464-5095

BRAINERD OFFICE
501 LAUREL STREET
BRAINERD, MN 56401
PHONE: (218) 454-4078

CENTER CITY OFFICE
313 N MAIN ST., ROOM 174
CENTER CITY, MN 55012
PHONE: (218) 491-3131

CHISHOLM OFFICE
316 WEST LAKE STREET #7
CHISHOLM, MN 55719
PHONE: (218) 491-3114

foreign steel that's caused the worst downturn in America's iron ore mining and steel industries in decades. This is the day McDonough and President Obama became converts to our cause, and as Cliffs Natural Resources CEO Lourenco Goncalves recently stated when praising the meeting "the day everything changed" and the federal government began to take steel dumping seriously.

Since that meeting, the US steel industry has continued to pursue trade remedy cases on hot-rolled, cold-rolled and corrosion-resistant steel, which are the most significant for the industry in the last 15 years. Preliminary determinations by the Department of Commerce in these cases have imposed tariffs of up to 265.79% on illegal foreign steel imports. These determinations, along with other recent executive actions, have provided a measure of hope to our besieged industries.

I was particularly pleased that the Commerce Department heeded our calls to hire 38 new trade analysts to help expedite the processing and investigation of the aforementioned trade cases. Additionally, enforcement tools included in the American Trade Enforcement Effectiveness Act, as well as the Trade Facilitation and Enforcement Act, will help our trade enforcement process work as effectively and efficiently as possible by ensuring importers cannot evade Customs & Border Protection personnel.

While these enforcement measures are appreciated and do provide some relief to our domestic industries, we must continue to explore all options at our disposal as it is clear the ongoing flood of imports still poses a threat. At a time when US steel consumption is growing, US steelmaking capacity has been operating near its lowest recorded level in the last 25 years. It is particularly troubling that while our economy continues to recover and grow, foreign steel imports have captured roughly one third of our market. The fact is, increased US steel consumption is being supplied by low-grade, poor quality, subsidized foreign imports.

We must remain vigilant and ensure this flood of imports does not get any worse by continuing to use every tool at our disposal to support our domestic iron ore mining and steel industries. There is an estimated global steel overcapacity of 700 million metric tons, 400 million of which can be attributed to China. As Chinese economic growth continues to slow, steel dumping into our domestic market could accelerate. While I appreciate the Administration's plans to use existing mechanisms—the Joint Commission on Commerce and Trade, the Strategic and Economic Dialogue and the Organization for Economic Co-operation and Development's Steel Committee—in an intensified and coordinated effort to work with China and other governments to reduce excess steelmaking capacity and mitigate the damaging effects of excess capacity on the US and global markets, that excess Chinese steel could still pose a tangible threat to our domestic industry.

In my view, given the enormity of the situation we face, President Obama should immediately request the United States International Trade Commission (USITC) launch a Section 201 investigation to determine if the domestic steel industry is seriously injured or threatened with serious injury by increased imports.

Based on the previously stated facts, the USITC would be almost certain to make an affirmative determination, at which time they would recommend to the President relief to prevent or remedy the injury and facilitate industry adjustment to import competition. Upon receiving a recommendation, it is at the discretion of the President to issue a final decision whether to provide relief and the amount.

As you may know, import relief under Section 201 of the Trade Act of 1974 is consistent within the obligations of our international trade agreements. Article XIX of the General Agreement on Tariffs and Trade (GATT), permits a country to "escape" temporarily from its obligations under the GATT with respect to a particular product when increased imports of that product are causing or are threatening to cause serious injury, if not destroy, a significant domestic industry.

Moreover, there is historical precedent for invoking Section 201. In 2002, President George W. Bush used it to institute a number of robust tariffs on foreign steel imports. These steel tariffs helped restore 16,000 steelworker jobs, and additionally, saved an estimated 1.1 million jobs in industries that supply products and services to the steel industry and depend upon that industry to stay in business. President Bush was a devoted free-trader, but even he realized the importance of our iron ore mining and steel industries and the need to take strong and decisive action to protect them.

While the tariffs instituted by President Bush were ultimately deemed illegal by the World Trade Organization, their ruling did not come until twenty months after the tariffs took effect, a time in which our iron ore mining and steel industries were able to recover. Additionally, it would be an error to assume that new tariffs would also be deemed illegal, because as stated before, Section 201 is specifically tailored to abide by our obligations under our international trade agreements. At minimum, the imposition of potential tariffs would provide immediate relief to our iron ore mining and steel industries and allow them significant time to recover.

The fact is, Section 201 is one of the most powerful tools the President has at their disposal to take executive action in support of our working men and women. By using Section 201, the President can preserve, protect and create good living wage jobs for hundreds of thousands of Americans, while also saving the many businesses and communities which rely on the continued vitality of our iron ore mining and steel industries.

To that end, I strongly urge President Obama to begin this process and request the USITC launch a Section 201 investigation so we can start the process of instituting additional safeguards and allowing our domestic iron ore mining and steel industries the opportunity to compete with the rest of the world on a level playing field.

Our work with the Administration has helped our iron ore mining and steel industries begin on the road to recovery and the launching of a Section 201 investigation would be an important next step in our ongoing fight against illegal trade practices.

Thank you for allowing me the opportunity to testify on this important matter.



Richard M. Nolan
Member of Congress