



United States Senate Committee on Finance
Testimony of Mario Longhi
President and Chief Executive Officer, United States Steel Corporation
June 25, 2014

Good afternoon, Mr. Chairman and other distinguished members of the Committee.

My name is Mario Longhi, and I am the President and CEO of United States Steel Corporation.

Thank you for this opportunity to share with the Committee the significant role our nation's trade laws play in the business of the American steel industry.

I am proud to be here with Leo Gerard, International President of the United Steelworkers. Together we bear the shared responsibility of ensuring our workers have a fair chance at working in a fulfilling job and living a fruitful life. In addition we work together helping the industry survive and thrive into the next century.

The American steel industry is currently producing materials for both the 21st century technologically sophisticated demands, as well as the fundamental building requirements for developing nations.

As a company we are meeting the challenges of global overcapacity and, while we are heartened by the myriad initiatives to spur economic recovery and create sustainable growth, we have undertaken the difficult but appropriate steps of righting our own ship to ensure the viability of our company's place in the market.

However, all the restructuring and realignment of a business cannot stem the tide of foreign companies attacking one of the most successful and vital global markets in the world – the U.S. manufacturing industry as a whole. These foreign companies are gaming the system and distorting the market with products dumped with the sole purpose of undercutting and harming the industry in general and my company specifically.

The approach and manner in which foreign companies are dumping thousands of tons of products into the U.S. market leads business leaders such as me to conclude that American steel companies are being targeted for elimination.

As the CEO, I spend a great deal of my time working to provide good paying, middle-class jobs in America. This requires the constant identification, quantification and planning for every possible variable in order to keep our business operational and competitive. The single most

disturbing variable that cannot be quantified or controlled for is foreign companies not playing by the rules.

So it is timely to be here this afternoon to share with you our experiences with America's trade laws and to highlight the vital need for consistent, full enforcement of those laws.

There has been a judicious effort by some of our elected officials to address the circumvention of U. S. trade laws by foreign companies, and to tackle the pernicious effects of global overcapacity, which suffocate our industry.

Mr. Chairman, your leadership in introducing the **ENFORCE** legislation is most welcomed. We concur that the Customs and Border Protection Agency should be empowered and strengthened to take swift action when dumping or countervailing duty orders are evaded through transshipment, misclassification, misreporting, or outright falsification of import documents.

This should be one of many tools in our trade toolbox.

Our immense gratitude is also extended to Senators Sherrod Brown and Rob Portman for their continued leadership and commitment to our industry. We are also very thankful for the introduction of legislation to address currency manipulation by Senator Brown and Senator Sessions, a critical initiative which must go hand-in-glove with any trade promotion authority, as well as other measures to strengthen our trade laws and align the application of those laws with the statutory intent.

These initiatives and others are desperately needed to level this American playing field. I have used these words often of late.

I came to this great country when I was a teenager. My parents wanted me to learn, live and sleep under the blanket of American freedom, to understand and live by the rule of law and embrace the American sense of fair play. I've lived the American Dream, and am privileged now to lead an American institution, a company nearly 115 years old that remains the largest American-headquartered integrated steel producer, with a rich history woven into the fabric of American life.

Each day, U. S. Steel employees work, relying upon our government to enforce the trade laws that will allow companies like ours to grow and prosper.

Our fate is intertwined with the effective, conscientious work of departments like Commerce, and adjudicatory venues like the International Trade Commission and the World Trade Organization.

So phrases such as: Rule of Law, Level Playing Field and Fair Trade are not sounds bites. These words embody the American promise. These are fundamental truths that we believe have been written into our laws.

The laws of this country can and should be used to help the rest of the world better understand fair play. Specifically, we must clearly showcase that when our trade laws are followed, companies around the world can succeed in the global marketplace – showing that when everyone follows the rules, everyone can compete and win. But this must be done under the rule of law.

Unfortunately Mr. Chairman, this is not the world in which we operate.

According to the United States Trade Representative, there are currently 56 pending antidumping (AD) and countervailing (CVD) cases, of which 73% involve steel products.

There are 117 existing AD and CVD cases, of which 40% involve steel related products.

These are cold statistics. We live them each day.

At any given time, our industry is pursuing over 30 active anti-dumping and countervailing duty cases against an ever-growing list of foreign competitors who are supported – tacitly or openly - by their own governments.

The litigation financial burden is borne by our employees, customers, and communities...and often our workers pay the ultimate price.

When the rules are ignored, circumvented or broken, all Americans lose.

We are not looking for a hand out.

In 2013, manufacturers contributed \$2.08 trillion to the American economy - that is 12.5 percent of GDP. Manufacturing supports an estimated 17.4 million jobs in America. More than 12 million Americans – or 9% of the workforce – are employed directly in manufacturing.

In 2013, almost 150,000 jobs were directly attributed to the steel industry. Within the value chain, it is estimated that more than 1 million jobs are steel-related jobs.

So when our industry is harmed, so too are the local vendors, markets, restaurants, dry cleaners, and other local service providers, schools and community organizations.

Let me illustrate for you how this harm occurs.

There are many ways in which foreign companies and governments have learned to circumvent and abuse our system of laws. A good example is a pending case involving companies from South Korea as well as eight other countries.

A year ago, U. S. Steel and other domestic Oil Country Tubular Goods (OCTG) producers filed a trade case against nine countries based on the enormous **113-percent** increase of imported OCTG products into this market between 2010-2012. Primarily South Korean companies are the main violators, but companies from India, Vietnam, Turkey and several other countries also dump very significant volumes.

OCTG are steel pipes used in the extraction of oil and natural gas, contributing to our nation's economic and energy security. OCTG is one of the most sophisticated, high tech products that we manufacture and must meet the highest safety and quality standards.

China tried to do the same thing in 2008. We fought and won an OCTG dumping case in 2009, but not before many facilities were idled, thousands of steelworkers lost their jobs, and our communities and our families sustained significant and long-lasting injury.

After we won the case, Chinese producers essentially abandoned the U.S. OCTG market, a clear sign that they could not compete when the playing field was leveled.

As the American economy and our energy demands rebounded, American steel companies spent billions of dollars to improve OCTG facilities across the country.

In the past 5 years, U. S. Steel spent more than \$2.1 billion across our facilities, \$200 million on new facilities at our Lorain Tubular Operations in the last two years alone.

However, the respite for the OCTG industry from illegally dumped products was short-lived. Foreign producers quickly seized this opportunity and began flooding our market.

The only difference between 2009 and today is that South Korean and other foreign OCTG producers are cleverer. South Korean companies are effectively targeting our market since they do not sell this product in their own home market or (in substantial volumes) to other nation. Over 98% of what is produced in South Korea is exported directly to the U.S.

Earlier this year, the Department of Commerce issued disappointing preliminary findings that failed to recognize and punish illegally dumped South Korean products. After decades of dumping practice, it appears that these companies have learned to circumvent our trade laws and illegally dump massive amounts of steel products in this market with ease and agility.

So it is not surprising that in advance of the impending final decision by the Department of Commerce, last month, the total OCTG imports hit a high of 431,866 net tons, a 77.4% percent change year/year. The South Koreans exported to the U.S. nearly 214,000 net tons of OCTG in May, an increase from the monthly average of 27,000 net tons in the prior 12 months. They are trying to dump as much product as they can before the final ruling.

The South Korean gamesmanship of our system of laws is disquieting. Their efforts are unchecked and repugnantly effective. They have made repeated requests for deadline extensions

to supply information and documents that the Department of Commerce investigators need in order to provide a thorough review. As a result, the investigators are forced to review incomplete and inaccurate information in an untimely manner. This allows for little or no time to conduct proper assessments or for appropriate follow-up inquiries, thus making the adjudicators formulate their decisions based on inaccurate information.

When a respondent refuses to provide information that the Department of Commerce needs to calculate an accurate dumping or subsidy margin and fails to cooperate by not acting to the best of its ability to comply with the Department of Commerce's requests for information, the statute permits the agency to assign that company a dumping or subsidy rate based on adverse facts available ("AFA"). When Congress enacted these provisions, it explained that they are "an essential investigative tool," providing "the only incentive to foreign exporters and producers to respond to Commerce questionnaires."

In practice, it is a muddled mess.

In our view, U.S. law already provides ample authority to effectively deal with lack of cooperation by foreign producers, but this is an area where Congress may wish to clarify the statute and provide even more express guidance about the need for an effective response to obfuscation by foreign producers. There are a number of effective proposals that have already been made in this regard.

Equally troubling is the use of discretion without logic. Since South Korea has no market for OCTG, the Department of Commerce must "construct" values of production costs and profit margins. The trade laws allow for some discretion in these computations; however, that discretion must be exercised in a reasonable way.

In this case, foreign producers have advocated for the Department of Commerce to construct profit margins based on Korean non-OCTG products sold in their home market – in this case, using inferior construction-grade steel pipe. This is not even an apples and oranges comparison; this is akin to comparing a scooter to a sophisticated motorcycle. Just because they have wheels, their use is neither similar nor substitutable. Clearly, lower grade pipes sold in the South Korean market cannot be compared with – or substituted for - the high value, high safety and quality OCTG products produced by companies like United States Steel. Yet, that is exactly what the foreign producers have been advocating. Once again, we believe there is clear authority in the current statute to use reasonable measures to calculate a "constructed value" but this is another issue where Congress may wish to consider even more express guidance.

We are also concerned that the International Trade Commission (ITC) apply the standard of material injury that was clearly intended by Congress – and not require companies or workers to show severe harm before they can access the trade laws. For example, the mere fact that an industry's performance may have improved somewhat should not preclude an affirmative injury

finding – particularly when the industry’s performance is materially weaker than it otherwise would have been due to the effect of the dumped imports.

While the statute allows for the evaluation of relevant factors for the establishment of **material injury** – both actual and potential – at times U.S. decision makers have focused too heavily on whether there were declining trends over the investigatory period and on operating margins alone as a proxy for injury. There are clearly other indicia of actual and potential material injury: suppressive effects on cash flow, production, net income, employment and growth, among others. **All of these must be taken into account.**

Given the threat we face from unfair trade and the importance of these laws to all manufacturers and workers, we believe that application of the **correct injury standard is paramount** – and this is yet another area where Congress may wish to provide additional guidance.

Mr. Chairman, there are many other technical improvements proffered by the industry’s legal minds to address the widening gap between Congressional intent and application of the trade laws, all WTO-compliant.

We would welcome the opportunity to work with you and the Committee to make common sense, effective improvements to these vital laws.

We also support strong, full and transparent Congressional oversight of the decision-making and enforcement process.

In closing, we rely upon you to ensure our laws and the intent of this esteemed body are reflected in the deliberations and decision of those entrusted with this sacrosanct responsibility.

It is not enough to open new markets for American goods and services; I submit to you that the greater economic and national security and, indeed, moral imperative is to ensure that the rules governing trade in our own market are respected.

The livelihoods of thousands of Americans and future of a time honored American industry hang in the balance.

Thank you.