

February 28, 2018

The Honorable Donald J. Trump
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Trump:

On behalf of the Alliance for American Manufacturing (AAM), I urge you to act immediately on the Section 232 recommendations of the Department of Commerce and institute an effective remedy that will be sufficiently broad and robust enough to defend America's steel industry and its workers from imports that threaten our national security and domestic welfare.

The Department of Commerce has concluded that years of predatory trade behaviors by China and many other countries threaten America's ability to produce steel for equipment essential to our military men and women's ability to defend our national interests abroad, as well as the critical infrastructure that keeps us safe here at home. Since your administration initiated a Section 232 investigation last April, the challenge has only grown in scope. Total steel imports soared 15.4 percent in 2017, domestic capacity utilization remains too low, and import penetration has risen to an alarming level.

Let us share some specifics. Already reduced to just one remaining domestic producer of the steel used in our electricity grid, grain-oriented electrical steel (GOES) imports increased by 98 percent in 2017 compared to 2016 – with product from Japan, China, and South Korea up between 147 and 258 percent over that same period. Oil country tubular goods (OCTG), critical in America's race to energy independence, saw a 196 percent increase last year alone – primarily from South Korea. We recently received the painful news that several steel mills in Pennsylvania would be reducing operations, including one that produces armor plate for the U.S. military and which played an important role in the production of armored vehicles to protect our service men and women from IED attacks in Iraq and Afghanistan.

The arguments against acting swiftly and deploying broad, comprehensive relief under Section 232 are unsatisfying at best. We believe the market, our workers, and consumers are best served when global production and consumption are better aligned and fair market pricing is restored. An effective remedy will jump start a long-overdue process of squeezing out massive overcapacity in the steel industry while enabling U.S. producers to revive idled production and jobs. It's also worth noting that the largest price shock steel consumers have faced over the past two decades was the result of an overheated economy in China, and not through any specific trade action.

We believe you are on firm ground in citing national security as a rationale for this trade action, as provided for under Article XXI of the General Agreement on Tariffs and Trade (GATT). As the Department of Commerce's report concluded, the military market for steel in the United States is not large enough to support one company, much less an entire industry. The industry's ability to supply these critical needs, however, depends on a functioning market, one that is not plagued

by pervasive dumping, subsidies, circumvention, overcapacity, and the damage caused by state-led capitalism. While the industry and its workers operate with world class efficiency, its ability to innovate and make capital investments are impaired by predatory trade behaviors.

We know your administration will vigorously defend America's interests if other nations seek to retaliate against a Section 232 steel action. Past administrations have had a stellar track record of challenging retaliatory actions. Baseless threats and fears should not deter America from putting an era of trade surrender to an end.

Your immediate action on a Section 232 remedy for steel would represent a powerful first step in defending our national security and American jobs. You have broad discretion to adjust imports and we urge you to act aggressively with a comprehensive, robust remedy that remains in place for a sustained period to allow the industry to stabilize and regain lost market share. Restoring healthy capacity utilization is an important benchmark. Dramatically reducing import penetration should be another.

Mr. President, while you have until mid-April to make a final decision on these matters, there is absolutely no reason to wait that long. America's steel workers are hurting, their communities are on the brink, and each passing day without action puts our national security at further risk. Immediate action on your part is necessary to prevent this strategic industry – vital to our national security, defense requirements, and economic welfare – from falling into the hands of China, Russia, and other strategic competitors.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott N. Paul". The signature is fluid and cursive, with the first name "Scott" and last name "Paul" clearly distinguishable.

Scott N. Paul
President
Alliance for American Manufacturing