

Written statement of L. Scott Barnes

**Director of The Committee on Pipe and Tube Imports (CPTI)
And Vice President and Chief Commercial Officer of TMK IPSCO**

**Before the Congressional Steel Caucus – U.S. House of Representatives
Washington, DC
March 25, 2010 - 9:00 a.m. – 2362 Rayburn House Office Building**

Good morning Congressman Visclosky, Congressman Murphy and the distinguished members of the Congressional Steel Caucus. My name is Scott Barnes and I am Vice President and Chief Commercial Officer of TMK IPSCO of Downers Grove, Illinois. Our company manufactures a variety of carbon steel pipe and tube products at plants located in Blytheville, Arkansas; Camanche, Iowa; Wilder, Kentucky; Geneva, Nebraska; Catoosa, Oklahoma; Ambridge and Koppel, Pennsylvania and Baytown, Houston and Odessa, Texas.

It is with great pleasure that I appear here today on behalf of the Committee on Pipe and Tube Imports (CPTI). The CPTI represents the majority of the country's steel pipe, tube and fittings producers which employ over 25,000 workers nationwide. There are 40 CPTI member companies located in 28 states. These companies make an array of products used in automotive applications, residential and commercial construction, energy, infrastructure and fire protection. The pipe and tube industry is a vital component of the domestic steel sector as we represent nearly one-third of the sales for domestic flat-rolled products. Flat-rolled steel is the input for welded pipe and tube, while billets are the input for seamless pipe and tube.

The CPTI is the voice for the U.S. pipe and tube industry in Washington, DC. Over the past two decades we have directed our advocacy efforts on matters related to trade and we remain active in the development of legislation which will benefit the industry and its workers. We will take this message to Capitol Hill next month when members convene for the CPTI's 27th Annual Meeting and Lobby Day.

This morning I am pleased to join other industry and union leaders to offer our views on the “state of the industry.” Last year in our testimony before the Caucus on June 16, 2009 we reiterated the many challenges the industry faced in a depressed economy. We also explained why it was necessary for many of our members to seek relief through the filing of unfair trade cases – the majority of which have been against imports from China.

As a result of massive Chinese government subsidies and targeting of the steel industry, China now has half the world’s steel capacity, with an estimated two hundred million tons of overcapacity, and as much as two thirds of the world’s pipe and tube capacity, with as much as twenty five to thirty million tons of overcapacity. In many product lines, China has not only enough capacity to supply its demand, all U.S. demand, but also the entire world demand.

As a result of import surge after import surge, beginning in 2007, CPTI members have filed seven sets of trade cases against imports from China; on circular welded pipe, light walled rectangular tubing, welded stainless pipe, welded line pipe, OCTG, seamless pipe, and drill pipe.

In OCTG, for example, imports from China surged to 2.2 million tons, one quarter of the market in 2008, to 30 percent of the market in 2009. We now have a CVD order in place with subsidies averaging 15 percent as a result of a unanimous ITC decision in December 2009. Commerce will announce final dumping duties in two weeks after preliminary duties announced in November 2009 from 0 to 96 percent.

Obtaining trade relief has given our company the confidence to announce a \$10 million investment in a new premium threading facility in Brookfield, Ohio that will create 30 new jobs and serve new gas drilling in the Marcellus Shale. Three other CPTI members have announced investments of \$900 million, creating a million tons of new capacity and over a thousand new jobs. This is good news and even better, the message resonates that stopping unfair Chinese trade preserves and creates new jobs in America.

As the Congress deliberates on the remaining legislative agenda in 2010, we believe it is important for the Congressional Steel Caucus to prioritize efforts in several key issue areas. First, our industry believes that it is imperative that Congress seek an end to currency manipulation by China. This is an unfair trade practice which violates IMF and WTO rules and has resulted in the world's largest bilateral trade imbalance of \$250 to \$300 billion annually. The CPTI has worked on this issue for the past several Congresses. While we applaud the efforts taken by Members to elevate the issue to national attention we believe that it is time that Congress take the appropriate steps to ensure that the Administration implements bold measures to end this practice. We think it is "Time for Prime Time" on this issue. Further Congress should stand up and say "we are mad as hell and we cannot and will not take it any more." Those of us in the business community also agree with leading economists and academics who have conveyed the message that further inaction will only make it more difficult for any meaningful economic recovery in the country. For example Professors Robert Aliber, a free trade economist from the University of Chicago and Paul Krugman, a Nobel Laureate, have recently pointed out that Presidents Nixon and Reagan took bold action to force Europe and Japan, respectively, to float their currencies. As I said earlier, we think this Administration should also take the appropriate action and demonstrate leadership among its global partners to simply say that this practice cannot be tolerated. The CPTI does also acknowledge that many in Congress have worked to promote an end to this unfair practice. In particular, we thank the leadership provided by Representatives Tim Ryan (OH) and Tim Murphy (PA) on this issue and pledge to work with them on further efforts to advance their legislation and the issue in this Congress.

Second, unfair trade laws must remain strong and must be vigorously enforced. In October 2009, the CPTI alerted the Customs and Border Protection Service of allegations of customs fraud that involved imports of circular welded pipe and light walled rectangular tubing from China to evade duties ranging from 100 to 300%. These imports are arriving at West Coast seaports from ports in China – with shipping documents claiming other countries of origin. We also learned that these imports arrived in containers rather than in bundles – which is usually the way pipe is shipped overseas.

Immediately we contacted Customs and began working with them in Washington and at the seaports on this issue. In addition, we alerted Members of the California delegation who sent a letter to Customs urging them to take prompt action.

Now nearly six months after our reports and after our industry formed a special task force to combat customs fraud – we are still in a state of limbo. Much of this is based on the nature of this investigation and on March 11, 2010 three industry leaders traveled to Washington for meetings with key Customs, ICE and Department of Justice officials to discuss this issue and to 1) identify how these investigations could be expedited and 2) how future fraud could be stopped.

As you work to advance issues in the final session of this 111th Congress the CPTI requests that the Caucus reengage with the key House Committees and leadership in the development of trade legislation that will ensure a level playing field for the industry, its workers, and communities across the country. The CPTI believes that this is the appropriate time to work on legislation which would address the following issues:

- Ensure that new trade legislation includes provisions that codify the application of the countervailing duty (anti-subsidy) laws to imports from non-market economies (I.e. China) for the same 15 year period it is applied to for market economies and make currency manipulation the countervailable export subsidy that it is;
- Develop and enact legislation that would strengthen U.S. unfair trade laws by reforming laws to WTO codes and insisting that the U.S. would reject any trade law weakening in a Rules Agreement in the current Doha Round;
- Adopt legislation that would provide necessary resources and Congressional guidance on the allocation of sufficient resources to the U.S. Customs and Border Protection Service (CBP) and to their counterparts, Immigration and Customs Enforcement (ICE) to not only enforce trade laws, but identify and implement programs that counter customs fraud;

- *Support* development of an energy policy that balances the needs of our economy with the protection of our environment, including responsible access to the vast natural gas reserves both on and offshore; support a future national transportation and infrastructure initiative that will make sure our country is competitive and ensure that there is greater demand for steel products for U.S. companies.

In addition, the CPTI believes it is essential that Congress continues to interact with the Government on the development of trade and competition issues with China on future agendas at the U.S. Strategic Economic Dialogue (SED) and the U.S. Joint Commission on Commerce and Trade (JCCT). In the past, these meetings have been useful as a tool for diplomatic exchanges, but have not resulted in any concrete benefits for the steel industry. It is important that steel and the issues we are concerned about have a place at the table at future meetings.

This Caucus has proven to be an effective and outstanding leader for the nation's steel industry, workers and communities throughout the country. You have led by example and I know that the CPTI greatly appreciates the efforts you have undertaken to ensure that this sector of U.S. manufacturing remains a vibrant part of the economy. We remain committed to participate in collaborative efforts which will lead to an economic recovery.

On behalf of our members in the CPTI thank you for inviting us to appear at today's hearing. I would be pleased to answer any questions from Caucus members.

Bio Profile

L. Scott Barnes Vice President and Chief Commercial Officer of TMK IPSCO

Scott Barnes joined IPSCO in 1985 as an outside sales representative and has progressed through various sales, operations and administrative positions with increasing responsibilities. Mr. Barnes was promoted to Vice President Commercial in 2001. He was appointed to Vice President and Chief Commercial Officer at TMK IPSCO in June 2008 and is responsible for the Western Hemisphere tubular sales which include OCTG premium connections, line pipe, standard pipe and HSS products.

He earned a BA and MBA from The Ohio State University and has attended Executive Programs at Northwestern Kellogg School of Business. He is active in the tubular industry serving as a past Chairman and current Board Member of the Committee on Pipe and Tube Imports (CPTI), a past board member of the National Association of Steel Pipe Distributors (NASPD), a member of the INGAA Foundation and the Metal Service Center Institute's Tubular Product Council.