American Iron and Steel Institute

1140 Connecticut Avenue, NW
Suite 705
Washington, DC 20036-4100
Phone: 202.452.7146
Fax: 202.463-6573
tgibson@steel.org

www.steel.org

July 26, 2010

VIA ELECTRONIC MAIL DELIVERY

Mr. Joe Hurd
Senior Director, Trade Promotion Coordinating Committee (TPCC)
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

RE: Comments Concerning the Development of the National Export Initiative Plan

Dear Mr. Hurd:

The American Iron and Steel Institute (AISI), on behalf of its U.S. member companies who together account for approximately 75 percent of raw steel produced annually in the United States, expresses our strong support for President Obama's National Export Initiative (NEI) and efforts to improve conditions that directly affect the private sector's ability to export. AISI supports the objectives of doubling our nation's exports by 2015 and of preserving and creating good-paying, manufacturing jobs for Americans.

As an attachment to this submission, we have included selected data slides from a recent AISI Report on U.S. Indirect Steel Trade, covering the years 2005-2009. America's "indirect" steel trade balance is, in essence, the United States' manufacturing trade balance expressed in tons of steel. As such, data on indirect steel trade provide a useful metric of the international competitiveness challenges faced by U.S. manufacturers.

What these data show is that the United States continues to run a significant indirect steel trade deficit with the world, due in large part to our trade with Asia and with China in particular. In recession year 2009, the U.S. ran a 9 million net ton (NT) indirect steel trade deficit with the rest of the world. Our 8.1 million NT indirect steel trade deficit with Asia represented 90 percent of our total deficit, and the 3-1 import to export ratio in our trade with Asia was the highest of all world regions. Of particular note, China in 2009 accounted for 54 percent of the total U.S. indirect steel trade deficit. In the absence of pro-manufacturing policies, U.S. indirect steel trade deficits will again increase to historic levels as our economy slowly recovers.

Approximately 70 percent of U.S. exports are manufactured goods, and roughly 75 percent of manufactured goods contain some steel. AISI and its U.S. members are therefore very supportive of policies to promote U.S. exports, and we would welcome the opportunity to work with closely with the TPCC to achieve a significant increase in U.S. exports.

Substantially increasing U.S. exports requires a level international playing field and greater access to offshore markets, especially in the big emerging markets such as China and India, where U.S. exports are often significantly impeded by foreign government trade barriers. It also requires an increased focus on policies to promote a healthy U.S. manufacturing sector.

In China, the country with which we have the largest bilateral trade deficit by far, mercantilist and market-distorting trade policies continue to proliferate. China's steel sector and other "strategic" steel-intensive manufacturing sectors remain government-owned, controlled and heavily subsidized. Further, the Chinese government continues to manipulate its currency by intervening extensively in foreign exchange markets so as to keep the RMB severely undervalued, which puts all U.S. manufacturers (including steel) at a competitive disadvantage internationally. If this issue is not addressed by Congress and the Administration, the goal of doubling exports in the next five years will never be achieved.

The following are specific policies AISI and its U.S. members believe must be put in place order to reach the goal of doubling our nation's exports by 2015.

1. **Address Chinese currency manipulation –** By undervaluing its currency, China effectively provides an export subsidy to its manufactured goods, giving Chinese producers an unfair advantage in their home market and in third country markets. The U.S. government must continue to press China to end this trade-distorting practice. Specifically, AISI urges that: our government make currency manipulation of the type practiced by China actionable under U.S. trade remedy laws; the Commerce Department apply countervailing duty (CVD) law to currency subsidies; and the Administration use every other available tool, including coordinated and aggressive diplomatic pressure, to persuade the government of China to correct the fundamental misalignment of the RMB.

2. **Enforce trade agreements –** Trade agreements are intended to expand rules-based trade, but that will only happen if the agreements are fully and aggressively enforced. The United States must exercise fully its rights under existing trade agreements, and bring WTO cases wherever appropriate.

3. **Negotiate better trade agreements –** Increasing exports requires elimination of a range of foreign government policies and practices that impede our access to other countries' markets or otherwise distort markets around the world. This means our trade agreements should not be limited to removing traditional barriers like tariffs, but should also be focused on eliminating foreign trade-distorting subsidies, non-tariff barriers, raw material export restrictions and other trade-distorting practices.

4. **Enforce trade laws –** We will not be able to double our exports in five years if we allow competitive U.S. manufacturers to be weakened or destroyed by dumped and subsidized imports from less efficient foreign producers. It is therefore essential that we increase funding for the Department of Commerce's Import Administration, and that we direct Customs and Border Protection to place an enhanced focus on commercial enforcement to fight fraud and circumvention of trade law orders and to address imported product safety problems.

5. **Promote a pro-manufacturing agenda –** Because manufactured goods account for about 70 percent of U.S. export, a healthy manufacturing sector is critical to our export goals. Advancing a pro-manufacturing agenda must be considered in all government programs and regulations.

   Two key aspects of a pro-manufacturing, pro-jobs, pro-export agenda would be: (1) to create a 21st century infrastructure, starting with prompt passage of the Surface Transportation Authorization Bill; and (2) to revitalize our manufacturing technology by refocusing the Industrial Technologies program on technological breakthroughs, not incremental gains, expanding tax credits to include clean and efficient energy investments and supporting further development of our nation's energy infrastructure.

   In addition, U.S. government policies must not discourage market-based investment in manufacturing in the United States. In this regard, the proposed unilateral regulation of manufacturers' greenhouse gas emissions under the Clean Air Act would actually destroy U.S. manufacturing capacity and jobs.

   In summary, in order to increase exports and rebuild our economy, the Administration and the Congress need to implement public policies that provide a hospitable business environment for manufacturing companies to: base themselves in the United States; invest in R&D so we make the most innovative products in the world; and keep that intellectual property here so can commercially produce these goods in the U.S. and then export them to the world.

With respect to three specific areas where the TPCC is seeking public comment, we would like to state for the record the following AISI positions:

- Regarding (5) (e) on Increasing Export Credit," AISI supports a strong United States Export-Import Bank and increased financing support for the exports of steel's domestic customers.

- Regarding (5) (f) on "Macroeconomic Rebalancing," AISI supports global structural rebalancing, with a major focus on correcting the enormous imbalances with Asia and with China in particular. As such, <u>the real goal should be to eliminate our huge manufacturing trade deficit, not just to double our exports over the next five years</u>.

- Regarding (5) (g) on "Reducing Barriers to Trade," AISI supports a vigorous and sustained U.S. government effort to combat foreign government barriers on both imports of manufactured goods and on exports of vital raw materials.

*

AISI urges the Export Promotion Cabinet, through the TPCC, to take these policy recommendations into consideration as you seek to implement the NEI. We look forward to working with you to achieve the important goals set forth in this Initiative.

The American Iron and Steel Institute, on behalf of its U.S. member companies, appreciates this opportunity to provide written comments to the TPCC on the President's National Export Initiative.

Sincerely,

Thomas J. Gibson

Thomas J. Gibson
President and CEO
The American Iron and Steel Institute

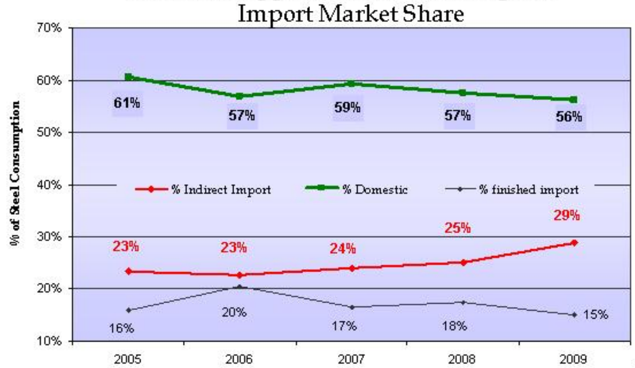
U.S. Indirect Steel Trade Summary – Total Apparent Steel Consumption (ASC) in U.S.

While indirect steel import tonnage fell substantially in 2009 – mainly due to the impact of the Great Recession -- the indirect steel import share of the total amount of steel consumed in the U.S. economy rose from 25% in 2008 to 29% in 2009. This rise was to the detriment of U.S. steelmakers, who saw their share of total steel consumption drop slightly, to 56%. This drop would have been greater had it not been for a significant decline in direct steel imports. In 2009, indirect steel imports fell by nearly one-third, but domestic steel shipments of 53 million NT dropped to barely half of their pre-recession peak of 100 million NT in 2006.

Total U.S. ASC (mil ton)	2005	2006	2007	2008	2009
Domestic Steel Mill Shipments (less Exp.)	95.6	100.2	95.3	85.0	52.9
Imports - Finished Steel Products	25.2	36.0	26.6	26.0	14.2
Imports - Indirect Steel	36.9	39.9	38.7	37.1	27.1
Total ASC *	157.7	176.1	160.6	148.1	94.2
% of Total ASC - U.S. Steelmakers	61%	57%	59%	57%	56%
% of Total ASC - Indirect Imports	**23%**	**23%**	**24%**	**25%**	**29%**
Finished Imports % of Total ASC	16%	20%	17%	18%	15%

** Total ASC = domestic steel shipments + direct and indirect steel imports – direct steel exports*

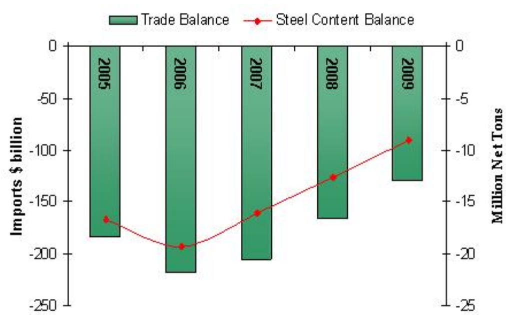
Total U.S. Apparent Steel Consumption – Import Market Share



U.S. Indirect Steel Trade Balance Summary – Market Sectors

The total U.S. indirect steel trade balance in 2009 improved by 28.4% vs. 2008, from -12.6 million NT to -9.0 million NT. This was mainly due to the effects of the Great Recession. While the negative balance declined for all sectors, the greatest improvements were in Automotive, Construction and Machinery. The Machinery balance approached zero. In the absence of pro-manufacturing policy changes -- as the economy gradually emerges from recession -- it is reasonable to expect that the indirect steel trade deficit will again rise toward historical levels.

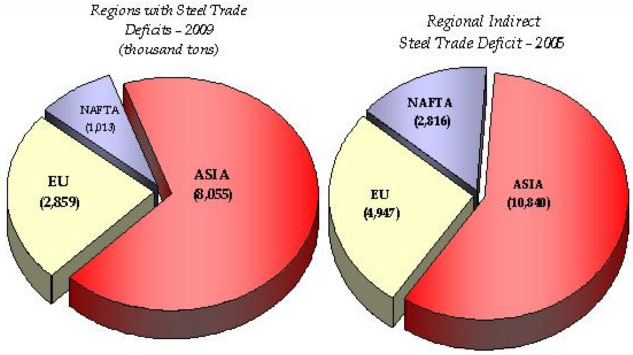
Indirect Steel Trade - Total Balance



	Trade Value - ($ billion)						Steel Content – (Million NT)					
MFG. SECTOR	2005	2006	2007	2008	2009	**09 vs. 08**	2005	2006	2007	2008	2009	**09 vs. 08**
AUTOMOTIVE	(126.1)	(140.8)	(132.7)	(107.9)	(74.1)	**31.4%**	(8.7)	(9.6)	(8.2)	(6.4)	(4.4)	**31.0%**
MACHINERY	(16.7)	(25.9)	(17.9)	(7.6)	3.5	**145.6 %**	(2.7)	(3.5)	(1.9)	(0.6)	(0.0)	**99.2%**
CONSTRUCTION	(5.7)	(8.3)	(10.2)	(9.5)	(6.5)	**31.3%**	(1.0)	(1.4)	(1.6)	(1.5)	(0.9)	**38.2%**
APPLIANCES	(12.7)	(15.4)	(16.5)	(16.1)	(15.0)	**7.0%**	(1.3)	(1.6)	(1.5)	(1.4)	(1.4)	**5.5%**
OTHER INDIRECT	(23.0)	(27.2)	(27.8)	(24.8)	(37.6)	**-51.5%**	(3.0)	(3.2)	(2.8)	(2.7)	(2.3)	**13.6%**
totals	**(184.3)**	**(217.6)**	**(205.1)**	**(165.9)**	**(129.7)**	**21.9%**	**(16.7)**	**(19.3)**	**(16.1)**	**(12.6)**	**(9.0)**	**28.4%**

U.S. Indirect Steel Trade Balance Summary - Region

The 2009 indirect steel trade deficit resulted from a combined deficit of 12 million tons with Asia, the EU and NAFTA, and a 3 million ton surplus with the rest of the world. The largest regional deficit continues to be with Asia. From 2005 to 2007, deficits by region were fairly level. Declines began with the recession in 2008 and deepened in 2009. On a volume basis, Asia and the EU had the largest deficit reductions. On a percentage basis, they declined less than NAFTA.

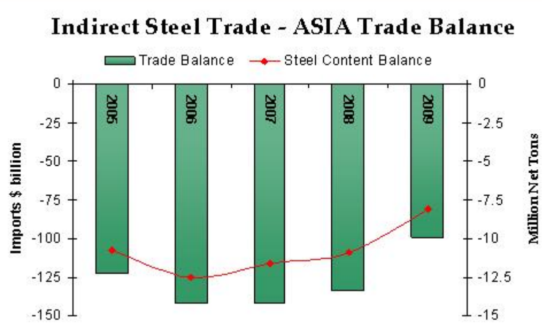


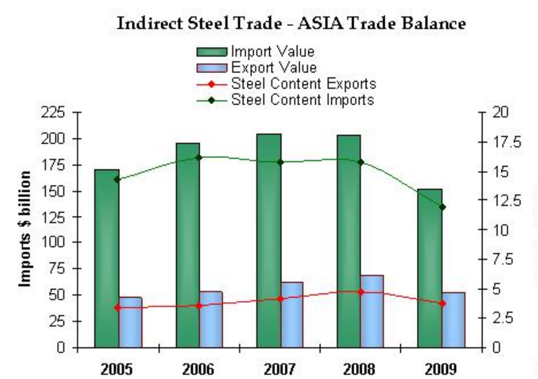
	Trade Value - ($ Billion)						Steel Content – (Million Net Ton)					
REGION	2005	2006	2007	2008	2009	09 vs. 08	2005	2006	2007	2008	2009	09 vs. 08
ASIA	(122.4)	(142.6)	(142.1)	(133.8)	(99.1)	25.9%	(10.8)	(12.5)	(11.6)	(10.9)	(8.1)	26.2%
EUROPEAN UNION	(55.7)	(58.1)	(56.8)	(49.8)	(42.5)	14.7%	(4.9)	(5.0)	(4.4)	(4.0)	(2.9)	28.9%
NAFTA	(26.5)	(40.2)	(39.7)	(25.1)	(18.7)	25.4%	(2.8)	(3.9)	(3.1)	(1.7)	(1.0)	39.1%
OTHER EUROPE	0.8	0.8	2.9	5.1	1.3	-74.0%	0.1	0.1	0.3	0.5	0.1	-71.6%
ALL OTHER REGIONS	19.6	22.4	30.6	37.6	29.3	-22.1%	1.8	2.1	2.7	3.5	2.8	-21.5%
totals	(184.3)	(217.6)	(205.1)	(165.9)	(129.7)	21.9%	(16.7)	(19.3)	(16.1)	(12.6)	(9.0)	28.4%

16

U.S. Indirect Steel Trade Balance with ASIA

The indirect steel trade deficit with Asia was 8.1 million tons in 2009, a 26.2% reduction from the 10.9 million ton deficit in 2008 and down 35% from the 2006 peak of 12.5 million tons. The deficit with Asia is larger than all other regional deficits combined and is 90% of the total net indirect steel trade deficit. Total trade value with Asia is about equal to NAFTA. However, trade with Asia is at a 3-to-1 ratio of imports to exports -- the highest of any region. That is the reason for this massive regional indirect steel deficit.

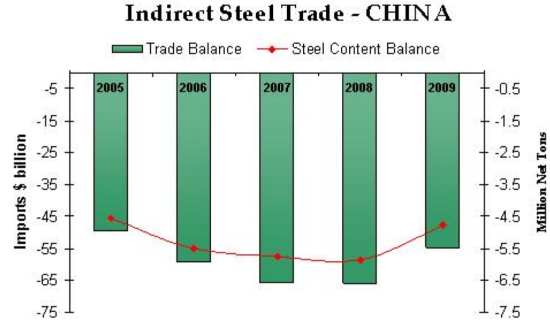




21

U.S. Indirect Steel Trade Balance with CHINA

The U.S. indirect steel trade deficit with China is the largest of any country. About 54% of the total U.S. indirect steel trade deficit is with China, up from 47% in 2008. Although Chinese imports are concentrated in low value-added, lower tech sectors, the exceptionally high total value translates into a nearly 5 million ton annual indirect steel trade deficit. While this deficit improved by 18% in 2009, it was still above 2005.



Trade Balance	Trade Value ($ Billion) 2005	2006	2007	2008	2009	09 vs. 08	Steel Content 2005	2006	2007	2008	2009	09 vs. 08
Other Indirect Markets	(21.6)	(24.2)	(25.9)	(25.4)	(21.1)	17.1%	(1.8)	(2.1)	(2.1)	(2.1)	(1.7)	19.6%
MACHINERY	(12.4)	(15.4)	(17.4)	(18.0)	(14.7)	18.3%	(1.2)	(1.5)	(1.5)	(1.6)	(1.3)	20.1%
Appliance & Utensils	(7.9)	(9.0)	(9.9)	(10.2)	(9.3)	9.0%	(0.7)	(0.8)	(0.8)	(0.8)	(0.7)	10.4%
Construction	(3.7)	(5.0)	(6.0)	(6.3)	(4.8)	22.6%	(0.5)	(0.6)	(0.7)	(0.8)	(0.6)	23.5%
AUTOMOTIVE	(4.0)	(5.3)	(6.3)	(6.1)	(4.9)	20.3%	(0.4)	(0.6)	(0.6)	(0.6)	(0.5)	14.5%
CHINA total	**(49.6)**	**(59.1)**	**(65.4)**	**(66.0)**	**(54.8)**	**17.0%**	**(4.6)**	**(5.5)**	**(5.8)**	**(5.9)**	**(4.8)**	**18.5%**

56

U.S. Steel Product Imports from China*

China is the largest individual country supplier of 1st stage downstream steel products to the United States. Products that are 100% made of steel, which have been fabricated, stamped or otherwise worked, are imported from China in very large quantities. The Chinese market share in many 1st stage downstream steel products (see examples below) often ranges between one-third and two-thirds of total imports.

	Net Tons (thousands)					*% of Total Imports*				
SELECTED STEEL PRODUCTS	**2005**	**2006**	**2007**	**2008**	**2009**	**2005**	**2006**	**2007**	**2008**	**2009**
FABRICATEDSTRUCTURAL SHAPES	178	294	396	504	337	20%	19%	26%	32%	32%
INDUSTRIAL FASTENERS	444	569	542	511	298	30%	34%	36%	36%	35%
NAILS AND STAPLES	558	701	637	362	213	54%	67%	74%	56%	50%
WOVEN WIRE FABRIC	221	184	204	214	138	57%	55%	63%	66%	62%
WIRE STRAND	106	233	229	256	69	37%	59%	64%	70%	40%
CHAINS & PARTS	74	82	89	91	66	50%	48%	51%	55%	62%
PIPE AND TUBE FITTINGS	46	70	89	96	52	22%	26%	27%	28%	23%
GRILL, NETTING & FENCING	65	72	72	68	50	30%	33%	32%	32%	33%
WIRE ROPE	26	32	35	40	31	19%	22%	23%	26%	25%
SASHES AND FRAMES	23	31	35	36	29	17%	23%	30%	33%	35%
GRINDING BALLS	6	19	12	16	23	9%	26%	18%	16%	35%
FENCE POSTS	18	24	26	23	15	88%	88%	86%	88%	78%
subtotal	**1,765**	**2,310**	**2,367**	**2,219**	**1,321**					

* These individual steel products are included in the indirect steel content totals of Construction and other indirect market categories.

57