American Iron and Steel Institute

THE FACTS: PRESERVE THE STEEL TARIFFS

Growing Global Excess Steel Capacity and Overproduction in China Threaten to Unleash New Import Surges, Putting Good Paying Jobs and Investments at Risk

The COVID-19 pandemic has led to the worst global and domestic steel industry downturn in more than a decade. Previous episodes of global economic crisis have been followed by steel import crises in America as foreign steel industries exported their excess production to the open U.S. market when demand in other markets dropped. If the existing steel tariffs are not maintained, new import surges will flood the U.S. market as the economy recovers from the COVID-19 recession.

The Steel Story

As the world's most important engineering material, steel is essential to our national security and critical infrastructure—roads and bridges, water distribution, energy transmission, and rail infrastructure, among others. Steel also provides considerable value to society at large through its use in everyday products and applications: buildings, cars, home appliances, canned food, computers and more.

The American iron and steel industry directly accounts for nearly 387,000 good paying jobs. Including supplier and induced impacts, the industry supports nearly two million jobs in every part of the country paying over $130 billion in wages and benefits and generates nearly $56 billion in combined taxes. Steelworkers' wages are among the highest in the manufacturing sector.

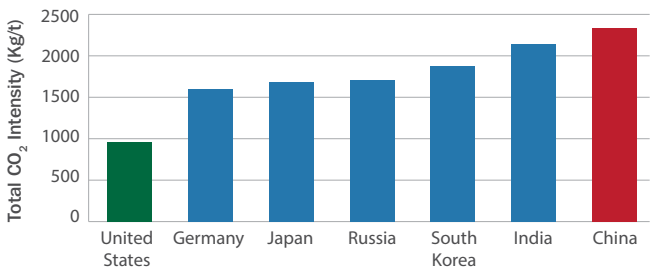
America's steelmakers have a long-standing commitment to sustainability, backed by significant investment in state-of-the-art facilities that improve energy efficiency, reduce carbon emissions and heighten productivity. The industry has reduced energy intensity per ton of steel shipped by 35 percent and CO_2 emissions intensity by 37 percent per ton of steel produced since 1990.

Among the seven largest steel producing countries, America's steel industry is the most energy-efficient and cleanest. It has the lowest CO_2 emissions intensity per ton of steel produced and the lowest energy use per ton produced.

Avg. Weekly Wages in 16 Mfg. Sectors, 2019
Source: Bureau of Labor Statistics, AISI calculations

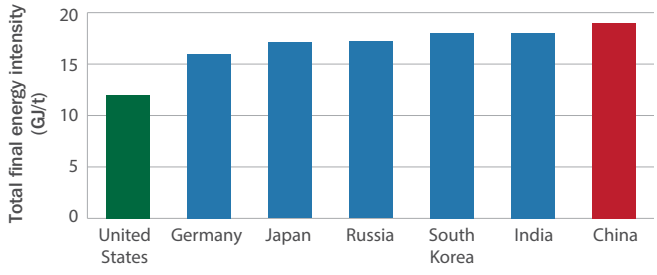
Computers and electronics	$2,429	Miscellaneous	$1,302
Petroleum and coal products	$2,342	Primary metals excl. steel	$1,248
Chemicals	$1,906	Nonmetallic minerals	$1,161
Steel and steel products	**$1,562**	Fabricated metals	$1,128
Transportation equipment	$1,488	Plastics and rubber	$1,059
Machinery	$1,393	Printing	$974
Elec. equip. and appliances	$1,343	Food, bev., and tobacco	$953
Paper	$1,326	Textiles, apparel and leather	$865

Total CO_2 Emissions Intensity
Seven Largest Steel Producing Countries (2016)



Adapted from: Hasanbeigi and Springer, "How Clean is the U.S. Steel Industry?", Global Efficiency Intelligence, 2019.

Total Energy Intensity
Seven Largest Steel Producing Countries (2016)



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The COVID-19 Pandemic Has Led to the Worst Steel Industry Downturn in More than a Decade

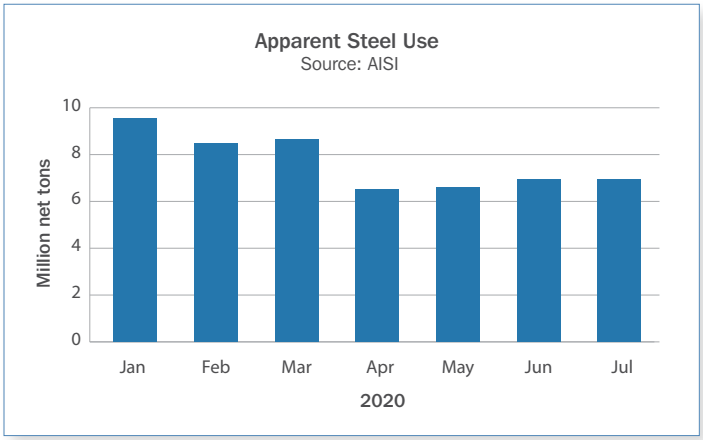
The COVID-19 pandemic has had an enormously negative impact on economic conditions in the United States and around the world. The steel industry has not been immune from the repercussions of the pandemic.

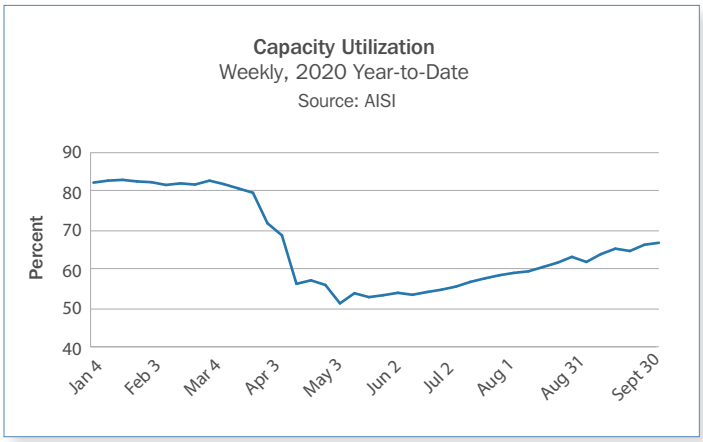
As the economy plunged in the early spring of 2020, domestic steel demand contracted sharply, falling 25 percent in April from only a month earlier.

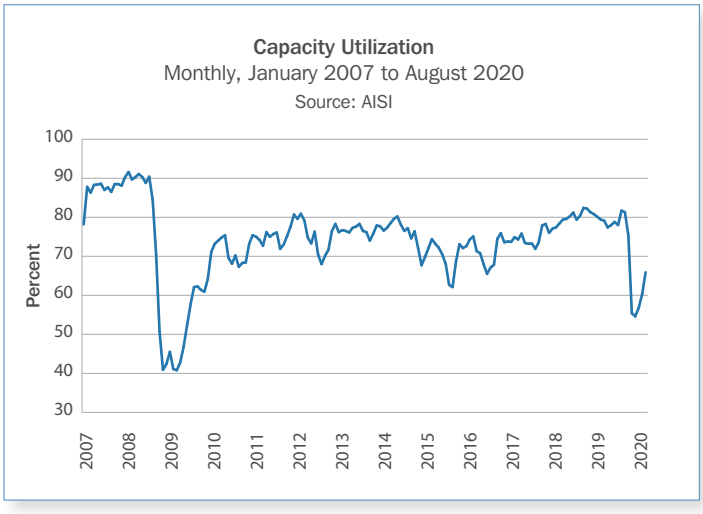
Steel producers were forced to sharply curtail production in response to much lower demand. Raw steelmaking capacity utilization plummeted, falling by nearly 30 percentage points between the middle of March and early May. In the first week of May, the utilization rate dropped to a low of 51.1 percent, the lowest on record since the Great Recession of 2008 and 2009.

Numerous steel industry facilities—from iron ore mines to electric arc furnaces and blast furnaces to finishing mills—were idled, leading to the loss of nearly 10,000 jobs in March, April and May.

As the broader economy recovers, so is the steel industry. But progress has been slow. Steel demand has increased since April, but was still 20 percent below pre-pandemic levels in July. Capacity utilization climbed to 66.6 percent by early October, but is far below a viable long-run level. Industry payrolls have stabilized, but thousands of American steelworkers are still without jobs.







Global Overcapacity is an Ongoing Threat to the Steel Industry

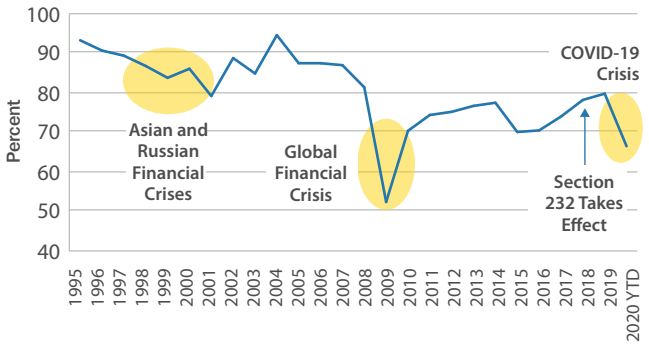
Previous major global economic downturns have been followed by steel import crises in this country as foreign steel industries exported their excess production to the open U.S. market when demand in other markets dropped. If the existing steel tariffs are not maintained, history is likely to repeat itself.

Global overcapacity, fueled by foreign government subsidies and other forms of state intervention, was estimated at more than 500 million metric tons in 2019, nearly six times the total steel output of the United States. According to the OECD, it is growing again in 2020 to as much as 700 million metric tons, due to continued non-market investment by China and others, despite substantially lower demand in most markets due to the COVID-related economic crisis.

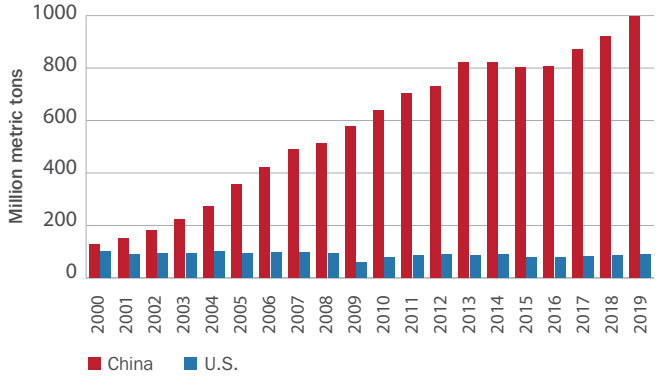
The American steel industry responds to market forces while China and other non-market actors continue to expand capacity and production despite declines in demand, creating non-market driven global oversupply. This has destabilized the global market, leading to periodic import surges which put America's steel industry at risk.

The OECD estimates China's steel capacity grew by 24 million metric tons to more than 1.15 billion metric tons in 2019. At the same time, it continues to subsidize massive new capacity outside of the country. Loans, export credits, strategic partnerships and investments with overseas interests support increased capacity and exports, particularly in several developing Southeast Asian countries.

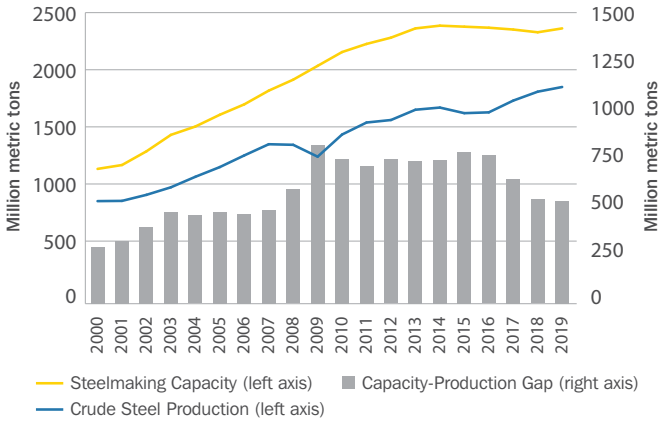
Capacity Utilization
Annual, 1995 to 2020
Source: AISI



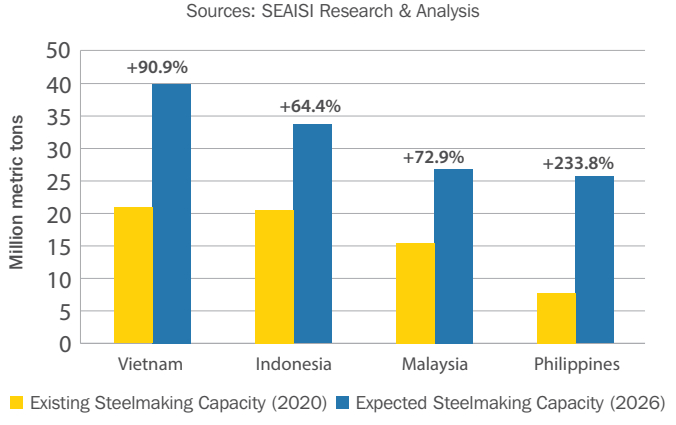
Steel Production: China vs. U.S.
Source: Worldsteel



Global Capacity-Production Gap
Sources: OECD (Capacity), Worldsteel (Production)



Planned Capacity Growth in Select ASEAN Countries (through 2026)
Sources: SEAISI Research & Analysis



Why are Comprehensive Steel Tariffs Necessary?

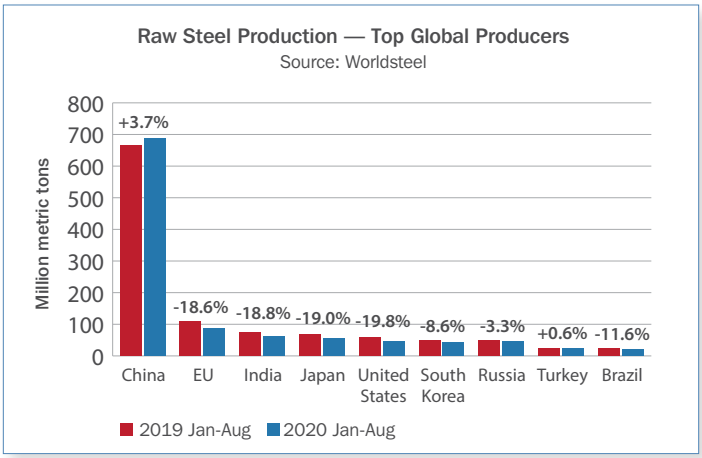
A commercially viable domestic steel industry is essential to meeting the nation's national security and critical infrastructure needs, and to supporting a strong manufacturing base. The American steel industry has fought unfair trade practices through traditional trade cases brought against specific steel products from specific countries. But in many cases, soon after trade remedies were imposed, imports of that product shifted to another supplier country or to a different steel product. In the process, American production, investment and jobs were lost.

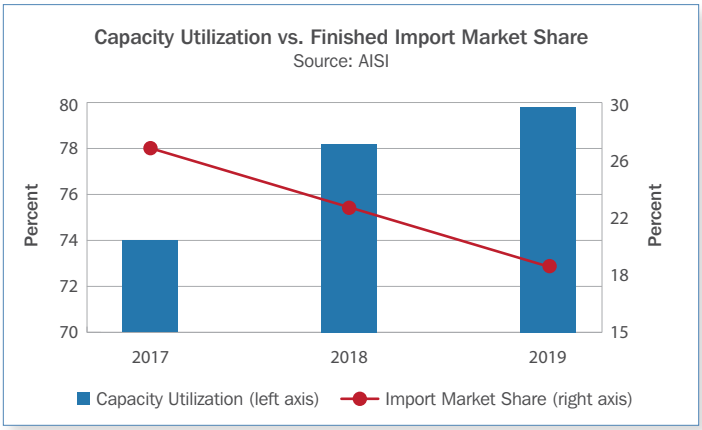
Comprehensive tariffs were, and remain, necessary because the domestic industry remains at risk. The tariffs worked, lowering the market share of imported steel, increasing capacity utilization rates, allowing idled facilities to be restarted and encouraging the industry to make billions of dollars of new investments in new and upgraded steel facilities.

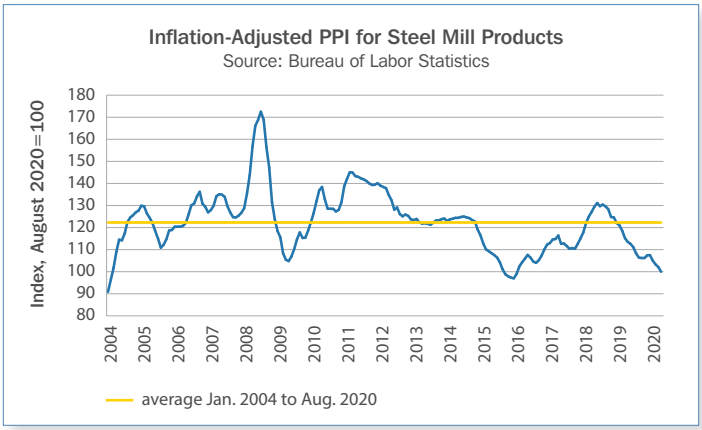
When the COVID-19 pandemic hit, steel demand plummeted and raw steelmaking capacity utilization plunged. American steelmakers, responding to market forces, were forced to close plants, lay off workers and delay investment activity. Meanwhile, Chinese steel producers, responding to government policy rather than market forces, continue to increase their production to record levels in 2020, while steel producers in much of the rest of the world are forced to reduce production due to the decline in demand.

Removing or weakening the tariff program now, as Chinese production and inventories swell, risks a repeat of previous steel import crises that have followed major economic downturns.

Critics of steel tariffs claim that steel consumers in the United States have been harmed by higher prices. In fact, when adjusted to reflect overall price changes in the economy, a broad index of steel mill product prices was 18 percent below its 16-year average level, and prices now are very close to the lowest levels since 2004.







The Tariffs Must Be Maintained

The steel industry in the United States is essential to our nation's security, critical infrastructure and manufacturing base. It pays wages that are among the highest in the U.S. manufacturing sector and supports nearly two million jobs nationwide. Among the world's largest steel industries, it is the cleanest and most energy-efficient.

The viability of the American steel industry, though, is at risk from growing global overcapacity, fueled by foreign state-directed investment and subsidization, that distorts global steel markets and encourages destabilizing surges of unfairly traded steel imports into the U.S. market. A program of comprehensive steel tariffs is necessary to prevent renewed import surges that would destroy good paying manufacturing jobs and undermine a critical U.S. industry.