Oral Testimony of Jeremy Hekhuis
Senior Vice President, Policy and General Counsel
American Iron and Steel Institute

Hearing on the Initiation of Section 301 Investigations: Act, Policies, and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors

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Good afternoon. American steel producers know all-too-well the devastating impact that structural excess capacity and production have on their operations – displacing production, undermining profitability and decreasing investment in cost-saving, efficiency-maximizing, and job-creating technologies. Structural overcapacity and production arise from deliberate policy actions and is fueled by government subsidies and other trade-distorting policies.

Newtonian physics tells us that for every action there is an equal and opposite reaction. A similar phenomenon occurs with steel production. Excess capacity and a surge of exports from one country creates a vicious cycle that may lead to lost market share domestically, redirection to third markets or increased exports from receiving markets – creating a global race to the bottom.

Breaking this cycle is a matter of vital importance.

Now is the time to address this problem.

China: Any comprehensive effort to address global excess capacity must begin with the People's Republic of China (PRC) whose steel production continues to grow despite declining domestic demand.

China accounts for over half of all global excess capacity sustained by a complex regimen of massive state subsidies that have not supported responsible drawdowns in excess capacity but rather have furthered capacity expansion.

China's annual export volume of steel totaled 131 mmt in 2025 – a new record.

To put that in context, last year China exported more steel than North America used.

As Chinese exports increase, the "Newtonian" laws of structural overcapacity and production have led Asian, African and Middle Eastern countries to also increase exports. Chinese import penetration met 60 percent of Southeast Asia's steel demand last year. Unsurprisingly, in the same timeframe, Southeast Asia's finished steel exports increased by 54 percent.

India: The Indian government is taking a page out of China's well-worn playbook as it heavily subsidizes its domestic steel sector. India reported robust export growth in finished steel in 2025 – a troubling trend for a market that purports to be focused on internal, domestic demand.

Indonesia: Indonesia directly supports both their state-owned enterprises and their foreign partners from China, Korea, and Japan drawn by Indonesian export restrictions on raw materials critical to steel production, including nickel. Indonesian export restrictions harm American steelmakers doubly as they are denied access to much-needed materials and then must compete with subsidized Indonesian excess production.

Mexico: Mexico has yet to stem the surge of foreign steel into its market. AISI estimates that approximately 75 percent of the steel imports into Mexico are from outside North America. According to the *Rio Times*, Mexican steel production declined in 2025 due to "a flood of cheap Chinese-origin steel." [1]

Increased steel imports into Mexico produces predictable results: Mexican steel exports to the U.S. increase, opportunities for American steelmakers decrease, and the circumvention and evasion of U.S. steel tariffs continues.

Korea: Korea's steel sector is hampered by a mismatch between its considerable production capacity and sagging domestic demand. Despite softening domestic demand, Chinese exports to Korea have increased. Korea steelmakers have turned to exports sending as much as 40 percent of its steel production overseas in recent years.

Japan: Japan's steel production far exceeds domestic consumption. In 2024, Japan produced 84 million metric tons of steel and exported 34.4 million metric tons of that total. Roughly one million metric tons were shipped to the United States in 2024, while Japan imported only 10,864 metric tons of American steel.

Indirect exports: Exporters are increasingly trading in steel-intensive downstream products that are not subject to trade measures. For the decade ending in 2024, indirect steel exports increased by 26 percent – a volume equivalent to 93 percent of direct steel exports in 2024.

Nothing highlights the challenge of indirect steel exports better than the growth of China's automotive sector, whose auto production vastly exceeds domestic consumption. The result is the increased automotive exports with growing market share in Europe, South America, and Latin America. While the arrival of Chinese-made cars into Canada has made news, their presence is greater in Mexico where five years ago, sales of Chinese-branded vehicles accounted for less than 1 percent of total sales in Mexico. Mexico is now the world's top importer of Chinese-made vehicles.

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[1] Martinez, Sofia Gabriela; *Mexico's steel output falls as Chinese imports rise ("Mexico's Steel Output")*; THE RIO TIMES (Feb. 25, 2026); *available at*: https://www.riotimesonline.com/mexicos-steel-output-falls-as-chinese-imports-rise/

Conclusion: Newtonian physics also makes clear that objects continue their trajectory unless acted upon. Absent clear decisive action, structural excess capacity and production will continue a global race to the bottom – repeating and reinforcing a manufacturing cycle unmoored from market demand and protected by government subsidies.

This pattern undermines innovation and profitability in the United States, the world's consumer market of last resort.

AISI urges USTR to evaluate the worst actors: those whose steelmaking excess capacity and exports continue to increase and consider what additional remedies, including cumulative tariffs, are necessary to address the market damaging global distortions structural that excess capacity is causing including for American steel producers and workers.