

September 19, 2016

VIA EMAIL

Representative Tim Murphy
2332 Rayburn Bldg.,
Washington, D.C. 20515

Representative Peter Visclosky
2328 Rayburn Bldg.,
Washington, D.C. 20515

Dear Representatives,

As co-chairs of the Congressional Steel Caucus, I wish to thank you for your tireless work ensuring issues vital to a strong steel sector are properly addressed in Washington D.C. As you are well aware the steel industry in the United States is facing a crisis with approximately 19,000 steel workers across the country facing layoffs, reduced hours and expiring unemployment benefits.

How Congress and our government responds to this crisis domestically and on the global stage are vitally important to ensuring national security, middle-class jobs and a domestic manufacturing industry. That is why the United Steelworkers (USW), the largest union in basic steel, wishes to express our union's adamant opposition to the Trans-Pacific Partnership (TPP) and we urge the Steel Caucus and all its members to actively oppose the trade agreement.

Our current trade policies are not working for America's steel workers. The TPP is a prime example of a failed trade policy in steel as it simply follows the existing template of past agreements. For example, since the passage of the United States-Korea Free Trade Agreement (KORUS) South Korea has become the third largest exporter of steel into the United States, while the U.S. export market share into South Korea is down by 5.3 percent since 2014¹. Using previous agreements as the best evidence of how future agreements will perform, KORUS is failing American workers, and the TPP will only exacerbate that failure.

Trade Deficit in Steel will Increase:

The TPP, however, is even worse for the U.S. steel industry than recent agreements and will further undermine the domestic steel industry. If passed and implemented, it will threaten industries up and down the steel supply chain, which employ close to half a million Americans. The U.S. already has a negative trade balance in steel products with the trading partners in the TPP (the 2014 non-NAFTA steel trade

¹ <http://www.ita.doc.gov/steel/countries/pdfs/imports-us.pdf>

deficit with the TPP nations was over 2.8 million tons²). This trade deficit in steel will not only continue, but will worsen. There are a multitude of reasons why the USW has no doubt that the U.S. steel trade deficit will deteriorate further under the TPP. Below are a number of examples.

Domestic Content Requirement is Unacceptably Low:

Two-thirds of U.S. steel making jobs are in the hot-end production of steel. This is the melting or pouring of steel through an electric arc furnace or basic oxygen furnace process that either recycles steel through re-melting or by adding basic components necessary to forge steel. The TPP creates a class of steel parts that only need minor transformation such as stamping to qualify for duty free status. By not encouraging a melted and poured standard for steel products it is quite likely that non-TPP countries such as China will be able to ship semi-finished steel and have it merely stamped in a TPP country and have that product eligible for preferential treatment under the agreement. This along with many other shortfalls in the Rule of Origin (ROO) will dramatically and negatively impact the domestic steel industry.

The ROO in automobiles is a dynamic example of how the TPP fails American workers. The World Steel Association estimates 12 percent of global steel consumption goes into the automotive sector³. This translates into roughly 2,000 lbs. of steel used per vehicle. The importance of the automotive ROO can't be underestimated for the steel industry as the domestic auto sector is the single largest customer for U.S. produced steel. The U.S. agreed to a provision in the TPP that requires only 45 percent content of an automobile to originate in TPP countries. This is insufficient to prevent job leakage from TPP countries including the U.S. The 45 percent ROO also does not account for an estimate prepared by staff of the Ways and Means Committee that the annex could actually lower the originating content rule by up to another 8 percent⁴ potentially lowering the content requirement to only 37 percent.

Thus, 63 percent of an automobile's parts could come from outside the TPP countries and the assembled vehicle would qualify for duty free status. This is simply unacceptable. In essence, an overwhelming majority of a car's content could come from China but the car could be stamped "Made in America" for the purpose of TPP's calculations.

Vietnam gets a Free Pass and Market Imbalance with Japan Worsens:

Some of the policies and practices of certain participating countries in the TPP also should give the Congressional Steel Caucus pause in terms of approving this trade agreement. Vietnam intends to grow its state-owned steel industry from approximately

² <https://ustr.gov/sites/default/files/ITAC-12-Steel.pdf>

³ <http://www.forbes.com/sites/greatspeculations/2015/05/20/trends-in-steel-usage-in-the-automotive-industry/#cb2f1ca78659>

⁴ <https://democrats-waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/TPP%20Issue%20Analysis%20-%20Autos.pdf>

6 million tons to 40 million tons by 2025⁵. The country plans to export 25 percent of total production and reduce the importation of steel products. Should Vietnam complete their “master plan” of 40 million tons in 10 years it will equal almost half of current U.S. production. The TPP will also allow Vietnamese steel to enjoy duty-free status into the U.S. while the U.S. industry must wait up to 13 years for reciprocal tariffs to be removed. With the global crisis caused by overcapacity, Vietnam has been given a free pass to add to the problem and essentially exclude U.S. products from its market for the near future. That is an insult to the workers who are being told that the TPP is in their best interests.

Japan, another TPP country, has a trade surplus in steel goods with the U.S. In 2014, the U.S. trade deficit with Japan in steel products was 2.4 million tons. Aggressive imports of steel products from Japan already impact steel manufacturers where for example EVRAZ North America’s Pueblo, Colorado facility has laid off 260 workers in part because of significant increases of steel rail products entering the U.S.⁶. Addressing this trade deficit should have been a primary goal for U.S. trade negotiators yet there is little likelihood of that happening in light of the fact that Japan will continue to prefer domestic sources.

Increases GHG Emissions:

The lack of environmental commitments for energy intensive industries such as steel should also factor into the Steel Caucus’ rejection of the TPP. The World Steel Association estimates that on average, 1.9 metric tons of carbon dioxide are emitted for each ton of steel produced worldwide. Direct Green House Gas (GHG) emissions per ton by the U.S. steel industry are roughly one-third of this amount at 0.75 tons per ton of steel produced⁷. Meanwhile in a 2011 report the UN Industrial Development Organization on energy and resource efficiency in Vietnam found that 5 of the 6 steel plants they visited were significantly out of the good practice range for electrical usage⁸. Rather than giving greater access to Vietnam and other TPP countries for U.S. steel which is produced under more environmentally-sound conditions, the TPP would allow for producers discharging more emissions to develop at a faster pace increasing, on a per-ton basis, GHG emissions.

Recent studies reviewing pollution from Asia indicate that ozone pollution into the United States has offset about 43 percent of the western region’s efforts to reduce ozone emissions⁹. The domestic steel industry has rightfully spent billions of dollars ensuring communities have clean air to breathe. It is unacceptable that the TPP fails to address environmental controls that the domestic industry has complied with while allowing for foreign nations to pollute at will. It would put U.S. producers at a further economic disadvantage and put the health of our people, and the world, at greater risk.

⁵ <https://www.oecd.org/sti/ind/Item%203.%20Vietnam%20-%20Mr.%20Trinh%20Dinh%20Thang%20-%20July%202013.pdf>

⁶ <https://www.doleta.gov/tradeact/taa/taadecisions/91712.pdf>

⁷ <http://scrapcoalition.com/apps/stories/articlefiles/152-Melt%20it%20Here.pdf>

⁸ https://www.unido.org/fileadmin/user_media_upgrade/Worldwide/Offices/Energy_and_Res.pdf

⁹ <https://thinkprogress.org/chinas-air-pollution-is-traveling-to-the-united-states-e28f584cbb06#.usmv4ao9y>

SOE Injury Test Further Threatens US Steel Industry:

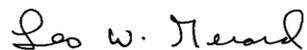
As the Steel Caucus is well aware, the steel sector has been under repeated, surgical trade attacks. Early on, the USW raised concerns with negotiators about the injury test in the SOE chapter – where a substantial portion of the unfairly traded products emanate from that have decimated U.S. production and employment. That test essentially limits the ability to address injury unless it occurs for a year or more. With steel, the sales are often made to distribution centers on a spot basis resulting in repeated sales, on an individual basis. As the business community members of the Advisory Committee on Trade Policy and Negotiations (ACTPN) said in their report on the TPP: “This test fails to recognize market realities where many commercial transactions are based on spot market or bid transactions.” This is hardly the kind of disciplines that would ensure that countries like Vietnam or China don’t further attack our markets.

Unenforceable Currency Manipulation Provisions:

Lastly, USW urges the Steel Caucus to reject the TPP for the failure to properly address currency manipulation in the agreement. While there is a joint declaration regarding exchange rate policy this policy is not an enforceable provision within the agreement. The declaration does not define what constitutes an impermissible manipulation of exchange rates. There is no provision providing for the consideration of complaints by one TPP party under dispute resolution procedures within the agreement.

While the steel industry trade advisory committee (ITAC-12), a committee of steel industry officials, in their review of the TPP was unable to render an opinion on the TPP¹⁰ as the union representing workers at many of the steel ITAC member companies, our assessment and opinion needs to be less political or based on fears of retaliation. The TPP utterly fails the U.S. steel industry and its workers and will only lead to further layoffs and undermining of domestic manufacturing. USTR and the administration should work towards building binding commitments to reduce steel overcapacity by foreign countries and ensuring a level playing field for American manufacturing. **The TPP will make conditions for the U.S. steel industry significantly worse.** It should not be brought up for a vote but, if it is, steelworkers across the county will expect you to vote no. This is a critical vote that cannot be justified on other grounds.

Sincerely,



Leo W. Gerard
International President

¹⁰ <https://ustr.gov/sites/default/files/ITAC-12-Steel.pdf>