RELATIONSHIP BETWEEN STEEL IMPORTS AND U.S. STEEL INDUSTRY CAPACITY UTILIZATION

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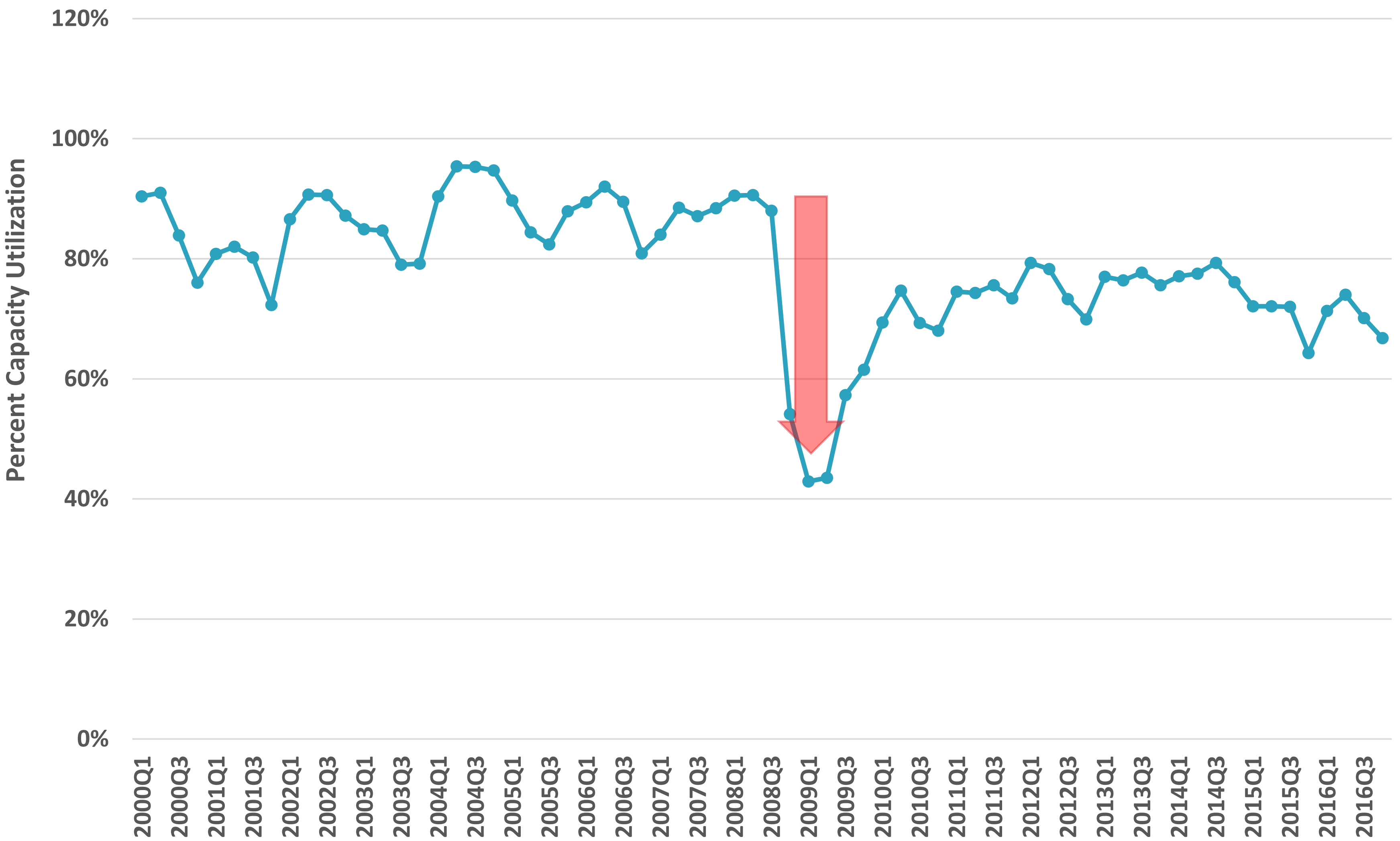
Justification of Recommended Action Under Section 232 on Steel Imports

- Current quantities of imported steel weaken internal economy
- Potential impact on limiting capacity of U.S. steel industry in a national emergency due to additional plant closures
- "Secretary has determined that the only effective means of removing the impairment is to reduce import levels that should, in combination with good management, enable U.S. steel mills to operate at 80% or more of their rated production capacity"
- "Due to the threat as defined in Section 232, to national security from steel imports, the Secretary recommends that the President take immediate action by adjusting the level of these imports through quotas or tariffs. The quotas or tariffs imposed should be sufficient, even after any exceptions (if granted), to enable U.S. steel producers to operate at an 80% or better average capacity utilization rate based on available capacity in 2017."

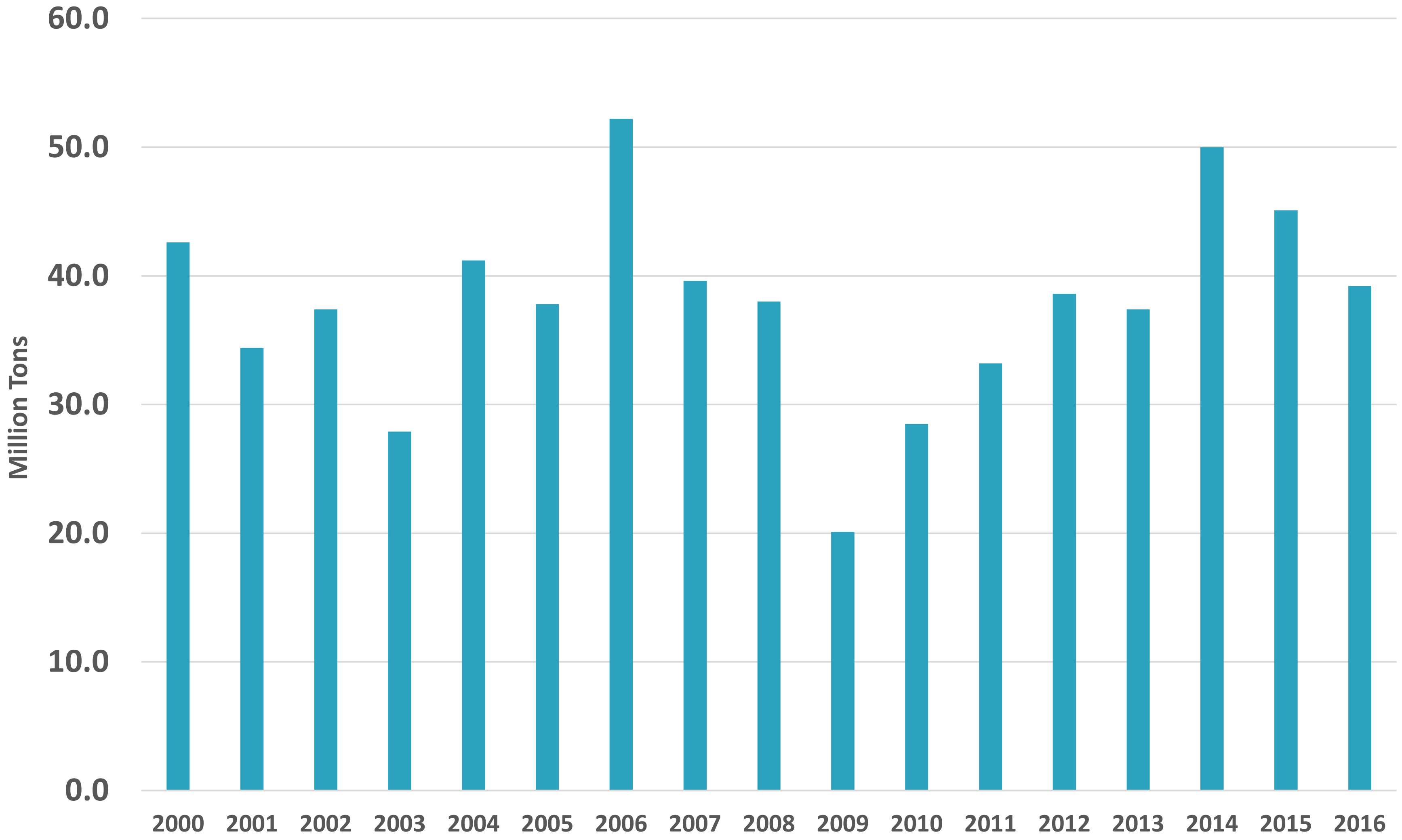
Source: The Effect of Imports of Steel on the National Security, An Investigation Conducted Under Section 232 of the Trade Expansion Act of 1962, As Amended, U.S. Department of Commerce, Bureau of Industry and Security, Office of Technology Evaluation, January 11, 2018

Steel Industry Capacity Utilization Has Remained Below Post Recession Levels



Source: American Iron and Steel Institute (AISI)

Total Steel Mill Products - Imports



Source: American Iron and Steel Institute (AISI)

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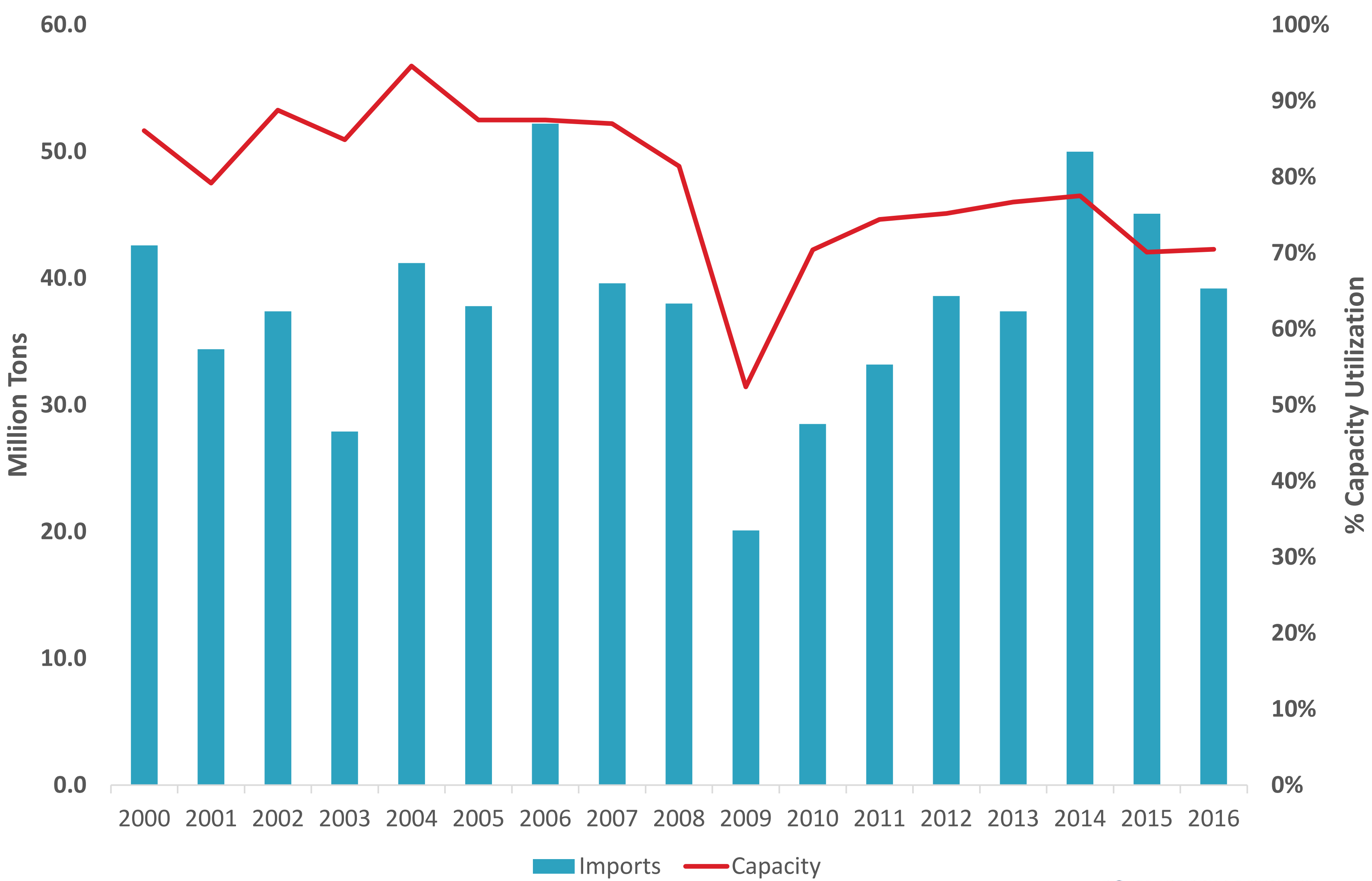
U.S. Steel Industry Capacity Utilization and U.S. Steel Mill Products Imports – Capacity Utilization Tends to Increase as Imports Increase, and Decrease When Imports Decrease



Source: American Iron and Steel Institute (AISI)

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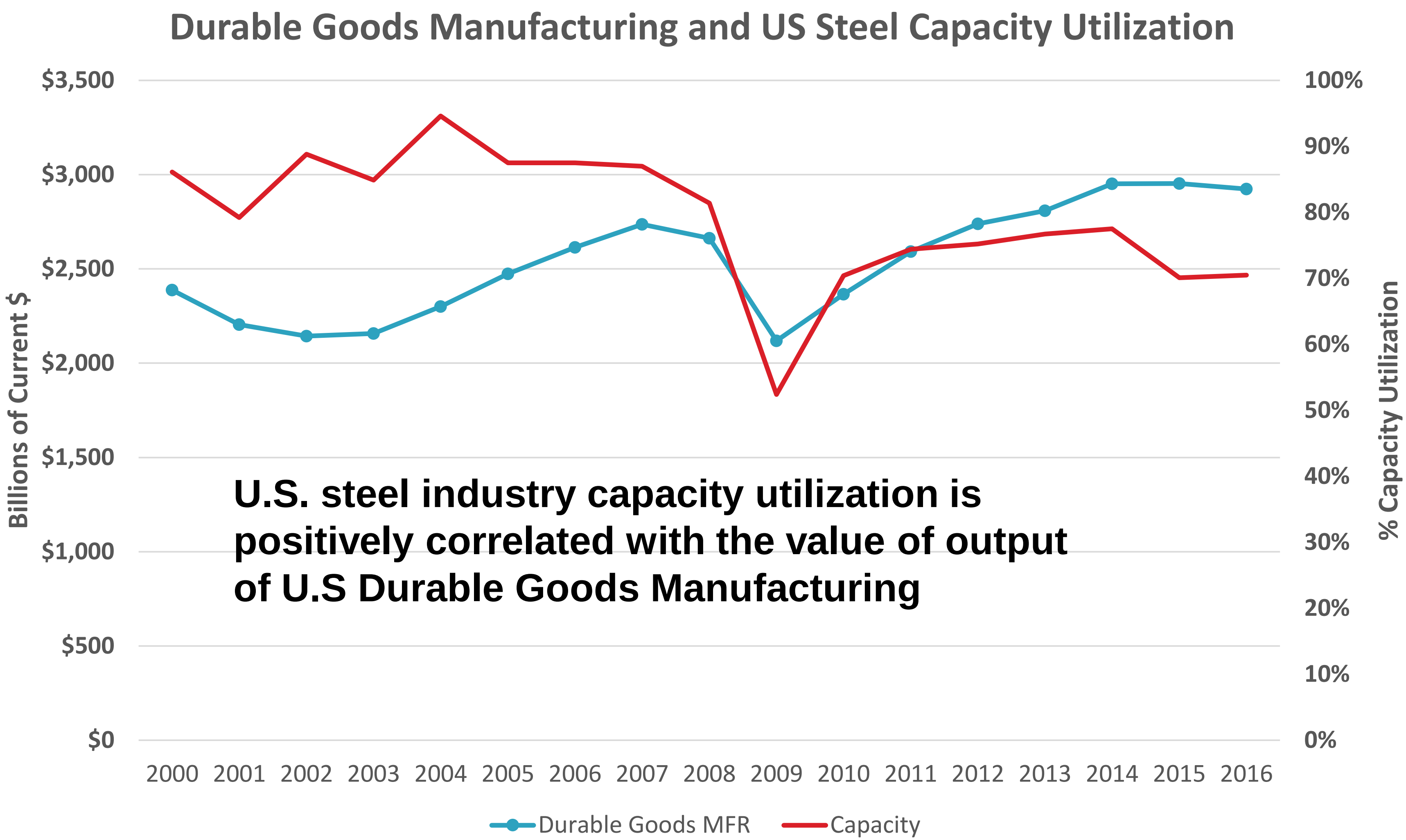
U.S. Durable Goods Manufacturing Output and Steel Mill Products - Imports

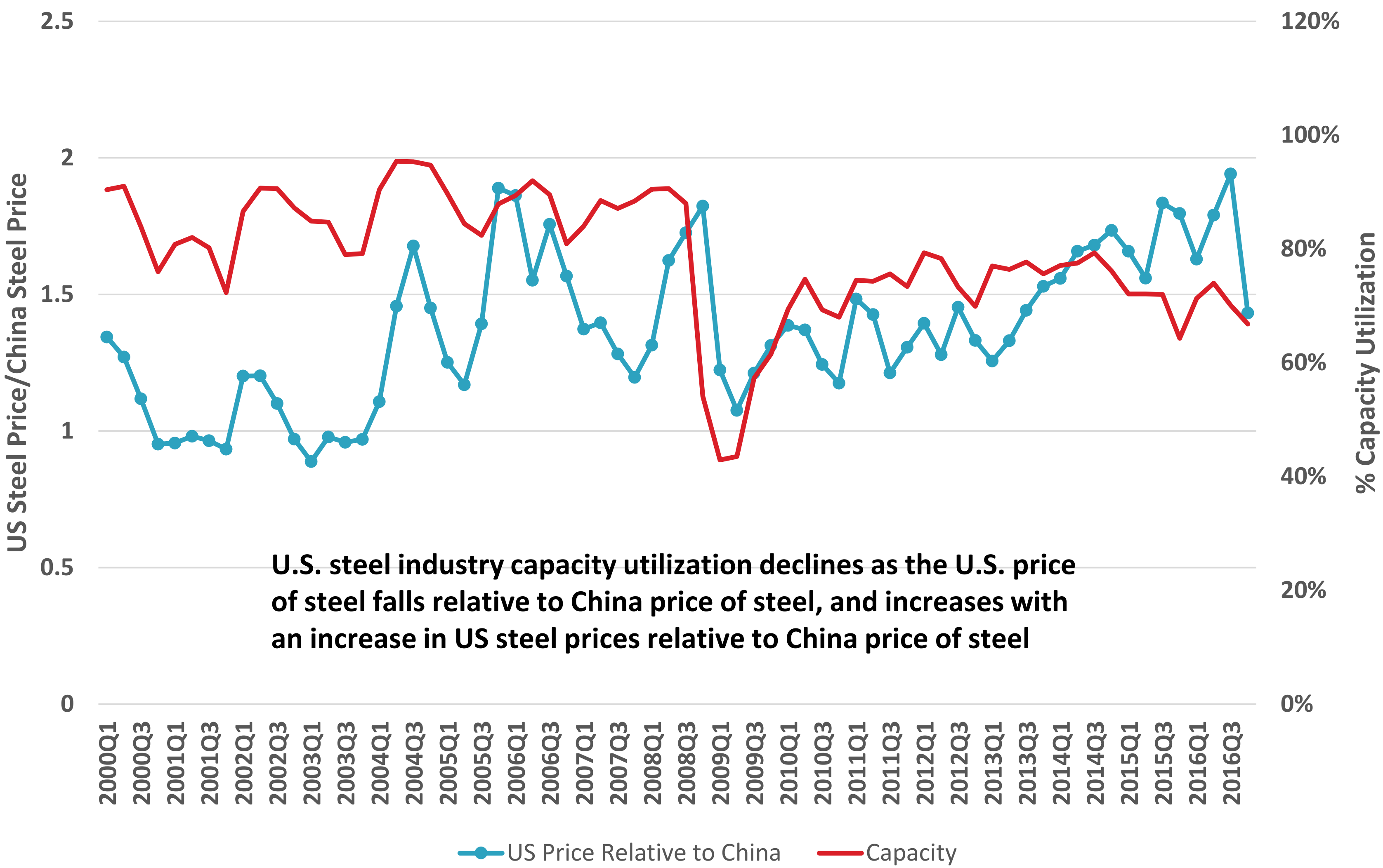
Source U.S. Bureau of Economic Analysis and AISI

U.S. Durable Goods Manufacturing Output and Steel Industry Capacity Utilization



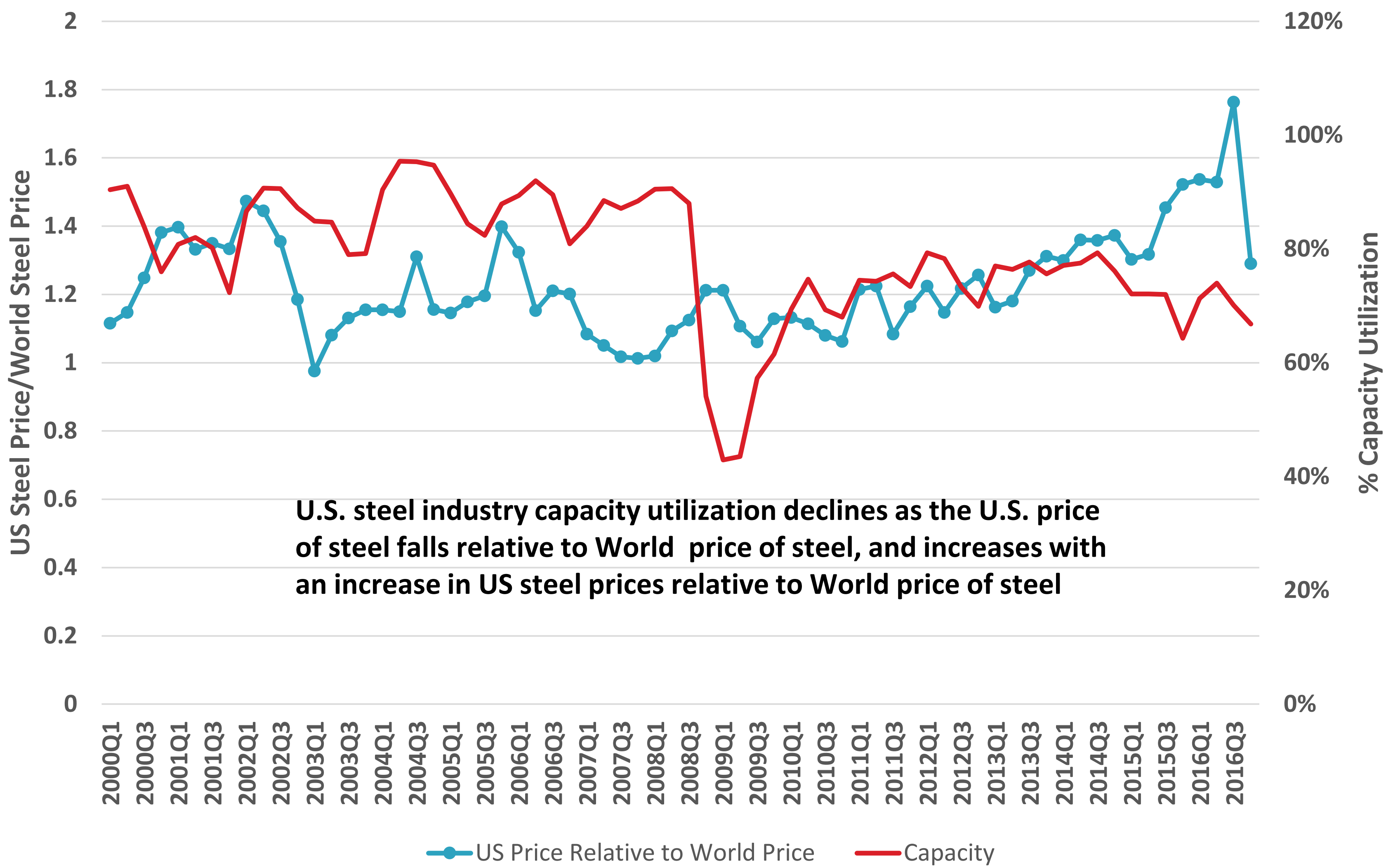
Source U.S. Bureau of Economic Analysis and AISI

U.S. Steel Price Relative to China Steel Price and Steel Industry Capacity Utilization



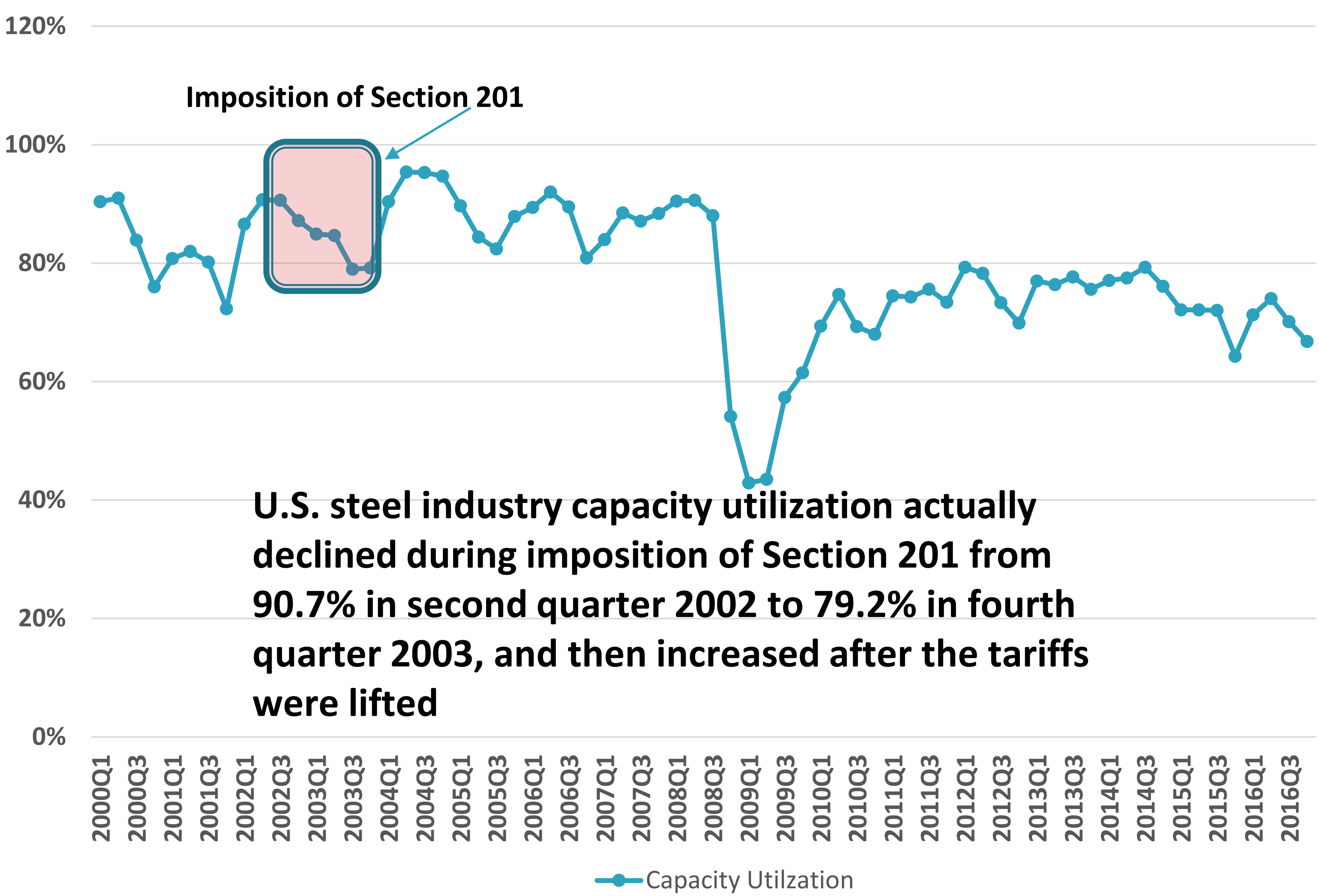
Source: Steel Benchmarker Data and AISI

U.S. Steel Price Relative to World Steel Price and Steel Industry Capacity Utilization



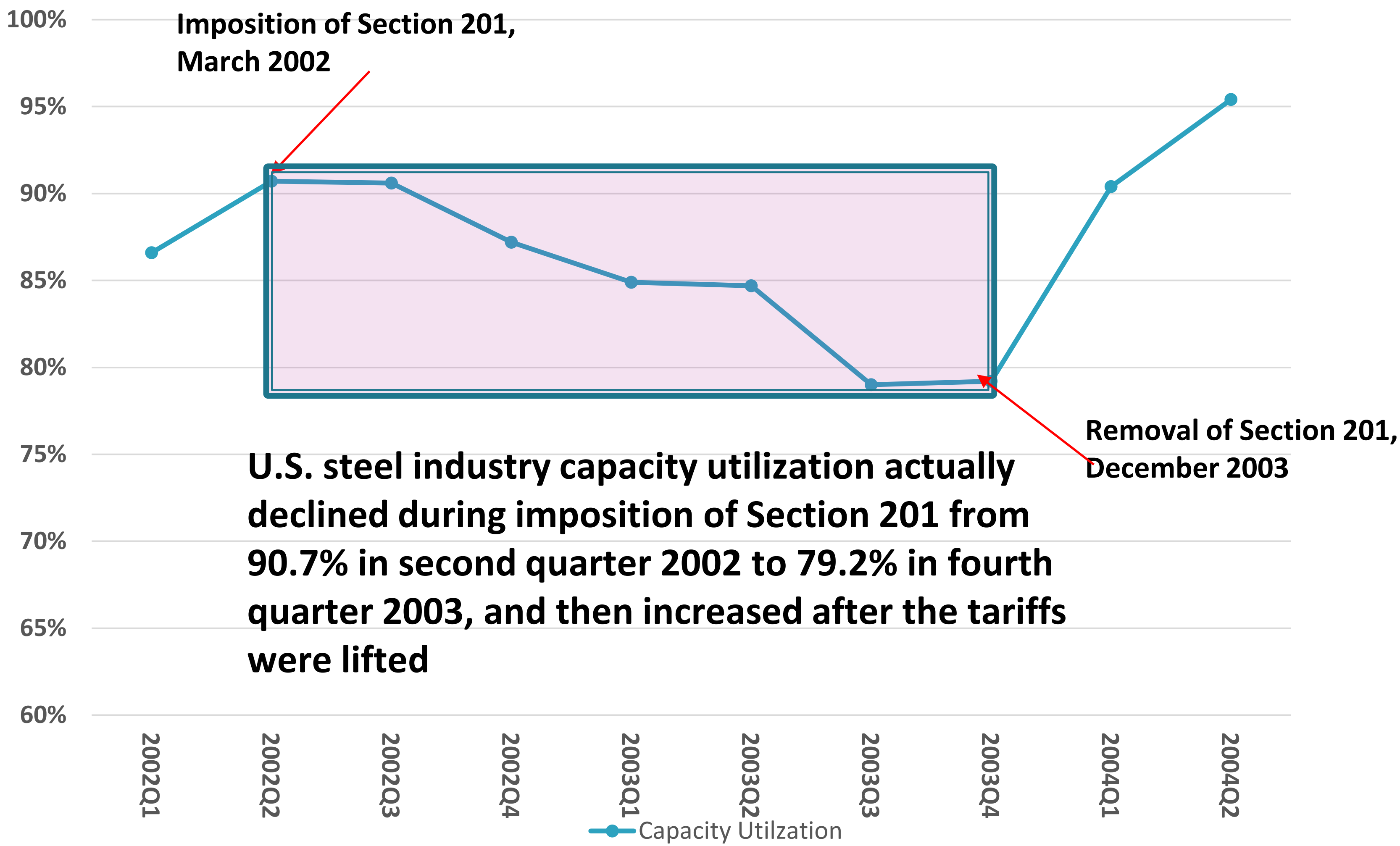
Source: Steel Benchmarker Data and AISI

Steel Industry Capacity Utilization During Section 201 of the Trade Act of 1974 – March 2002 Through December 2003



Source: AISI

Steel Industry Capacity Utilization During Section 201 of the Trade Act of 1974 – March 2002 Through December 2003

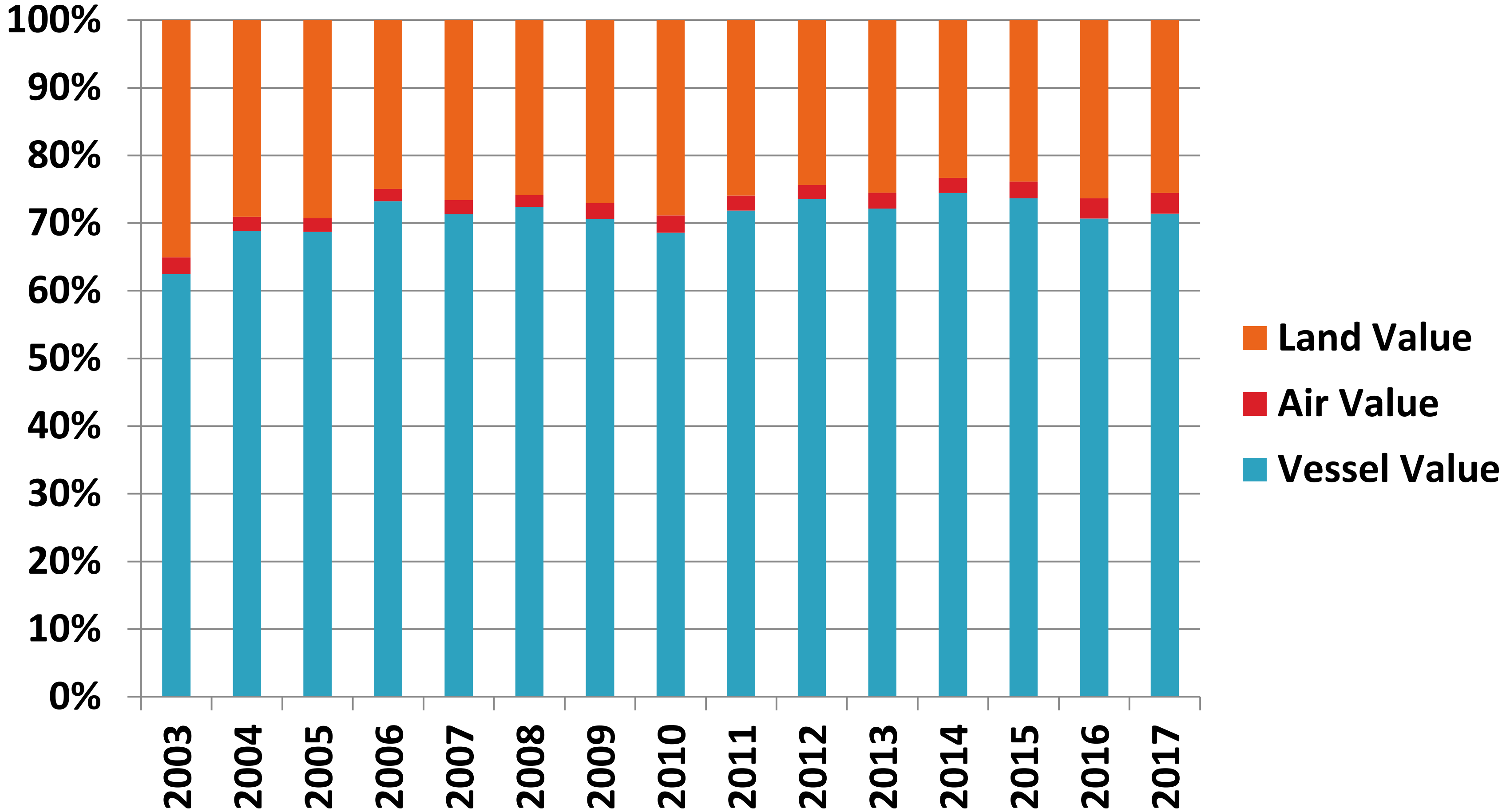


Source: AISI

Conclusions

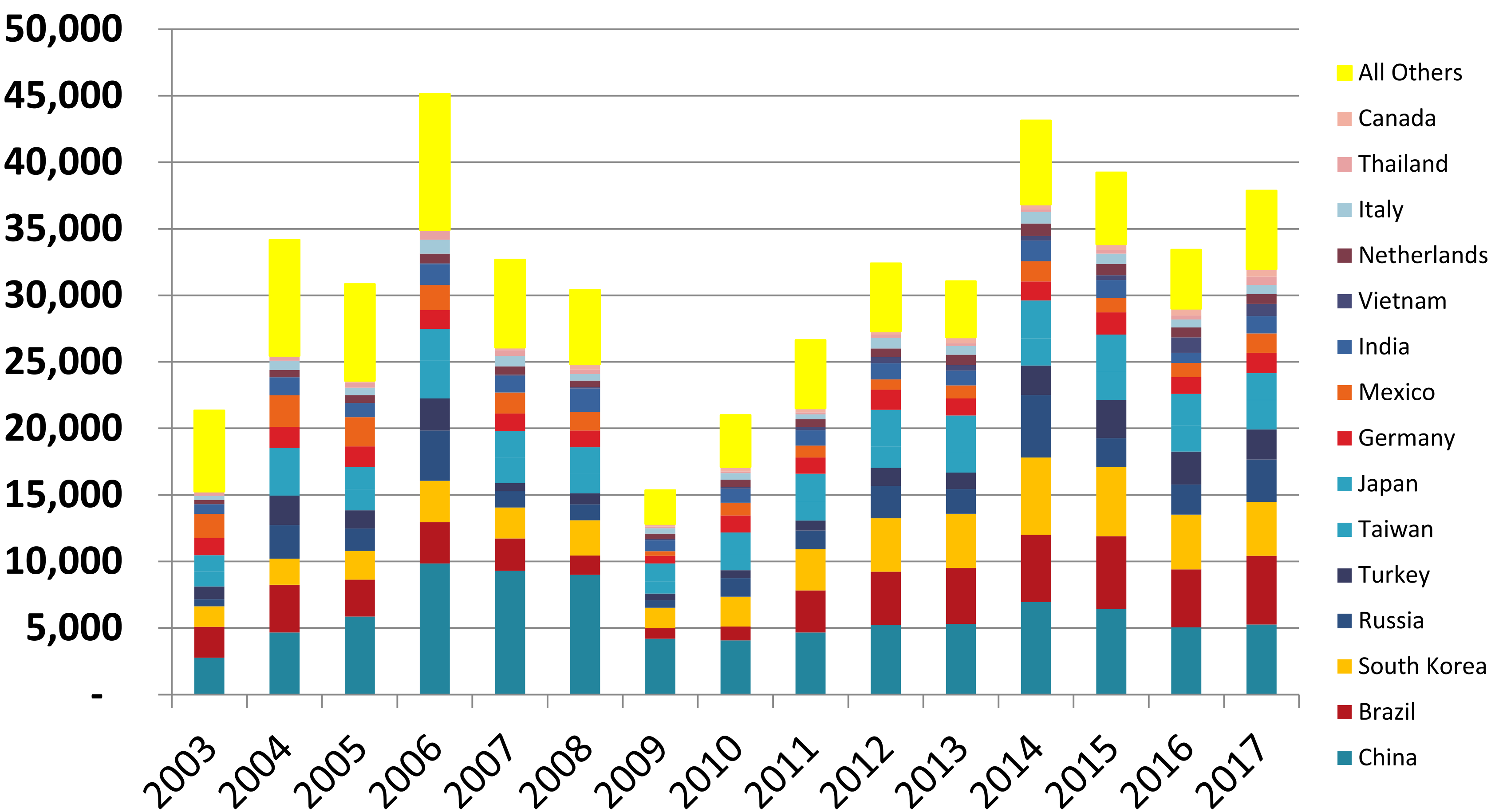
- There does not appear to be a relationship between steel imports and U.S. steel industry capacity utilization
- During the imposition of Section 201 import tariffs, the capacity utilization of the U.S. steel industry actually declined (March 2002 to December 2003)
- The imposition of the Section 201 steel import restrictions cost the U.S. Marine Transportation System 22 million person hours, $77.3 million of Federal Taxes and $391 million of output to the U.S. Economy (*The Economic Impact of the Section 201 Import Restrictions on the Marine Transportation System, 2006 by Martin Associates for the American Institute for International Steel*)
- The proposed 25% tariffs on Steel Imports are projected to cost the U.S. Economy a loss of 146,000 jobs (*The Trade Partnership - Laura Baughman)*

Steel Imports by Mode 2003-2017 - Water Transportation Accounts for More than 75% of Steel Imports



Source: USA Trade OnLine

Steel Imports by Water and Source Country



Source: USA Trade OnLine

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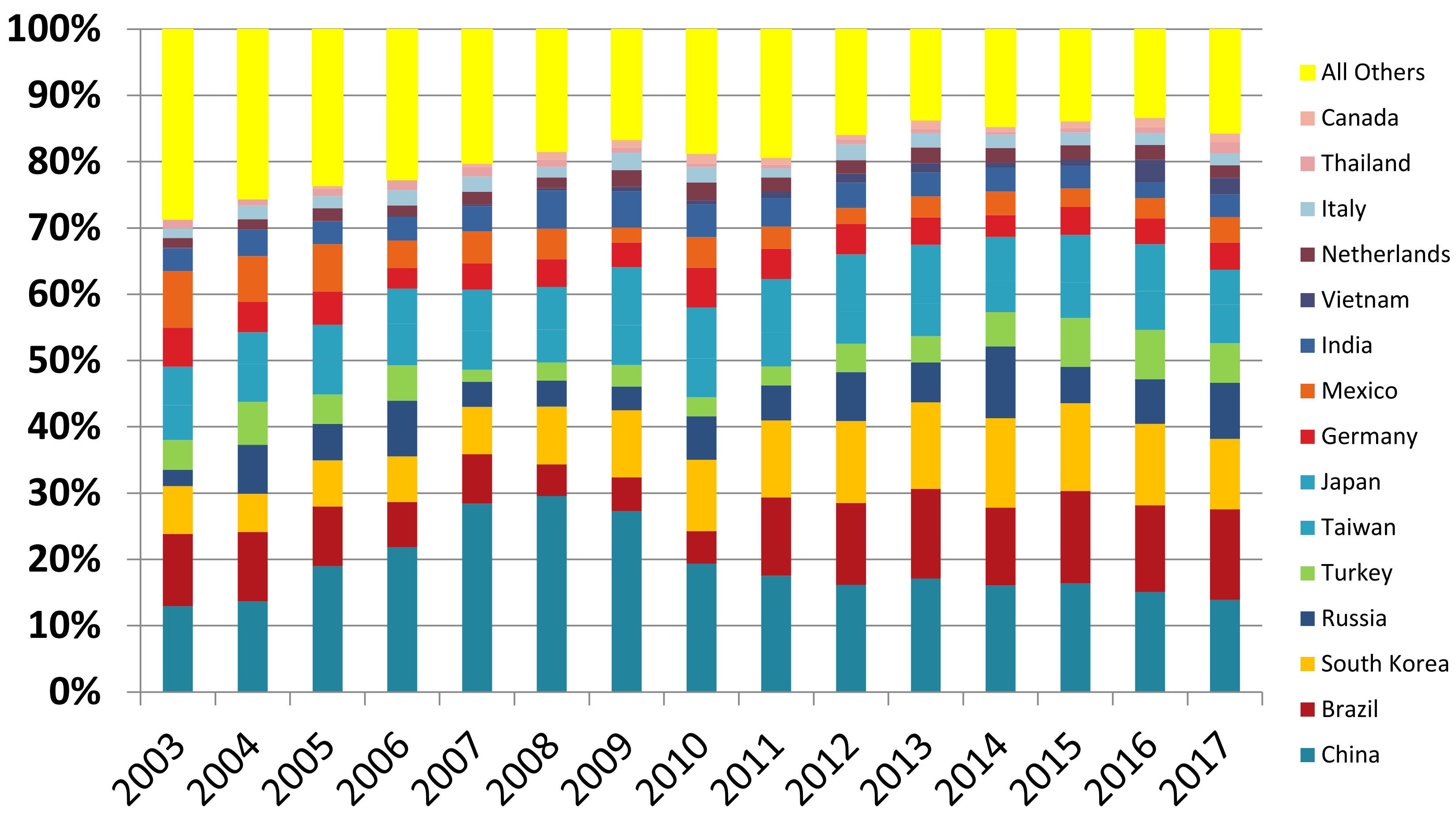
Steel Imports by Water by Country of Export – Brazil is Growing, while China's Share Has Fallen



Source: USA Trade OnLine

The 34.4 Million Tons of Imported Iron and Steel Handled at the Nation's Seaports in 2016 Supported the following:

1.3 million jobs supported by port activity	•Direct Jobs: 26,432 •Induced Jobs: 33,182 •Indirect Jobs: 24,338 •Related importers direct, induced and indirect: 1,216,863
$239.8 billion of total economic activity - accounts for 1.3**% of U.S. GDP** in 2016	•$4.2 billion direct business revenue •$4.8 billion of re-spending of personal income and consumption expenditures •$230.7 billion of economic output by related importers
$62.7 billion total personal income and local consumption	• **$53,796:** Average salary for direct employees
$19.4 billion of federal, state, and local taxes	•$2.3 billion local tax genereated by direct, induced, and indirect activity •$17.1 billion generated by importers using the imported steel

Economic Activity at Risk Due to Steel Import Restrictions

- **84,000 direct, induced and indirect jobs in the Marine Transportation System handling the imported iron and steel products**
- **An additional 1.2 million jobs with users of the imported iron and steel products**
- **Potential impact on 47 million tons of grain exported via Lower Mississippi River ports in 2016**
  - Empty steel ships provide backhaul for grain exported via the Lower Mississippi River
    - 10,830 direct, induced and indirect jobs created by these grain exports on the Marine Transportation System
    - An additional 39,000 jobs are supported in U.S. agricultural sector

About Martin Associates

- **Founded in 1986**
- **More than 1,000 economic, planning, feasibility and logistics studies for ports, ocean carriers, terminal operators throughout the U.S., Canada, Europe, South America, Caribbean and Asia**
- **Key economic impact studies of national importance:**
  - Economic Impact of the Section 201 Steel Import Quotas
  - Economic Impact of the 2002 West Coast Shutdown used in enactment of Taft Hartley
  - Economic Impact of the U.S. Port System for the American Association of Port Authorities, 2015
  - Economic Impact of the West Coast Port Slowdown in 2014-2015 during labor/management contract negotiations