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October 30, 2018

Ms. Lisa R. Barton  
Secretary to the Commission  
United States International Trade Commission  
500 E Street, SW  
Washington, DC 20436

*Submitted Online via EDIS*

**RE: Pre-Hearing Statement regarding United States-Mexico-Canada Agreement:  
Likely Impact on the U.S. Economy and on Specific Industry Sectors  
(Investigation No. TPA-105-003)**

Dear Ms. Barton:

On behalf of the U.S. producer member companies of the American Iron and Steel Institute (AISI), I hereby submit AISI's pre-hearing statement for Investigation No. TPA-105-003, United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors. This pre-hearing statement is submitted in accordance with the notice published by the U.S. International Trade Commission in the *Federal Register* on October 16, 2018 (83 Fed. Reg. 52232).

AISI serves as the voice of the North American steel industry in the public policy arena. AISI is comprised of 21 producer member companies, including integrated and electric furnace steelmakers, accounting for approximately 70 percent of U.S. steelmaking capacity with facilities located in 41 states, and approximately 120 associate members who are suppliers to or customers of the steel industry.

Should you have any questions regarding this pre-hearing statement, please do not hesitate to contact me at (202) 452-7118 or by email at [kdempsey@steel.org](mailto:kdempsey@steel.org). Thank you.

Respectfully submitted,

A handwritten signature in black ink that reads "Kevin M. Dempsey".

Kevin M. Dempsey  
Senior Vice President, Public Policy  
and General Counsel



**American  
Iron and Steel  
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**Pre-Hearing Statement of Kevin M. Dempsey  
Senior Vice President, Public Policy and General Counsel  
American Iron and Steel Institute**

For the Hearing on Inv. No. TPA-105-003:  
United States-Mexico-Canada Agreement:  
Likely Impact on the U.S. Economy and on Specific Industry Sectors  
U.S. International Trade Commission

October 30, 2018

The American Iron and Steel Institute (AISI) is pleased to submit these comments on behalf of our U.S. producer member companies on the likely impact of the United States-Mexico-Canada Agreement (USMCA) on the U.S. steel industry. AISI serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI is comprised of 21 producer member companies, including integrated and electric furnace steelmakers, accounting for approximately 70 percent of U.S. steelmaking capacity with facilities located in 41 states, as well as Canada and Mexico, and approximately 120 associate members who are suppliers to or customers of the steel industry.

## **I. Introduction**

The North American Free Trade Agreement (NAFTA) has provided significant benefits for the steel industry since it went into effect on January 1, 1994. The Agreement has resulted in strengthened manufacturing supply chains, especially with key customer groups like the automotive industry. Exports of U.S. steel mill products to the other two NAFTA countries have increased by 249 percent since NAFTA entered into force. Today the vast majority of U.S. steel exports are made within the region – 88 percent of U.S. steel exports in 2017 were to Canada and Mexico. Furthermore, NAFTA has resulted in a strong trade policy and enforcement relationship with Canada and Mexico on key steel trade issues, including the ongoing global steel overcapacity crisis and the need to maintain strong and effective trade remedy laws and to address transshipment, circumvention and evasion of trade law measures.

## **II. Key Aspects of the USMCA for the Steel Industry**

The American steel industry views NAFTA as a successful agreement, but after 24 years, one that should be modernized and strengthened. Based on its initial review of the text of the proposed United States-Mexico-Canada Agreement, AISI sees several areas in which the USMCA improves upon the original NAFTA, as outlined below.

**A. Strengthened Rules of Origin and Enhanced Regional Value Content Requirements for Steel-Intensive Goods**

A key priority for the steel industry in the negotiations to modernize the NAFTA was the need to update rules of origin and regional value content (RVC) requirements to further incentivize the consumption of North American steel in the manufacturing of steel-intensive goods in the North American region. For example, while the original NAFTA's 62.5 percent RVC for passenger vehicles and light trucks is the highest of any American free trade agreement to date, it did not provide clear incentives for North American automotive producers and other manufacturers of steel-intensive goods to use North American steel in their production. The USMCA addresses this issue by adopting new strengthened rules of origin for automobiles, auto parts and certain other non-automotive steel-intensive goods. These rules of origin establish enhanced RVC requirements for a number of steel-intensive products which will increase incentives for the use of North American steel in these products. This will benefit steel producers in the United States by increasing demand for domestically produced steel.

**B. Promoting Trade Law Enforcement and Coordination**

Repeated surges of unfairly traded imports of steel products into the United States have injured the U.S. steel industry, and foreign exporters and importers have resorted to numerous schemes to circumvent and evade U.S. trade remedy orders. The steel industries in Canada and Mexico have faced similar import-related injury due to unfairly traded steel imports from offshore. In response to these common industry concerns, the USMCA includes provisions to promote increased cooperation and information sharing between the three North American governments to address circumvention and evasion of trade remedy orders. This was an important priority of the steel industry in the negotiations.

**C. Establishment of Enforceable Currency Disciplines**

Currency manipulation makes exports more expensive, imports cheaper, and can subsidize cheaper prices for exports to third-markets. AISI has therefore long advocated that U.S. trade agreements include enforceable provisions to address currency manipulation. The USMCA is the first U.S. trade agreement which includes a chapter on currency manipulation in the body of the trade agreement and AISI views this as an important improvement over previous agreements. While the substantive provisions prohibiting manipulation of currency values largely restate commitments already made in the context of the International Monetary Fund (IMF), and these provisions are not subject to enforcement action under the dispute settlement provisions of the USMCA, the agreement does establish new transparency and reporting requirements that are enforceable under the dispute settlement chapter.

#### **D. New Disciplines on the Conduct of State-Owned Enterprises**

State-owned enterprises (SOEs) create market distortions and an un-level playing field for market-based competitors. While there are a relatively small number of SOEs in North America, they are much more common in other parts of the world, and establishing new disciplines on trade-distorting SOE practices has been a priority for AISI. Improving on the work done during the Trans-Pacific Partnership (TPP) negotiations, the USMCA includes a chapter specifically designed to govern the conduct of SOEs that sets an important template for future trade agreements. In particular, AISI is pleased that the USMCA SOE provisions includes a more expansive definition of SOEs as compared to the TPP. This is an important step forward in establishing new disciplines on SOEs, although AISI notes that the disciplines do not extend to sub-federal entities.

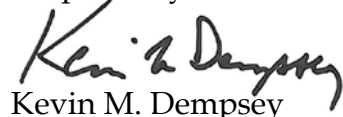
#### **E. Improved Customs Enforcement Procedures**

The USMCA also includes important provisions to strengthen and expand customs and trade enforcement efforts and cooperation among the three North American governments. These include new provisions to facilitate the sharing of confidential information between customs authorities for the purpose of enforcing or assisting in the enforcement of measures concerning customs offenses, as well as provisions to permit cooperation between the governments in customs compliance verification efforts. As with the provisions specific to trade remedy enforcement discussed above, AISI views these provisions as valuable improvements to the cooperative efforts between the North American governments that have been undertaken under the NAFTA.

### **III. Conclusion**

AISI believes the provisions of the proposed USMCA outlined above will make valuable improvements to the text of the original NAFTA that will provide important benefits to the U.S. steel industry by incentivizing the use of North American steel in the manufacturing of steel-intensive goods in North America, by creating new international rules to address currency manipulation and state-owned enterprises, and by improving the enforcement of U.S. trade and customs laws.

Respectfully submitted,



Kevin M. Dempsey  
Senior Vice President, Public Policy  
and General Counsel