

**Comments on Proposed Determination of Action Pursuant to Section 301  
USTR Docket No. 2018-0018**

Comments Submitted by David Zalesne  
Chair, American Institute of Steel Construction (Chicago, IL)  
President, Owen Steel Company (Columbia, SC)

July 24, 2018

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On behalf of the American Institute of Steel Construction, and the American structural steel fabricators who build our great infrastructure, industrial, commercial and other major steel projects, I appreciate the opportunity to speak briefly on six HTS Codes that have been proposed for inclusion on the 25% tariff schedule under section 301.

The six codes are identified on **the second page of the package** we prepared for the hearing. Without reading all of the HTS definitions, these six codes cover steel structures, parts of structures and structural components, including specifically steel columns, pillars, posts, beams, girders and similar structural units; and also including generally, in HTS Code 7308.90.95, “other iron or steel structures and parts of structures.” Basically, these categories describe fabricated structural steel components that use steel mill products, but are converted through fabrication processes such as cutting, drilling and welding into project-specific components.

While many steel mill products from China are subject to duties under several antidumping and countervailing duty (AD/CVD) orders and the Section 232 action, fabricated steel products are not subject to such duties. Consequently, Chinese steel mill products that are converted into fabricated steel products enter the U.S. market essentially duty-free, circumventing the duties that are specifically imposed on mill products.

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If you turn to **the third page of the package**, you will see what we are calling the modern expression of “gunboat diplomacy” by China – ships arriving in our ports from China loaded with thousands of tons of fabricated structural steel products. **On page 4**, you see the steel rolling through the port – not in the dark of night, but with banners and photo ops that go on the website of the Chinese company. And the steel in this project will not show up in import data for mill steel because it is coming into the U.S. as a fully-fabricated product.

Indeed, **as noted on page 5**, the import data on fabricated steel from China is staggering. Since 2010, imports of fabricated steel from China have increased by 290%. In 2017, imports under HTS Code 7308.90 came to nearly 500,000 tons, valued at approximately \$831,000,000. And as shown on **page 6**, China now accounts for 40% of the world’s share of imported fabricated steel, even as its direct mill steel imports have decreased significantly.

As for the specific questions the USTR identified in the Notice, summarized on **pages 7-9**, we believe the six HTS codes will meet the objectives of the proposed Section 301 action.

- First, the tariffs are likely to be effective in changing the policies and practices of the Chinese steel industry. In response to existing tariffs on steel mill products, China has simply shifted resources into downstream production, applying more labor-intensive fabrication to its steel mill products. Moreover, as many of the fabricated components are for large U.S. infrastructure projects, imposing tariffs would create a financial disincentive to give Chinese contractors access to sensitive technical design information about American infrastructure and industry projects.
- Second, duties on these products would not cause disproportionate economic harm to U.S. interests. To the contrary, they would protect the interests of both downstream fabricators and mill-level producers, who are otherwise at risk of losing entire

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infrastructure projects to foreign-fabricated steel. Moreover, the capital investment costs of most major industrial and infrastructure projects are recovered over long periods of project usage from broad customer bases. Accordingly, the tariffs would have virtually no impact on consumer pricing.

It is also important to note that while China is actively seeking to expand its global share of infrastructure and construction projects, it restricts foreign investment in its own infrastructure -- ports, domestic maritime transport, power plants, dams, bridges, and civil airports -- that use the same fabricated structural steel products it is exporting to the United States. In our view, U.S. producers and fabricators should supply the steel mill products and fabricated structural steel for U.S. infrastructure projects -- consistent with the key findings of the Commerce Department Section 232 Report with respect to critical infrastructure. Including the fabricated steel products on the Section 301 tariff list would be wholly consistent with that position.

As a final note, one of the questions we have been asked in other tariff-related hearings is about the capacity of the domestic industry to replace the supply from China. AISC estimates that the U.S. structural steel industry fabricated approximately 7.2 million tons of structural steel in 2015 and 2016. However, in 2017 -- the same year that China shipped in 500,000 tons -- the domestic industry fabricated approximately 6.3 million tons. Clearly, there is ample domestic capacity to produce whatever tonnage would be impacted by tariffs on Chinese fabricated steel.

Structural steel is the backbone of our nation's infrastructure system -- it is the primary structural material for buildings, bridges, power plants, water systems, airports and many other projects.

But the current tariff environment creates a huge incentive and opportunity for foreign fabricators to circumvent tariffs by fabricating steel products in their own countries and importing them into the US around the tariffs, and no country has taken greater advantage of that

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opportunity than China. From industrial plants in the Gulf States to bridge components in the Northeast to stadium projects in the West, the impact of Chinese fabricated steel is being felt nationwide.

On behalf of AISC and the American structural steel industry, we appreciate the opportunity to speak on this issue, and commend the USTR for including fabricated steel tariff codes on the current list for action under Section 301. It is time to start closing the loophole.

Respectfully,

David Zalesne

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Established in 1921 and based in Chicago, AISC is a national non-profit, non-partisan trade association and technical institute serving the structural steel design and construction industries. AISC and its steel bridge division, the National Steel Bridge Alliance (NSBA) represent nearly 1,000 U.S. businesses that fabricate and install the structural steel that makes up America's bridges, infrastructure, and skylines. AISC also represents more than 40,000 structural engineers, architects, steel erectors, general contractors, and students. Our broad membership works collaboratively on specification and code development, research, education, technical assistance, quality certification, and standardization to support safe and economic steel buildings, bridges and other structures framed in structural steel.



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**Smarter.  
Stronger.  
Steel.**

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## Testimony on Behalf of the American Institute of Steel Construction

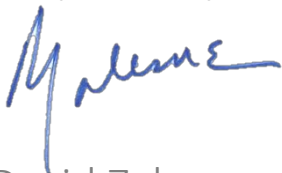
July 24, 2018

Dear Ambassador Lighthizer:

The following comments are submitted in support of applying 25% duties under section 301 of the Trade Act to the products described by the following HTS Codes relating to fabricated structural steel.

7308.10.00, 7308.20.00, 7308.90.30, 7308.90.60, 7308.90.70, and 7308.90.95

Respectfully,

A handwritten signature in blue ink, appearing to read "D. Zalesne".

David Zalesne

President, Owen Steel Company (Columbia, SC)

Chair, American Institute of Steel Construction (Chicago, IL)



Source: Sinostruct.com

# This Is “Gunboat Diplomacy” In 2018

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This ship contains 26 100-ton pipe rack modules arriving from China into the port of Houston for a Lubrizol plant in Deer Park, Texas.



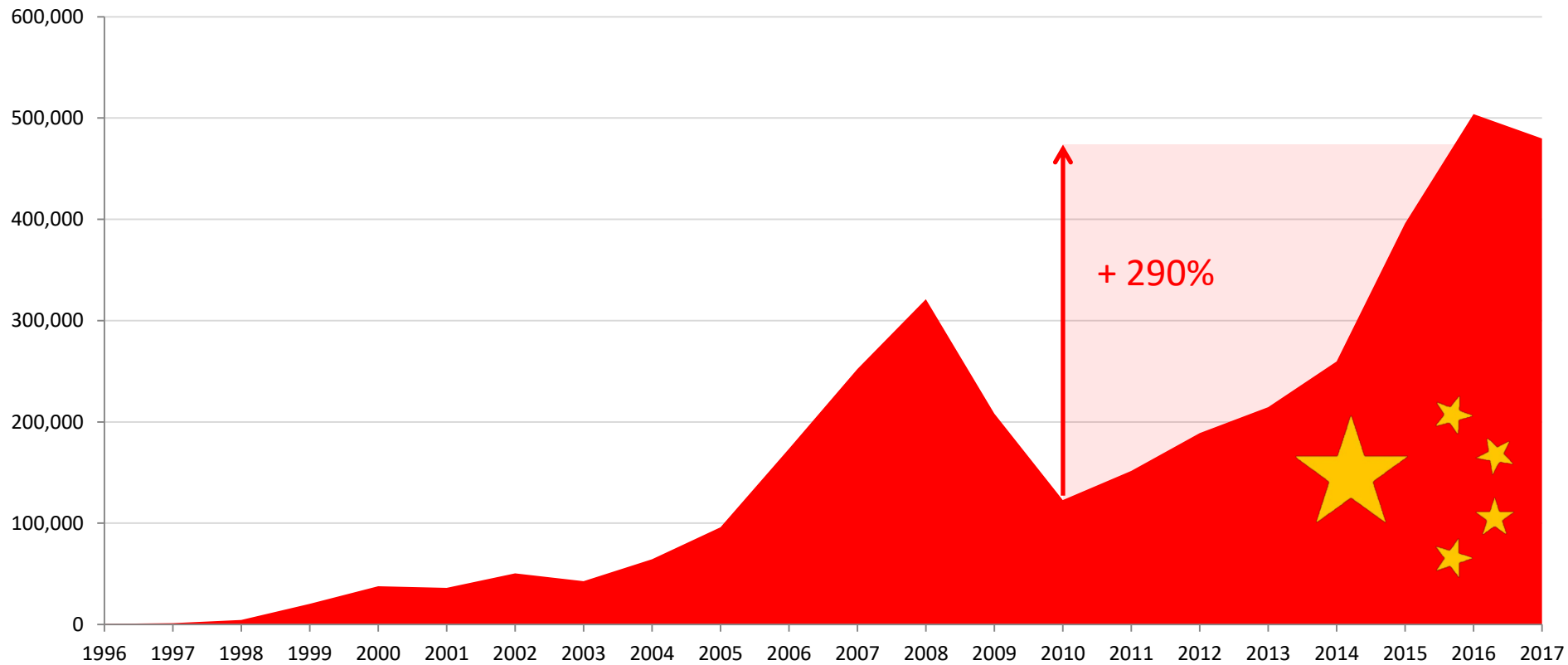
## The Fabricated Steel Loophole

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The steel in this project will not show up in import data for mill steel because it is coming into the U.S. as a fully-fabricated product. As a result, it is NOT subject to tariffs under 232 or any other orders, but it represents active circumvention of tariffs by China.



## Tons of Chinese Imports of Fabricated Structural Steel (HTS 730890)

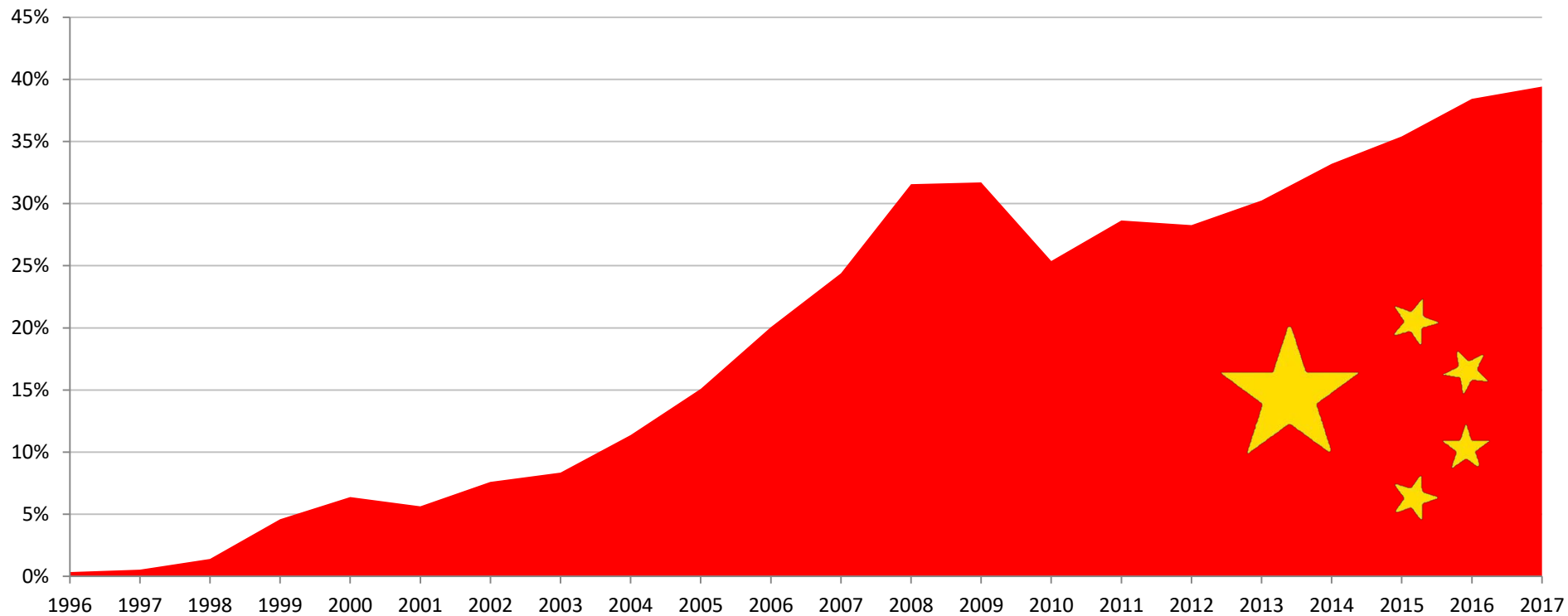


## Fabricated Steel From China Has Increased Dramatically

In 2017, 479,817 tons of fabricated structural steel (HTS 730890) were imported into the US from China.

Since 2010, imports of Chinese fabricated structural steel have increased 290%

## Chinese Percentage of World Share of Fabricated Structural Steel Imports (HTS 730890)



### China Accounts for 40% of the World's Share

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While direct imports of Chinese mill steel to the U.S. have fallen, imports of fabricated structural steel from China have steadily increased. In fact, of all the fabricated steel imported into the U.S., China's share has nearly doubled in the last decade and will continue to increase unless action is taken.

# Chinese Imports of Fabricated Structural Steel

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## Should be addressed through the 301 process

According to the Federal Register Notice published by the Office of the U.S. Trade Representative on June 20, 2018:

“USTR requests that commenters address specifically whether imposing increased duties on a particular subheading listed in Annex C would be practicable or effective to obtain the elimination of China’s acts, policies, and practices, and whether maintaining or imposing additional duties on a particular product listed in Annex C would cause disproportionate economic harm to U.S. interests, including small or medium-sized businesses and consumers.”

# The Standards for Including the HTS Codes are Satisfied

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Duties on products described by HTS Codes 730810 and 730890 would be practicable and effective to obtain the elimination of China's acts, policies, and practices

**Practical:** Fabricated structures, components and modules easily identifiable under HTS codes.

**Effective:** In response to numerous tariffs on Chinese mill steel, including dozens of Orders in industry-initiated cases and the 232 Order, China has simply shifted resources into downstream production, circumventing all of those tariffs and applying more labor-intensive fabrication to mill products.

**Elimination:** Creates financial disincentive to give Chinese contractors access to sensitive technical design information about American infrastructure and industry projects.



# The Standards for Including the HTS Codes are Satisfied

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Duties on fabricated structural steel products from China would not cause disproportionate economic harm to U.S. interests, small businesses or consumers.

- No greater disruption than tariffs already applied to imported mill steel products under section 232 and other trade orders
- No disproportionate economic harm to U.S. interests – capital investment costs of major industrial and infrastructure projects are recovered over long periods of project usage and broad customer bases.
- No tariffs has an adverse effect on U.S. interests – continues to allow circumvention of tariffs on steel at the mill level.

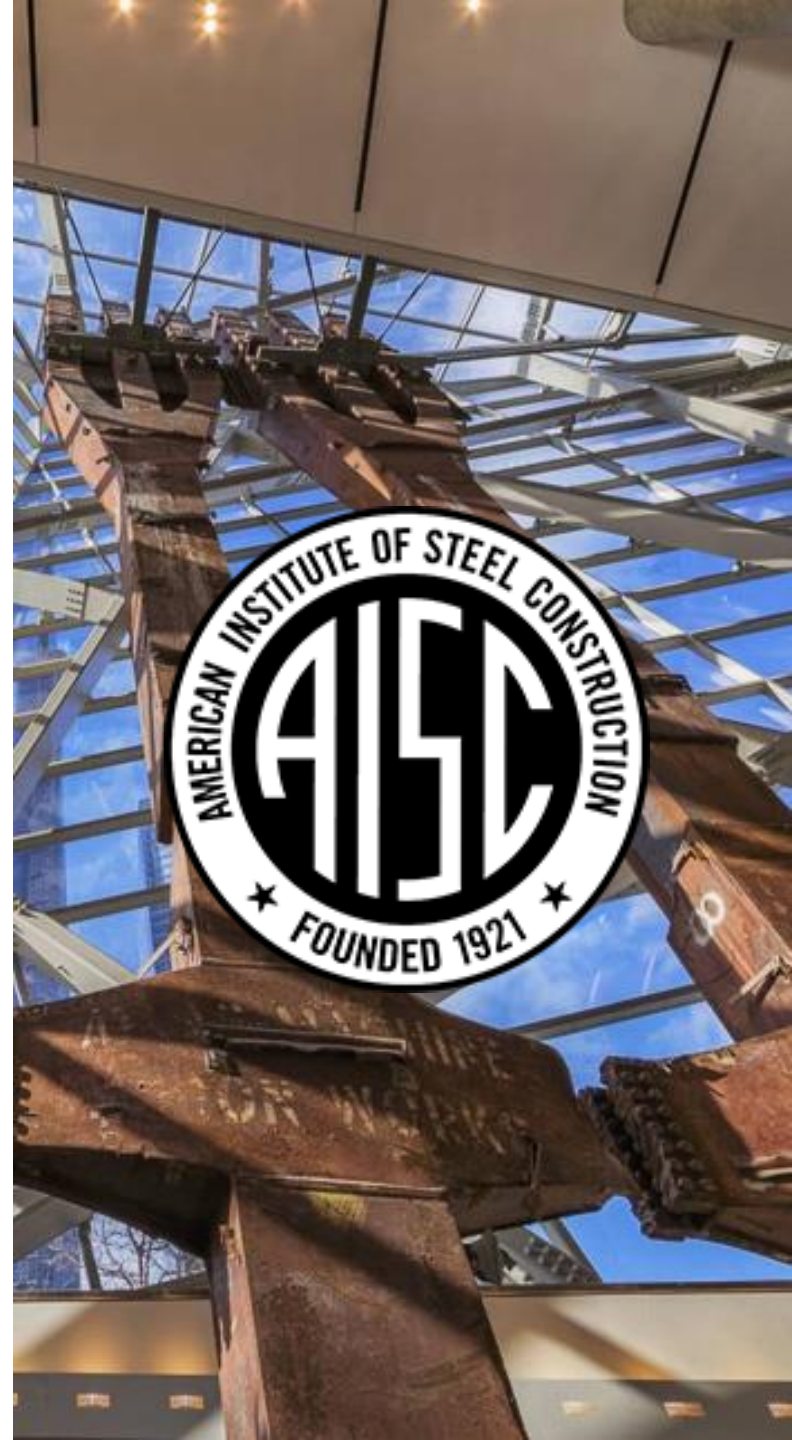


# AISC Represents the U.S. Structural Steel Industry

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Over 40,000 individual members work collaboratively on specification and code development, research, education, technical assistance, quality certification, and standardization to support safe and economic steel buildings, bridges and other structures framed in structural steel.

- Established in 1921
- Non-profit, non-partisan trade association and technical institute
- More than 1,000 businesses that fabricate and install structural steel in America's great building, infrastructure and industrial projects.
- Project-level face of the supply chain for structural steel, buying from mills and building components
- Capacity utilization reduced from 7.2 million tons in 2015 and 2016 to 6.3 million tons in 2017 due to increased imports.
- Ample domestic fabrication capacity to absorb all Chinese fabricated structural steel imports.





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