BACKGROUND

GLOBAL STEEL OVERCAPACITY and OIL COUNTRY TUBULAR GOODS

In the aftermath of the recession, steelmakers around the globe, backed by aggressive support from their governments, have targeted the U.S. market to off-load their excess supply. The resulting surge of unfairly dumped and subsidized imports poses a serious threat to domestic steel producers and the half million jobs they support. Global excess steel capacity is now more than twice the volume of the excess capacity that followed the 1998 Asian financial crisis and the glut of supply has made its way to the U.S. The Economic Policy Institute and the law firm of Stewart and Stewart did a recent report which shows that the American steel industry risks long-lasting damage unless the government fully enforces its trade remedy rules. A link to the report is available at http://www.epi.org/publication/surging-steel-imports/

Strong trade enforcement is especially critical in the market for oil country tubular goods (OCTG), the pipe and steel products used for energy exploration. OCTG products are integral to the building and maintenance of our nation's critical infrastructure and must meet the highest safety and quality standards. Seeing a new market ripe for capture, OCTG imports from nine countries, chief among them South Korea, more than doubled between 2010 and 2012. As the surge continued, domestic steelmakers' production, capacity utilization, shipments, and sales all fell in the first quarter of 2013, and they slashed operating income by nearly $191 million. The more than 7,000 U.S. OCTG workers saw their combined wages fall.

Due to the overwhelming evidence that OCTG products from the nine subject countries are being illegally dumped in the U.S. market – at prices below fair value and in deceptive ways designed to circumvent international trade laws - on July 2, 2013, U. S. Steel and other domestic Oil Country Tubular Goods (OCTG) producers filed anti- dumping cases against South Korea, India, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine and Vietnam. The USW supports the cases and represents the workers at all of US Steel's plants that produce OCTG and at TMK IPSCO facilities in PA, KY, and OK, at JMC Steel plants in PA and OH, and at non-petitioner Evraz in Pueblo, CO.

China captured the market the same way in 2008 and we fought and won a dumping case against their OCTG producers in 2009, but not before many facilities were idled, thousands of steelworkers lost their jobs, and our communities and our families sustained significant and long-lasting injury. After we won the case, Chinese producers essentially abandoned the U.S. OCTG market, a clear sign that they could not compete when the playing field was leveled.

As America's economy and our energy and critical infrastructure demands rebounded, American steel companies spent billions of dollars to improve OCTG facilities across the country. As an example, US Steel spent over $100 million on new facilities at its Lorain, Ohio, operations, creating new, good-paying, and middle-class American jobs.

However, this respite for the domestic OCTG industry from illegally dumped foreign-produced products was short-lived. South Korean producers quickly seized this opportunity and began flooding our market.

The Department of Commerce issued preliminary determinations in this investigation on February 18, 2014. It issued affirmative preliminary determinations in the antidumping (AD) investigations of imports of OCTG from the other countries and a negative preliminary determination in the AD investigation of imports of OCTG from South Korea. In essence, Commerce ignored critical facts about Korea's predatory trade actions. This omission came as a surprise as South Korea is, by a large margin, the largest exporter of OCTG to the U.S. and there is rampant evidence of cheating.

South Korean OCTG producers are undaunted by the trade case and since that determination imports of OCTG from South Korea have further flooded the market. The precipitous jump is clearly evidenced by the fact that May 2014 licenses reached 213,000 NT vs the previous 12 month average of 92,000 NT and the 24 month average of 85,000 NT thru April 2014. Already, one domestic company (US Steel) was forced to lay off 64 workers in Lorain, Ohio, and indefinitely idle plants in Bellville, TX and McKeesport, PA, affecting another 264 American families. The Commerce Department has announced that they will issue final determinations on July 10, 2014; therefore, it is critical that our government fully investigates South Korea's cheating. The government's meaningful investigative work is typically performed during the final phase of the case – and that phase is now underway.

South Korea, which uses no OCTG in its own market, produces simply for export. Its dumping is made possible through interwoven networks of related companies, created to evade American laws and conceal the true cost of producing and importing these products. The South Korean gaming of our system of laws is unacceptable and, when unchecked, extremely effective. They've made repeated requests for extensions of time to supply information and documents to the Department of Commerce investigators resulted in the review of incomplete, inaccurate and untimely information. This allowed for little or no time to assess and facilitate the appropriate follow-up inquiries and, ultimately, generated questionable, misleading and insufficient information on which Commerce staff unfortunately formulated their decisions.

Equally troubling was the discretionary application - or blind acceptance - of data. Since South Korea has no market for OCTG, the Department of Commerce must "construct" values of production costs and impute profit margins. The trade laws allow for some discretion in these computations; however, discretion without common sense is nothing more than playing roulette with the survival of a time-honored American industry and the thousands of families that depend upon it for their livelihoods.

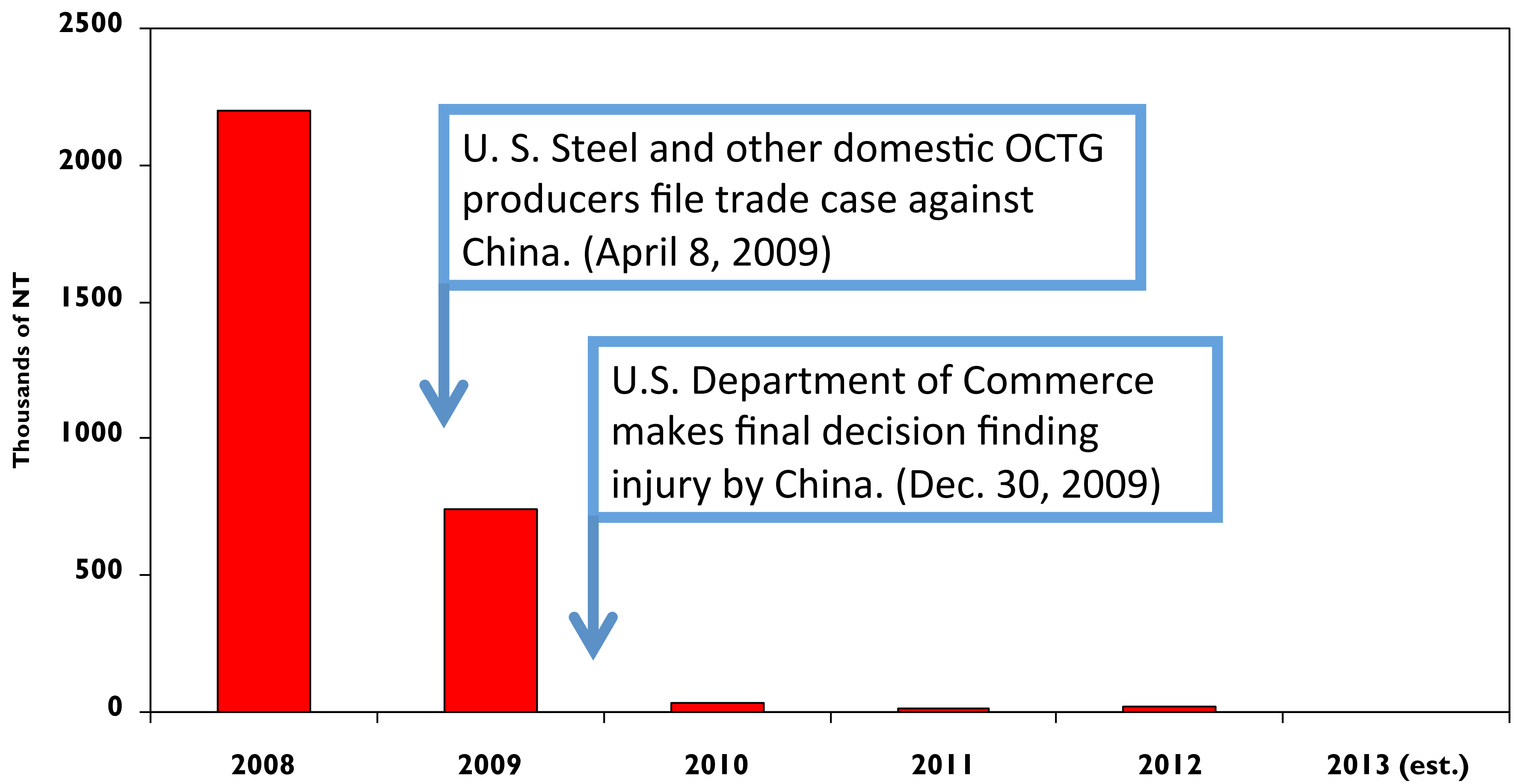
In this case, the Department of Commerce constructed margins based on Korean non-OCTG products sold in their home market, using low-quality construction-grade steel pipe as a comparison product. This is like comparing a Chevy to a space ship; just because they are both vehicles does not mean that their use is similar or substitutable. Clearly, construction-grade pipes sold in the South Korean market cannot be compared with – or substituted for - these high-value, high-safety and high-quality OCTG products. Yet, at the preliminary phase, this is exactly what was done. Commerce Department analysts also accepted unverified profit data from other South Korean companies (also accused of illegal dumping) for use in their calculations of margins. U.S. law was misinterpreted and executed in a faulty manner so as to result in a preliminary finding that absolves South Korea of cheating while American workers and their employers continue to suffer.

The industry and the USW have been working together to alert Members of Congress and the Administration of the damage already inflicted on the job creating promise of a burgeoning market that is based upon America's potential energy independence. It would be a travesty if America's industries and workers were not able to share in that promise due to a miscalculation of the facts and a mistake in apply our laws by our own Department of Commerce. We are not asking for more than a thorough investigation and to rely on our government to enforce these rules and punish the rule breakers. All we ask for is a level playing field – the one our trade laws promised we would have.

UPDATE NOTE: ON Friday July 11th the Department of Commerce revised it margins on Korean OCTG and set Anti-Dumping margins on those products. The case proceeded to the International Trade Commission on July 15th and the industry is awaiting their determination.

Since 2009, Trade Relief Against Chinese Imports Has Been Extremely Effective

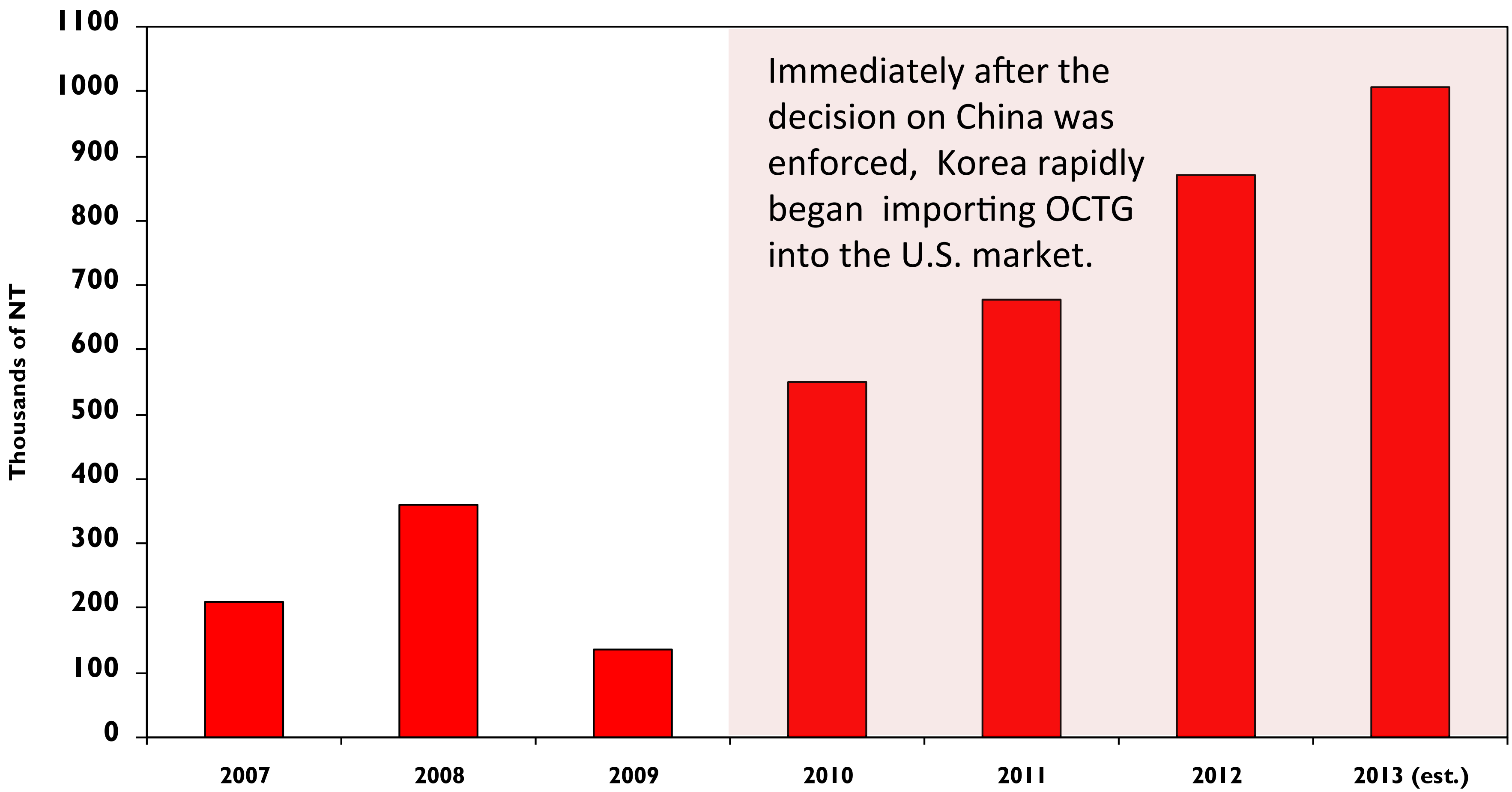
U.S. Imports of OCTG from China (2008-2013)



Source: U.S. Census Bureau.

Simultaneously, Korean Imports Rapidly Surged After 2007

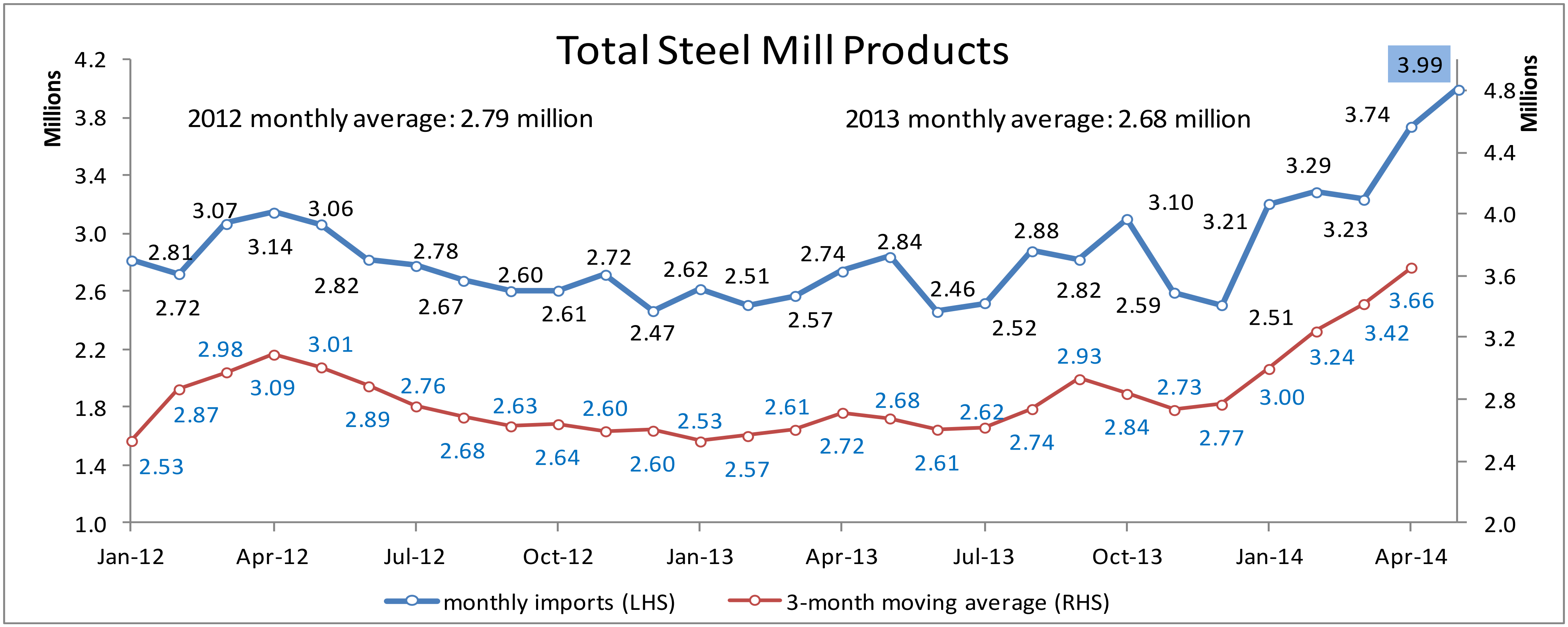
U.S. Imports of OCTG from South Korea



Source: U.S. Census Bureau.

Monthly Imports, All Steel Mill Products

(since January 2012, NT)



Monthly Imports, OCTG

(since January 2012, NT)