



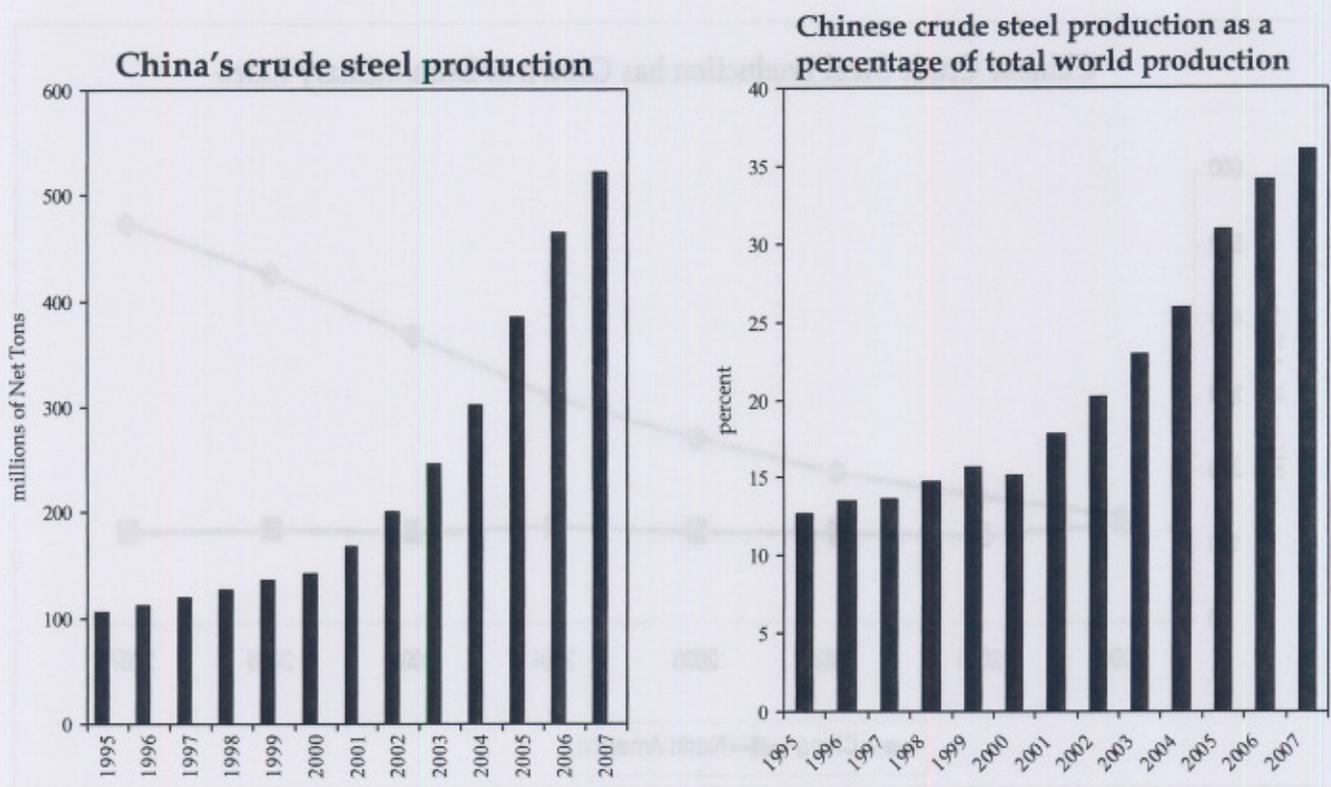
**American
Iron and Steel
Institute**

China Trade Impact on North American Manufacturing

September 18, 2007

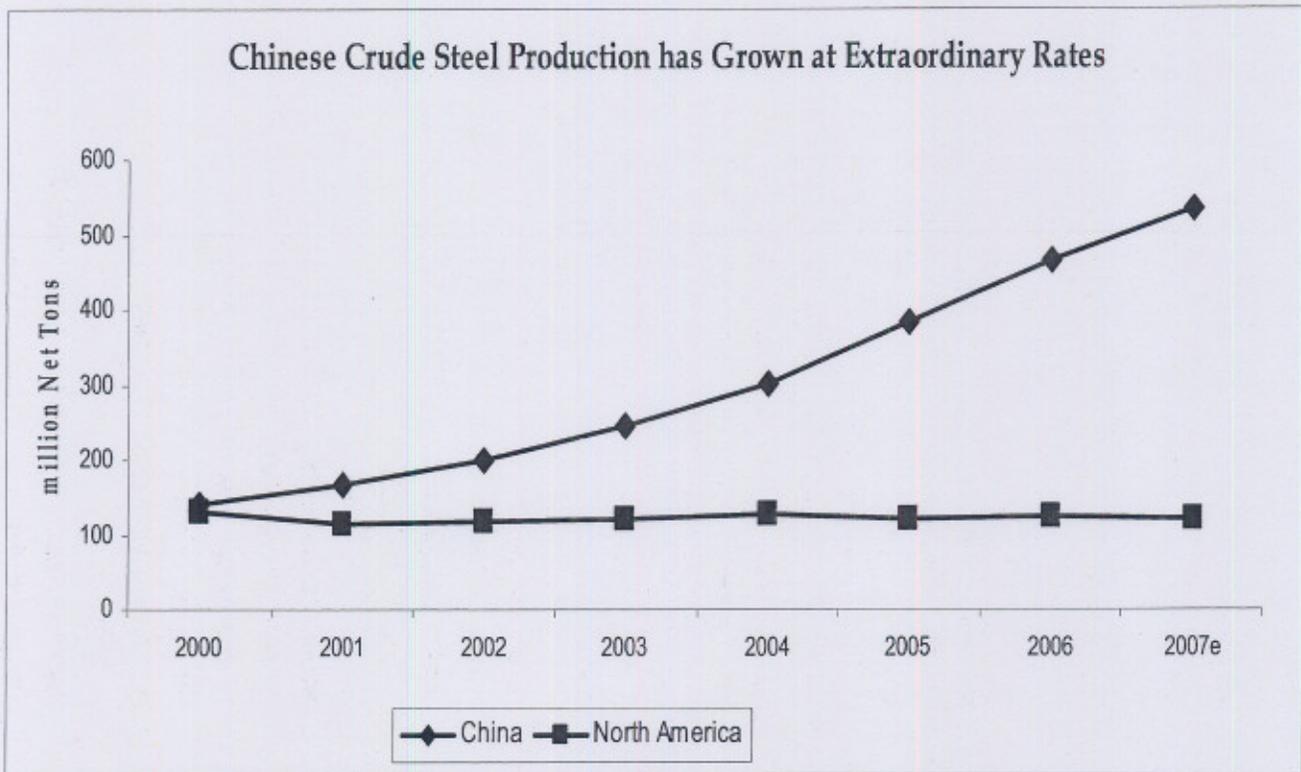
I. Direct China Trade Impacts on Steel

China's Crude Steel Production is Exploding



Source: IISI, 2007 annualized

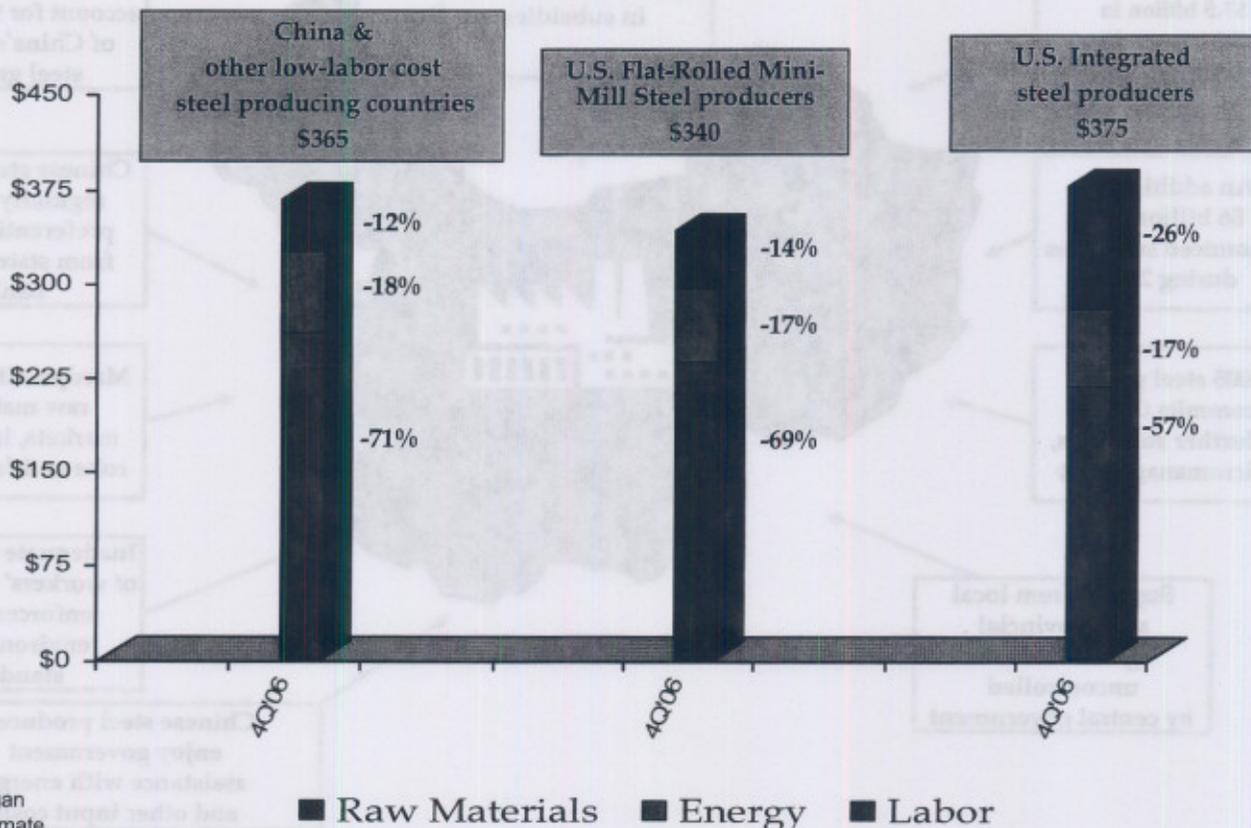
Steel Production: China vs. North America



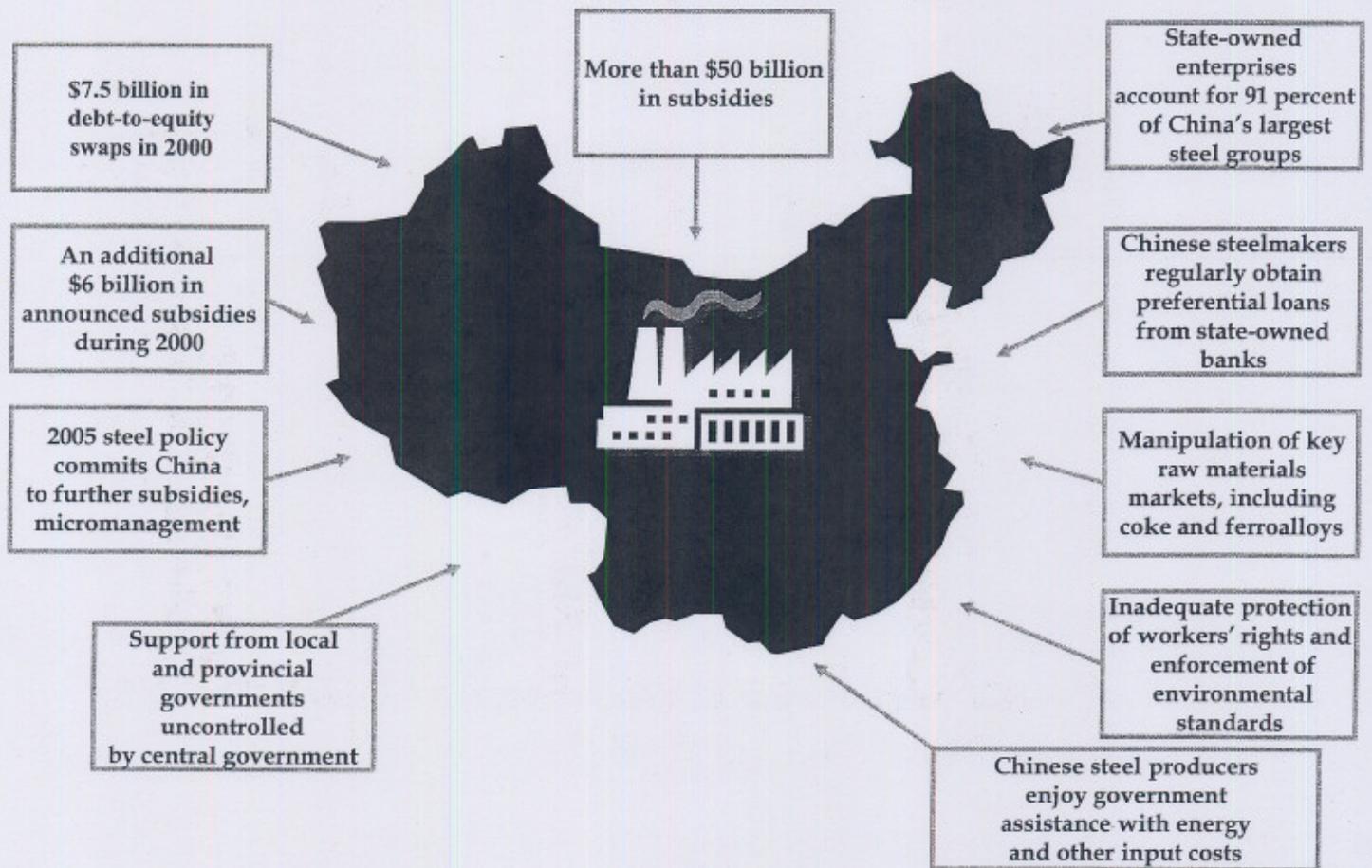
Source: World Steel Dynamics, June 2007, 2007 estimated

China is NOT a Low Cost Producer

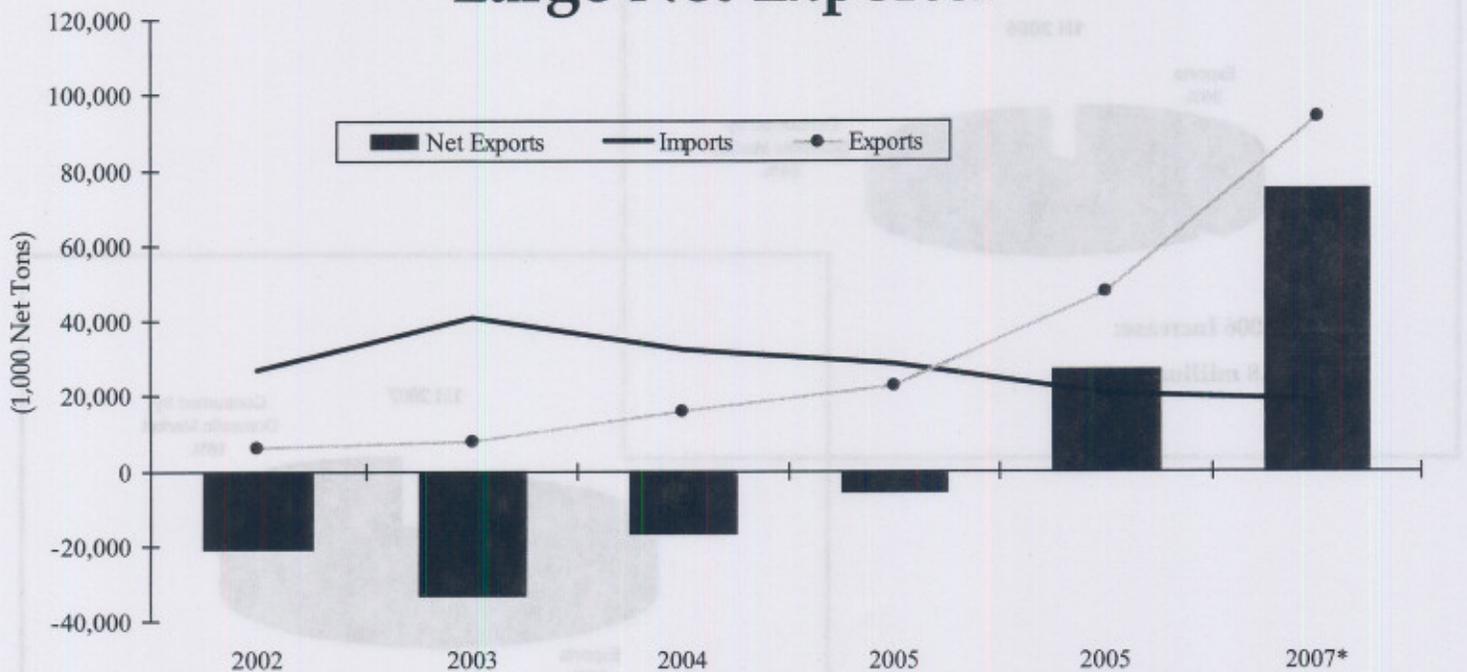
HRB cost (\$/ton) China vs. U.S.



China Has the Most Heavily Subsidized Steel Industry in the World

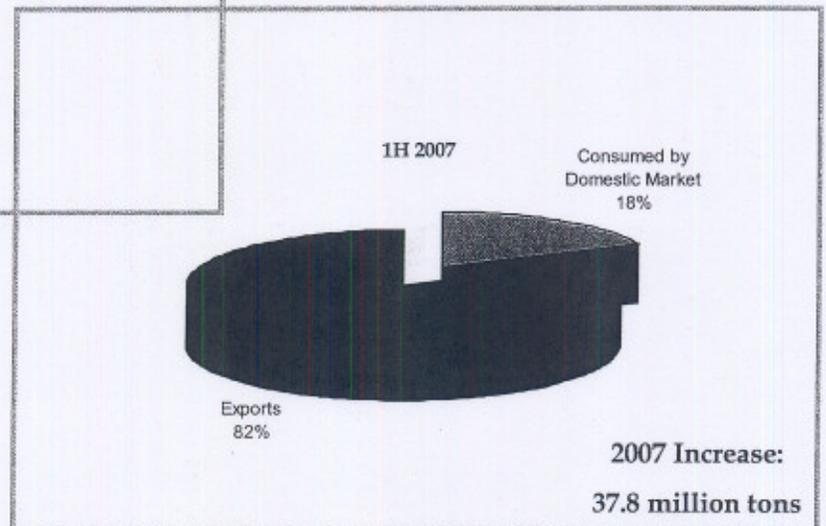
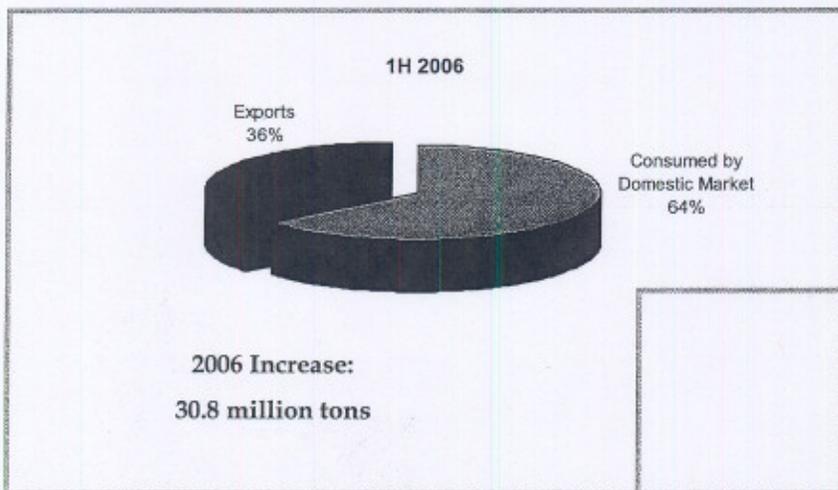


China Has Rapidly Changed From a Net Importer of Finished Steel Products to a Large Net Exporter



Source: China Customs Statistics and CISA, *China Steel Yearbook 2006* (December 2006); 2006 and 2007 data from MOFCOM.
 *2007 based at January-June annual rate

New Production in the Chinese Steel Industry is Increasingly Being Used to Serve Export Markets



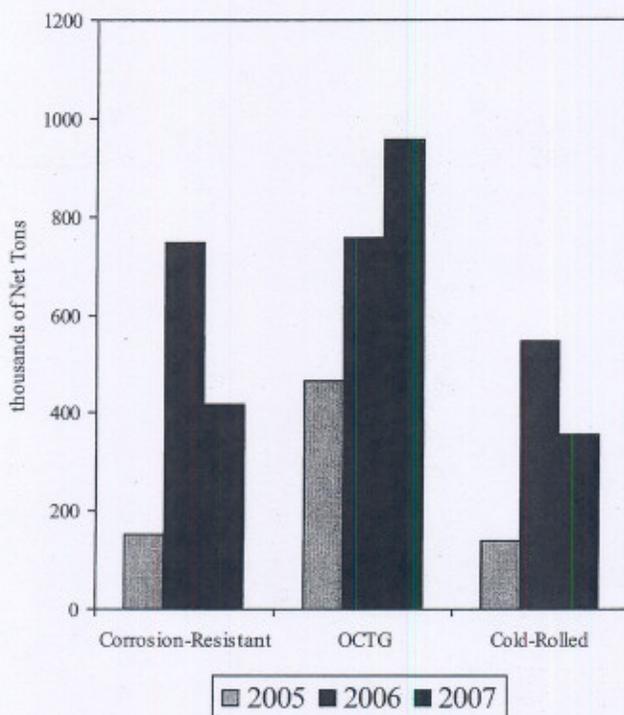
Source: IISI; 2007 annualized based on 6 months.

China, a Non-Market Economy, is Now the Number One Offshore Supplier of Finished Steel to the U.S.

| Top Suppliers of Finished Steel 2005-2007 (1,000 Net Tons) | | | | | | | | | | |
|--|-------|------|-------|------|-------|------|-------|------|-------|-----|
| Country | 2007 | | 2006 | | 2005 | | 2004 | | 2003 | |
| Canada | 6,305 | (1) | 5,565 | (1) | 5,329 | (1) | 5,251 | (1) | 5,025 | (1) |
| China | 5,200 | (2) | 5,352 | (2) | 2,299 | (2) | 1,812 | (4) | 642 | (7) |
| South Korea | 2,186 | (3) | 2,794 | (3) | 1,807 | (4) | 1,640 | (5) | 1,178 | (3) |
| Mexico | 1,833 | (4) | 1,813 | (6) | 1,952 | (3) | 1,999 | (3) | 1,562 | (2) |
| Brazil | 1,663 | (5) | 1,489 | (9) | 1,040 | (8) | 997 | (9) | 514 | (8) |
| Japan | 1,566 | (6) | 1,695 | (7) | 1,380 | (5) | 1,354 | (7) | 995 | (4) |
| Taiwan | 1,181 | (7) | 1,872 | (5) | 607 | - | 883 | - | 191 | - |
| Germany | 1,097 | (8) | 1,235 | (10) | 1,280 | (7) | 1,273 | (8) | 919 | (6) |
| India | 815 | (9) | 1,175 | - | 672 | (10) | 990 | (10) | 421 | - |
| Turkey | 763 | (10) | 2,361 | (4) | 1,332 | (6) | 2,052 | (2) | 991 | (5) |

* 2007 annualized based on 6 months U.S. Department of Commerce final

China is Exporting Large Volumes of Higher-End Steel Products to the United States

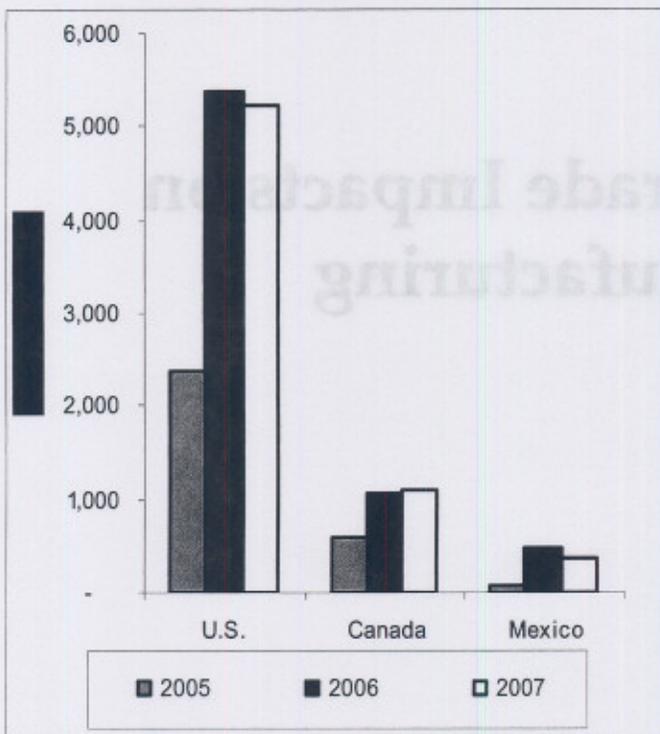


- Chinese steel exports affect all steel products, including critical high-value products such as:
 - Corrosion-resistant steel
 - OCTG
 - Cold-rolled
- The only steel categories not yet affected by Chinese imports are those under AD/CVD orders:
 - Hot-rolled
 - Plate
 - Rebar

Source: AISI and IM-145 data; 2007 annualized based on 7 months.

NAFTA and Other Producers are Facing Sharp Increases in Steel Imports from China

Total Steel Imports from China

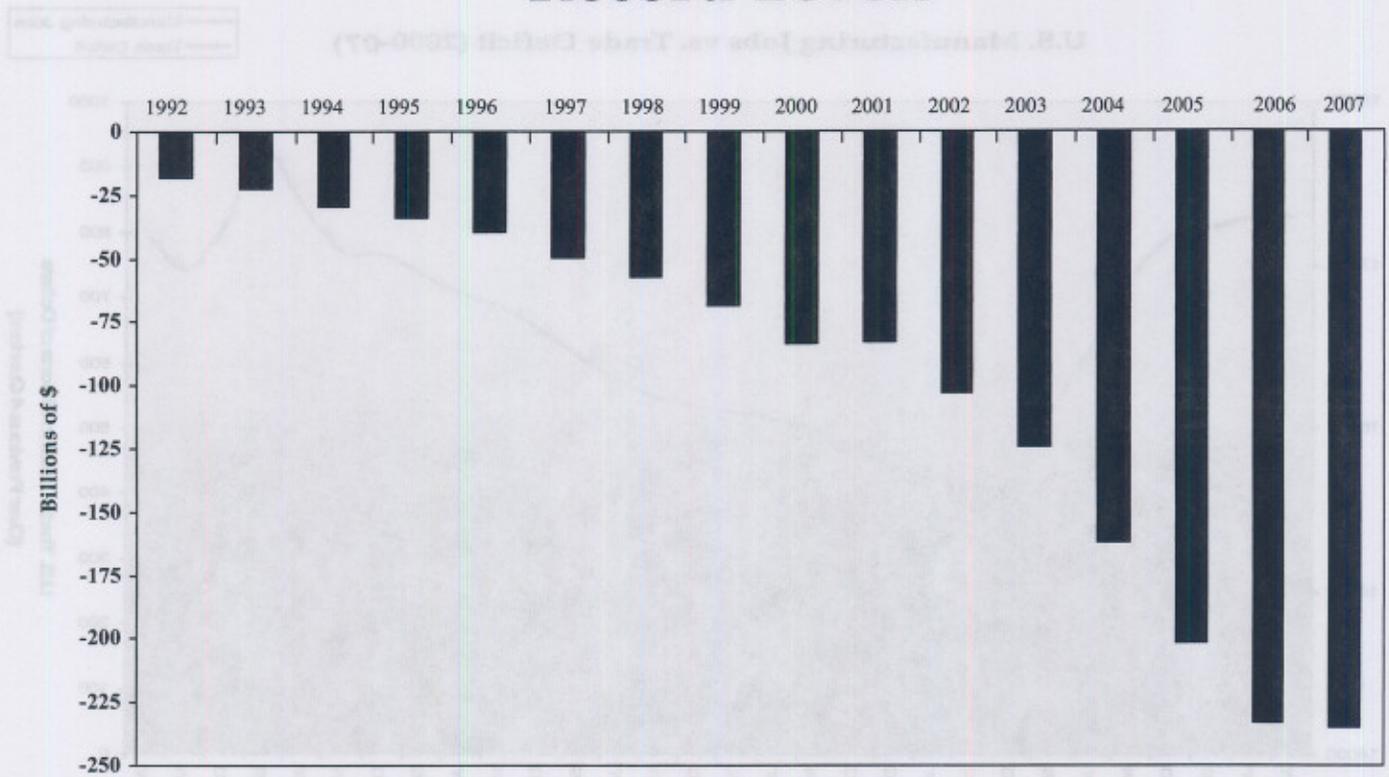


Source: AISI and IM-145 data; 2007 annualized

- Chinese steel exports have increased rapidly to the entire NAFTA region.
- Chinese steel exports are also harming the EU, Asia, Latin America and other global producers.
- *“As a result of the huge investment and overcapacity of the Chinese steel industry, we are looking at the threat of considerable price distortions, oversupply to the European market and destabilization of our market.” - Peter Mandelson - EU Trade Commissioner*

II. Indirect China Trade Impacts on Steel and Manufacturing

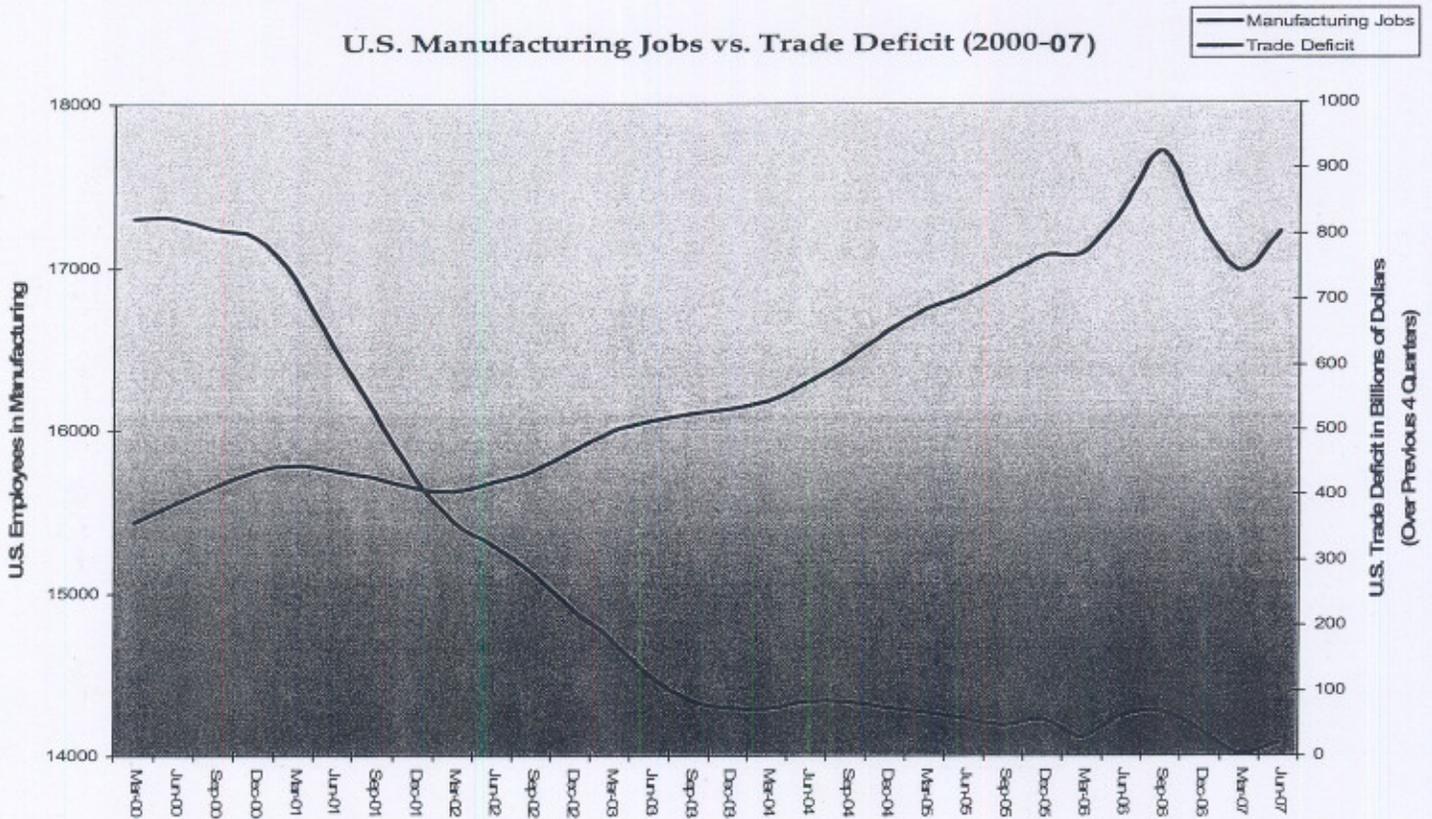
The U.S. Trade Deficit with China is at Record Levels



Source: U.S. Census Bureau; 2007 annualized

Over 3 Million Manufacturing Jobs Lost Since 2000 (An Estimated 1 Million Due to China Trade)

U.S. Manufacturing Jobs vs. Trade Deficit (2000-07)



Sources: U.S. Census Bureau (trade data), U.S. Labor Dept. (employment data),
Dr. Peter Morici, former Chief Economist of ITC (estimate of lost mfg. jobs due to China trade)

Impact on North American Manufacturing

- China's exports of steel are huge and pose great risks,
- BUT China's growing exports of steel-containing and other goods are also an enormous threat to the NAFTA steel industry -- and to North American manufacturing. We see this in:
 - Auto Parts
 - Appliances
 - Metal furniture
 - And many others . . .
- The lesson of Chinese subsidies and industrial targeting: Neither the steel producer nor its domestic manufacturing customer is ever going to be able to compete with China's mercantilism without full and aggressive enforcement of trade laws.

U.S. Imports of Downstream Steel Products from China in 2007

China is the largest foreign supplier of downstream steel products to the United States
China supplies more than one-third of import products fabricated from steel alone.

| Imports of Other Steel Products - 2007 YTD thru June (net tons) | Imports | % |
|--|-----------|------|
| China | 1,131,928 | 36% |
| Canada | 462,447 | 15% |
| Mexico | 393,562 | 12% |
| South Korea | 164,588 | 5% |
| Japan | 112,659 | 4% |
| All Other Countries | 888,781 | 28% |
| All Countries | 3,153,965 | 100% |

Source: U.S. Department of Commerce

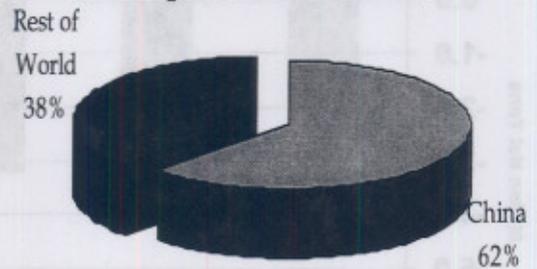
U.S. Imports of Other Steel Products - 2007

YTD thru June (% of total imports)

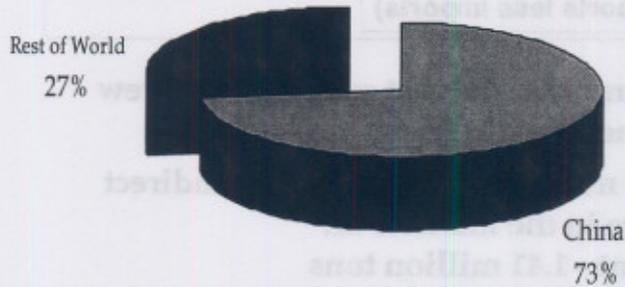
U.S. Imports of Fence Posts



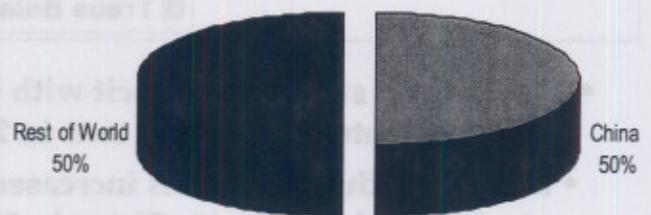
U.S. Imports of Wire Strand



U.S. Imports of Nails and Staples

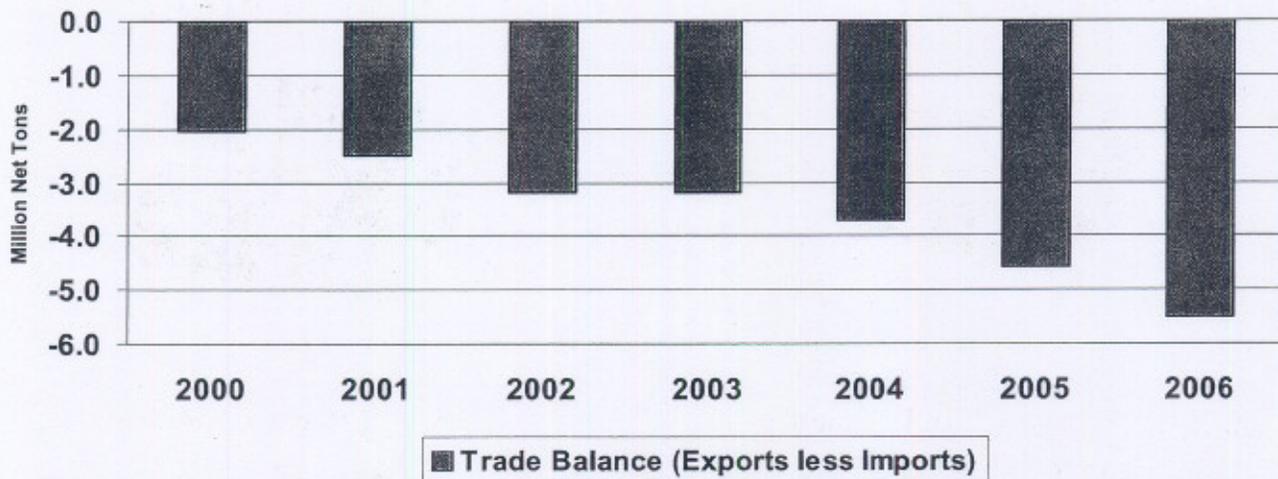


U.S. Imports of Chains & Parts



Source: U.S. Department of Commerce

The U.S. Trade Deficit with China in Steel-Containing Products is at Record Levels and Growing Fast



- The indirect steel trade deficit with China (now the largest such deficit) grew to an estimated 5.5 million tons in 2006, a new record level.
- Since 2000 this deficit has increased by 3.5 million tons. The largest indirect steel trade deficits with China in 2006 were in the markets of:
 - other domestic & commercial equipment - 1.41 million tons
 - machinery - 1.47 million tons
 - appliances, utensils & cutlery - 0.78 million tons.

Sources: AISI and Primoris Economics Inc.

Aggressive Trade Policy Measures Are Needed to Prevent China from Causing Further Harm to U.S. and North American Manufacturing

III. Policy Steps Needed to Address China Trade and Related Impacts

- Enforce strictly all trade remedy laws (AD/CVD, 421, etc.);
- Make it clear that Congress will not accept any new agreements (Doha, Korea FTA, etc.) with trade law weakening.

Aggressive Trade Policy Measures Are Needed to Prevent China from Causing Further Harm to U.S. and North American Manufacturing

In the United States, we need to:

- **Enact real China trade legislation (apply CVD law fully and strictly to China, address currency misalignment, reform WTO);**
- **Enforce strictly all trade remedy laws (AD/CVD, 421, etc.);**
- **Make it clear that Congress will not accept any new agreements (Doha, Korea FTA, etc.) with trade law weakening.**

NAFTA-Wide, North American Governments and Steel Industries are Working Together

- All three governments are pursuing or supporting the pending WTO case against China on its prohibited subsidies.
- The North American steel industry has a unified position that NAFTA governments should consider more aggressive measures with respect to Chinese subsidies:

"The WTO case against certain Chinese steel subsidies is a good first step, but much more needs to be done. Even if successful, this case will not address the numerous domestic subsidies being provided to Chinese steel producers. NAFTA governments should consider further action (either at the WTO or elsewhere) to address this problem. Also, NAFTA governments should keep in mind that illegal steel subsidies harm the domestic economies through indirect steel imports in downstream markets of steel-intensive products, as well as through direct imports of steel products."

Source: NAFTA Steel Industry Pulse, May 2007



Other Important China Trade-Related Impacts Must Also Be Addressed

Key among these impacts are:

- **The Environment** - Whether it is due to obsolete facilities or to inadequate environmental enforcement in many modern plants in China, Chinese-produced steel and other manufactured goods tend to emit far more greenhouse gases per unit than do similar products made in North America. We need to ensure that China is a key part of any worldwide effort to address the challenge of global climate change.
- **Product Safety** - Whether it is a high lead content in painted steel from China, Chinese substandard structural steel tubing or unsafe steel-belted tires from China, we need to ensure that all Chinese steel and manufactured goods meet U.S. technical and product safety standards.