

Testimony of Senator Arlen Specter
U.S. International Trade Commission Hearing:
Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from China
Inv Nos. 701-TA-463 and 731-TA-1159
September 14, 2010

Chairman Okun and members of the Commission, I appreciate the opportunity to testify before you today in support of the antidumping and countervailing duty petitions filed by the domestic industry that produces seamless carbon and alloy standard, line, and pressure pipe. I will refer to that product in shorthand as seamless pipe.

Seamless pipe is a vital, high-value steel product, made at plants in Pennsylvania in Ambridge and Koppel operated by TMK IPSCO – and in other locations across the country. TMK IPSCO employs 300 workers in Ambridge and 450 workers in Koppel, PA. Seamless pipe is very important in its own right, but it also plays an important role in supporting the supply chain for the domestic steel industry – including production of iron ore, coke, and other steel inputs, and services associated with those activities. Thus, unfair trade in seamless pipe negatively impacts the entire steel industry.

The Commission is charged with determining whether there is a reasonable indication that the imports under investigation have caused “material injury” – or whether they threaten material injury – to the domestic industry. I submit to the Commission that on both counts, the facts of the case overwhelmingly favor an affirmative determination.

The volume of Chinese imports of seamless pipe has increased at an astonishing rate, rising by 112 percent from 2007 to 2009. China's market share increased from an already high 25.5 percent in 2007 to 33.4 percent in 2009 – a market share that they were able to obtain and secure only by shipping significant amounts of seamless pipe into a market that they knew was already oversupplied. Indeed, by 2008, China's share of the U.S. market was larger than that of the entire domestic industry. This surge in Chinese imports, in combination with the economic downturn, led to what was most likely the largest inventory buildup in the history of this industry.

As a direct result, by the spring of 2009, much of the domestic industry had shut down or was operating at minimal levels. Over the period from 2007 to 2009, the industry was forced to reduce its workforce by 43 percent, which represents a massive loss of jobs. The industry's suppliers and their workers were subject to similarly extreme distress.

Looking forward, the Chinese industry could not possibly pose a greater threat. Even before the Commission's recent affirmative determinations in the Oil Country Tubular Goods ("OCTG") case – a decision that I think was very wise in light of the facts in that case – China had the largest pipe industry in the world, massive excess capacity, and astonishing levels of new capacity in the works. In 2008 and 2009, U.S. imports of seamless OCTG from China amounted to almost *2.4 million* net tons. After that decision, the Chinese companies that make seamless OCTG – which also make seamless pipe in the same facilities, using the same equipment and the same workers – have been forced to retreat from the United States. Now they have even more excess capacity than they did before and, unsurprisingly, they have been unable to find any other

markets that would begin to make up for the loss of the massive volume of seamless OCTG that they previously exported to this country. As such, these Chinese companies have an enormous incentive to export large volumes of seamless pipe to this country. If they used even a fraction of the capacity that they previously used to export seamless OCTG to the United States to make seamless pipe for export to this country, that volume would overwhelm our domestic seamless pipe market.

While the facts appear clear, I would like to briefly address two legal points:

First, while the industry's financial performance has suffered terribly, there is no greater indication of material injury than the impacts that have been felt by our workers. I fear that we sometimes get so caught up in financial figures and bottom lines that we miss the forest for the trees. Let us not forget that the lost jobs, reduced hours, plant shutdowns – and the larger effects on our communities – represent the most severe and intolerable harm from unfair trade. Our law clearly recognizes these impacts as material injury, and I would submit they are the *worst* form of injury.

Second, the lack of cooperation by Chinese producers should weigh heavily. As I understand it, the Commission received responses to its information requests from only four Chinese producers. This compares to the 84 Chinese producers of seamless pipe that were identified by petitioners or the Commission staff. It is simply inconceivable that the United States would subject its seamless pipe industry or its workers to additional unfair trade when the vast majority of Chinese producers do not even participate or provide useable information in the

Commission's investigation. Our law specifically allows the Commission to make adverse inferences in response to such non-cooperation, and I would submit that this is exactly the kind of circumstance that dictates such a course of action.

In conclusion, the record demonstrates that the recent surge in seamless pipe imports from China has caused material injury, negatively affecting domestic workers and producers. If relief is not granted, our domestic production facilities and the workers employed there will remain at risk. American workers and their families continue to face severe economic challenges as China continues to engage in unfair trade and anticompetitive business practices, which have included subsidized capacity expansion, limited workplace and environmental standards, and currency manipulation. This is the worst time possible for our workers to face unfair trade from China or other sources. Based on overwhelming evidence, I urge you to reach an affirmative result.