Testimony of Senator Arlen Specter
U.S. International Trade Commission Hearing:
Certain Oil Country Tubular Goods from China
Investigation Nos. 701-TA-463 and 731-TA-1159 (Final)
December 1, 2009

Chairman Aranoff and members of the Commission, I appreciate the opportunity to testify before you today in support of the petition filed on April 8, 2009 by the domestic industry producing oil country tubular goods ("OCTG"), seeking relief from market disruption caused by the recent surge of imports of OCTG from the People's Republic of China.

At issue are Chinese imports of seamless and welded steel tubular products used in drilling for oil and gas. Overall, the domestic OCTG industry consists of 7 producers with 11 OCTG-producing plants in 8 states. In Pennsylvania, TMK IPSCO Enterprises employs 300 workers in Ambridge and 450 workers in Koppel, PA; Wheatland Tube Corporation employs over 800 workers in Wheatland and Sharon, PA.

OCTG is a vital, high-value steel product, whose supply chain involves virtually all aspects of the domestic steel industry – including ore production, raw steel production, and the making of hot-rolled steel, which is the primary input for welded OCTG products. As such, unfair trade in this sector negatively impacts the entire steel industry.

I submit to the Commission that the facts of the case demonstrate that a surge of imports has occurred and that it has caused market disruption to the domestic producers:

1. **Imports of OCTG from China surged 203 percent from 2006 to 2008, making China the largest single exporter of OCTG to the U.S. market.** To put this surge in context, imports of

OCTG from all sources increased by only 27.4 percent during the same period. The surge in Chinese OCTG imports has continued in 2009, as over 700,000 net tons of OCTG has entered the United States during the first three quarters of this year. This surge in Chinese imports in 2008 and into this year, in combination with the economic downturn, has led to one of the most massive inventory build ups in history.

2. **Chinese OCTG products are priced well below such imports from other countries.** In 2008 the average unit value of Chinese OCTG was $1,277 per net ton while the average unit value of all other imports excluding China was $1,676 per net ton.

3. **U.S. producer market share fell from 59.2 percent in 2006 to 44.4 percent in 2008 to 33.9 percent in 2009.** During this period, China's market share increased from 15 percent in 2006 to 33 percent in 2008 to 37 percent in 2009.

4. **Domestic industry and its workers have suffered substantially.** More than 2,100 domestic workers have lost their jobs over the past year, and countless more jobs were lost among suppliers and related industries. By spring 2009, six OCTG-producing facilities were idled, including the TMK-IPSCO mills in Koppel and Ambridge, PA. While these plants are now operating at minimum capacity, overall capacity utilization for the industry has dropped from 68.5 percent in 2006 to 17.6 percent in 2009.

While the facts demonstrate that there has been serious market disruption, I would also like to address a few legal points:

First, the Commission is charged with examining whether imports have caused "material injury" – or whether they threaten material injury – to the domestic industry. I would submit to this Commission that there is no greater indication of material injury than the impacts that have been felt by our workers. 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 economic crisis can in no way excuse the behavior of Chinese mills. No doubt, these companies will suggest that the downturn is responsible for the current state of the domestic industry. This argument completely ignores the impact of more than 2 million tons of unfairly-traded imports into this market in 2008, and more than 700,000 additional tons in 2009 – after the economic crisis hit. Whether in times of economic boom or bust, this type of volume of dumped and subsidized product will have highly injurious effects. Our law makes clear that foreign producers are responsible for the negative effects associated with unfair trade, no matter where that harm occurs in the business cycle.

Third, the lack of cooperation by Chinese producers should weigh heavily. As I understand it, the Commission received responses to its information requests from only about a dozen Chinese producers, when nearly 200 Chinese producers of OCTG were identified by petitioners or the Commission staff. It is inconceivable that the United States would subject its OCTG industry or 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 the kind of circumstance that dictates such a course of action.

The record demonstrates that the recent surge in OCTG imports from China has caused market disruption, 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.

Relief should be implemented on behalf of the domestic industry so that it may compete on a level playing field with China. I urge the Commission to consider fully and fairly the evidence presented in the petition, as well as the testimony provided here today, and issue an affirmative finding on behalf of U.S. workers and the domestic industry.