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

Chairman Aranoff and members of the Commission, thank you for the opportunity to testify in this matter. I appear before you today to urge the Commission to find that the U.S. steel industry has been materially injured by imports of certain oil country tubular goods ("OCTG") from China. I believe an injury finding is fully supported by the record in this proceeding, and is critically important to ensure that Pennsylvania steel companies and steelworkers and, indeed, steelworkers across the country are given the opportunity to compete on a level playing field.

The steel industry is a vital part of the Pennsylvania economy. According to the U.S. Census Bureau, Pennsylvania's steel and rolling mills employ nearly 22,000 workers. These highly skilled and well-paid jobs directly support another 180,000 Pennsylvania workers who manufacture fabricated metal products, work in machine shops and forging and stamping firms, produce architectural and structural metal goods, and work for railroad rolling stock manufacturers.

These firms, in turn, support thousands of businesses that supply or otherwise rely on the Pennsylvania steel sector. Indeed, economic studies have determined that each steel industry job directly or indirectly supports an additional seven jobs in other sectors of the economy. The multiplier effect that steel firms have on the Pennsylvania economy is clearly illustrated by the fact that, in 2008, U.S. Steel entered into contracts with more than 1,000 vendors in southwest Pennsylvania worth $1.88 billion, and had a total Pennsylvania payroll of nearly half a billion dollars.

These companies and their employees are thus part of the lifeblood of the Commonwealth's economy. In addition to providing jobs that support thousands of Pennsylvania families, these entities' economic activities provide significant revenue that supports the Commonwealth's operations. Steel firms and their employees likewise contribute millions of dollars to charitable causes.

Madam Chairman, I recognize that the United States operates in a global economy, and I support efforts to promote exports, open new markets, and remove barriers to sales of U.S. goods and services overseas. I support these efforts because I believe that our companies, including our steel companies, are the best in the world, and that they can compete with anyone, anywhere if they are given the opportunity to compete on a level playing field.

At the same time, however, I also firmly believe that if the trading system is to work properly, and American firms are to compete on an equal footing, the rules that govern this system must be vigorously enforced. We must not shy away from bringing legitimate trade disputes before their proper forum, be it in the World Trade Organization or any other body, and we must ensure that our enforcement officials have the necessary personnel and resources to regularly bring these actions.

This is particularly true where the nation's antidumping and countervailing duty laws are concerned. These laws, and the remedies they provide, serve as one of the last lines of defense that firms have to ensure that their competitors do not dump their products on the market nor benefit from improper government subsidies. Our companies and workers must know that these practices will be investigated and that these rules will be applied whenever unfair conduct occurs, especially since other nations—including China—do not hesitate to initiate similar types of unfair trade investigations.

The evidence that has been developed in this proceeding demonstrates that imports of OCTG from China have flooded into the U.S. market. Between 2006 and 2008, United States imports of Chinese OCTG tripled, from 725,000 net tons in 2006 to 2.2 million net tons in 2008. This surge has continued into 2009, such that reports indicate that by May 2009, there was a sixteen month supply of OCTG inventory in the country, rather than the normal inventory supply of six months or less.

The U.S. Department of Commerce has determined that this dramatic spike in OCTG imports is directly attributable to the fact that Chinese OCTG firms have both dumped their products in the U.S. market and benefitted from massive government subsidies. As you know, the Department found that all but one of the Chinese producers that were reviewed in this proceeding had dumped OCTG into the U.S. market at margins ranging from 36.3 percent to 99.14 percent. Commerce also found that these Chinese OCTG producers and exporters received net countervailable subsidies ranging from 10.36 percent to 15.78 percent.

Pennsylvania is home to U.S. Steel, Wheatland Tube, and TMK IPSCO. All of these firms produce OCTG and have facilities located throughout Pennsylvania including operations in Pittsburgh, McKeesport, Sharon, Wheatland, Ambridge, and Koppel, PA. These firms have been severely impacted by unfairly traded Chinese OCTG which, in the first three quarters of 2009, accounted for approximately 37% of the U.S. market. These Chinese imports have caused shutdowns and layoffs throughout the industry. According to the United Steelworkers, when these cases were filed more than 2,000 American workers were on layoff at companies making OCTG.

These layoffs and shutdowns are extremely concerning since no worker should lose or be furloughed from their job due to unfair competition. I am likewise concerned by these shutdowns because OCTG has important energy market applications, including being used in gas drilling operations like those conducted in Pennsylvania's Marcellus shale. If the Commission were to decline to make an affirmative finding in this matter, the decision could potentially encourage a degree of over reliance on imported OCTG, which could be detrimental to efforts to foster our national energy security.

This is not the first time that I have expressed serious concerns about the manner in which Chinese firms have engaged in and benefitted from unfair trade practices. The government of China has repeatedly avoided its international trade obligations by, among other things, manipulating the rate of exchange of its currency, permitting intellectual property rights violations to go unpunished, and improperly subsidizing exports. This conduct has enabled Chinese firms to dump a variety of steel products into the U.S. market. Indeed, this particular case follows previous pipe and tube cases against imports from China involving circular welded steel pipe, ornamental tube, stainless pipe and line pipe – all of which received affirmative injury findings from the ITC and final affirmative antidumping and countervailing duty findings from the Commerce Department.

It is important that this type of improper conduct not go unchallenged. This is especially true at a time when our economy is in a period of recovery and when, more than ever, U.S. manufacturers should be allowed to fairly compete to make the products that we need to retool the economy, enhance our energy grid, and modernize the nation's infrastructure.

Madam Chairman, America's steel companies and their employees have worked extremely hard over the past years to restructure their operations and make the difficult decisions needed to remain competitive in a highly competitive marketplace. It is important that these gains not be lost to unfair trade, and that the trade laws be appropriately applied to ensure that America's competitors play by the rules. Given this, and the importance of this issue to Pennsylvania, I urge you and the Commission to make an affirmative injury determination in this proceeding.

Thank you for the opportunity to express my views on this issue.