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U.S. Steel seeks block on Chinese imports

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U.S. Steel Corp. is pushing the government to block steel imports from China, alleging producers in that country have engaged in an illegal conspiracy to fix prices, steal trade secrets and falsely label products to get around trade duties.

The Downtown-based company, which has been hammered for more than a year by what the industry said is a flood of unfairly traded imports, filed a complaint Tuesday with the International Trade Commission asking for an investigation of the largest Chinese steel producers and distributors. If the ITC initiates a probe, it could lead to a ban on imported products that the government determines are unfairly traded.

The accusation of stealing trade secrets stems from hacking that led to a 2014 federal indictment of Chinese military officials who were charged by the U.S. Attorney in Pittsburgh with infiltrating computers at American companies, including U.S. Steel, Alcoa Inc. and Westinghouse Electric Co.

The complaint highlights increasing concerns about the impact of low-priced steel from China on American producers, who have closed plants and laid off thousands of workers amid mounting financial losses. The ITC and Congressional leaders two weeks ago held a series of hearings on the crisis facing steel companies, and the industry has won preliminary duties on some Chinese imports.

“We have said that we will use every tool available to fight for fair trade,” U.S. Steel CEO Mario Longhi said.

China has rapidly built its steel industry as its economy expanded dramatically in recent decades, boosting production by 61 percent between 2008 and 2014, according to the World Steel Association. The nation accounts for about half of the world's steel output. But as economic growth in China has slowed more recently, the country has stepped up exports.

United Steelworkers President Leo Gerard, who has called for a temporary ban on Chinese steel imports, praised U.S. Steel's decision. He said the company's filing was a “bold action.”

“America's steel sector is under attack by China,” Gerard said in a written statement. “Repeated illegal and predatory trade practices have devastated production and employment in steel and many other sectors.”

Gerard said more than 13,500 workers in the industry have received layoff notices.

“Facilities are being shuttered, some never again to resume production,” he said.

U.S. Steel filed its complaint under Section 337 of the Tariff Act of 1937, a law that gives the government power to provide relief to American companies under threat from foreign competitors that seek to “destroy or substantially injure a domestic industry,” the company said.

The case was filed on the same day that Longhi told reporters after the company's annual meeting that he was optimistic that the steep drop in steel prices had hit bottom. But U.S. Steel's most recent quarterly report highlighted the devastation the company has blamed on weak prices and foreign competition. On Tuesday, it reported a 30 percent drop in sales and a larger financial loss. The company has posted annual losses in six of the past seven years.

“Unfair trade practices have caused substantial injury and threaten further injury to U.S. Steel's domestic industry — from idling mills and finishing facilities to the loss of thousands of American jobs,” the company said.

Daniel Pearson, senior fellow in trade policy studies at the Cato Institute in Washington and a former member of the ITC, said Section 337 primarily has been used for international patent infringement cases and is rarely used for broad claims of unfair trade.

U.S. Steel filed its case after downplaying a call from Gerard two weeks ago to ask for a ban under Section 201 of the Trade Act, a law that gives the president authority to block imports by placing high tariffs on products coming into the United States.

Pearson said a 337 case has advantages over a Section 201 case, which is “in effect for a limited amount of time and duties have to be phased down.”

U.S. Steel's 73-page complaint names 20 of China's largest steel producers and distributors. It alleges “all Chinese carbon and alloy steel products” are being unfairly traded and should be blocked from the American market.

The steel producers named in the complaint are accused of conspiring to fix prices through membership in the China Iron and Steel Association, which U.S. Steel called “a cartel.” The company accused most of the Chinese producers and distributors of falsifying records to circumvent American trade duties.

They allegedly “create documentation showing false countries of origin and false manufacturers for Chinese steel products,” according to the complaint. “They also transship them through third countries to disguise their country of origin.”

Only Baosteel Group, the second-biggest steel company in China and the world's fourth-largest producer, is accused of stealing trade secrets, according to the complaint. “In January 2011, the Chinese government hacked U.S. Steel's research computers and equipment, stealing proprietary methods for manufacturing these products,” the complaint alleges. “Soon thereafter, the Baosteel Respondents began producing and exporting the very highest grades of advanced high-strength steel, even though they had previously been unable to do so.”

A federal grand jury in May 2014 indicted five members of the People's Liberation Army — China's military — on charges of participating in government-sponsored computer espionage such as stealing trade secrets and confidential information from American companies. The Tribune-Review has reported extensively on computer hacking and Chinese espionage through its Cyber Rattling investigative series of stories.

U.S. Steel said the ITC has 30 days to decide whether to pursue an investigation.