

# BUSINESS INSIDER

## Tale of two factories: hope, anguish ahead of Trump's steel tariff call

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July 13, 2017

**GRANITE CITY, Ill.** — The blast furnaces and slab casters at United States Steel Corp's Granite City Works have been idle for 18 months, and laid-off workers here are pinning their hopes on President Donald Trump imposing broad new restrictions on imported steel.

Yet just across the Mississippi River, some manufacturers worry that new tariffs and curbs Trump is weighing under a "Section 232" national security review will raise their cost and make it harder to compete with foreign rivals.

The inherent conflict between suppliers and buyers is at the heart of a debate inside the administration that lobbyists and lawmakers say could delay or weaken any protections recommended by the US Commerce Department.

The review's findings, originally expected by the end of June, could be unveiled in the coming weeks. The Cold War-era law that allows the president to restrict imports of goods deemed critical to national defense pits an iconic industry that has been struggling with imports for decades against those that have benefited from China flooding the world steel market with excess production.

According to Bureau of Labor Statistics data compiled by the libertarian Cato Institute, steel mills and steel product factories now employ about 140,000 people, compared to 6.5 million at steel-reliant manufacturers ranging from autos and appliances to machinery.

In Granite City, where about 1,200 of the US Steel plant's 1,800 workers remain laid off despite the recent restart of some rolling mill operations, there is an air of keen anticipation. "We're waiting on the 232 to get us back to work," said Chris Bragg, who was laid off in November 2015 when steel imports surged and oil prices cratered, slashing demand for the mill's main product, hot-rolled steel for oil and gas drilling pipe.

The 46-year-old father of three has been working in home construction since then, making less than half of the \$55,000 he earned in his last year working on US Steel's basic oxygen furnace, which melts iron and alloys into steel. There were few dinners out, no vacations and no high school graduation presents for Bragg's twin sons last year.

TJ's Place, a bar across the street from a plant gate, canceled its fish fries and taco nights and could close if more workers are not called back, said Diane Valerius. "If that mill shuts down, this town is dead."

Idled steelworkers Reuters interviewed in this factory suburb see the "Section 232" probe as a key test of Trump's commitment to campaign promises to revive US manufacturing and curb imports from China and South Korea. "I voted for Trump because the Democratic Party was going to kill the coal industry and the steel industry in one fell swoop," said Bill Wiley, 50, a laid-off apprentice millwright. "Somebody has to stick up for us. We're just asking for a level playing field."

Across the Mississippi in north St. Louis, factory managers at Bachman Machine Co worry new tariffs and curbs could raise steel prices, putting the 90-year-old maker of stamped steel auto parts at a disadvantage against Mexican suppliers.

"Anything that is out of the norm in terms of a price change is going to be a negative factor for us. If we can't pass that on, then that hurts us," said Jerry Ernsky, Bachman's head of sales and marketing. The 100-employee company buys from steel distributors and often does not know the origin of the steel it uses to make parts for seats, airbags, door mechanisms and other components, Ernsky said.

These are sold to larger auto suppliers such as Toyoda Gosei in Perryville, Missouri, and ultimately find their way to the US assembly plants of Toyota, Honda, Ford and other automakers. Kei Pang, chief executive of Ferguson, Missouri-based Nidec Motor Corp, the former Emerson Electric motors unit now owned by Japan's Nidec Corp, warned Commerce Secretary Wilbur Ross in a letter that import curbs on certain electrical steels "would cause serious and material harm to our companies, our employees, and our customers."

AK Steel is the only remaining US manufacturer of electrical steel, a specialty product with precise magnetic properties used in transformers and motors. It has argued that it needs protection because domestic supplies are needed to safeguard the US electrical grid.

In similar public comments, US Steel has called for import restrictions on tubular goods for the oil and gas industry as a way of safeguarding US energy independence, a critical national security goal. Foreign steelmakers now supply half the oil and gas drilling and extraction pipe used in the United States. Direct imports from China were largely cut off by successful anti-dumping cases in recent years, only to be replaced by pipe imports from South Korea, which since April have been subject to increased duties.

But as US energy firms boost production, foreign-made steel pipes are still flooding into US ports. Based on June import permit data, The American Iron and Steel Institute estimates that imports of steel pipes for the oil and gas industry are up 237 percent in the first half of 2017 from a year earlier.

Ross, the commerce chief, has indicated he might support protection for US makers of pipes and their suppliers. He told a congressional hearing in June that steel was a "genuine national security issue" and pointed out how a US tubular mill made the body of the massive

conventional bomb dropped on Daesh (so-called IS) militants in Afghanistan in April. The 79-year-old billionaire is best known for his work restructuring several bankrupt US steel companies in the early 2000s, selling them to what is now Arcelor Mittal.

He is formulating trade policy alongside US Trade Representative Robert Lighthizer, a veteran trade lawyer who represented US Steel in anti-dumping cases. On the other side of the argument, steel users have enlisted dozens of industry trade groups to make the case against broad steel import restrictions.

The American Petroleum Institute and 10 other oil and gas trade groups urged Commerce to narrowly define national security and "to consider the potential negative effects of US tariffs or quotas or other measures that would raise the cost of steel inputs for the oil and natural gas industry."

It remains unclear what actions Ross will recommend, whether Trump will implement that. US Steel has not indicated how the Trump administration's review may alter its production plans, saying in a statement that it was "interested to review the results of the 232 investigation."

Idled workers say the uncertainty is gnawing at them. "There's nothing that Trump's done as of yet" for steelworkers, said Paul Morris, 55. "All we can do is sit back and wait."