



ArcelorMittal

**Congressional Steel Caucus
Testimony of James Baske
Chief Executive Officer, ArcelorMittal North America
April 14, 2016**

Mr. Chairman, I am Jim Baske, CEO of ArcelorMittal North America. Thank you for the invitation today and for the continuing support and leadership that the Congressional Steel Caucus has given to our industry and its employees.

This is my first appearance before the group, so let me be clear about the state of American steel. The American Steel Industry, as we see it today, is not sustainable, under the current conditions.

The statistics through the end of 2015 bear the following:

- Imports have captured 29% of market share
- Capacity Utilization dropped below 70%
- Published CRU Hot Roll sales pricing dropped from \$667/t in September 2014 to \$354/t in December 2015
- Employment is down by 12,000 employees.

At ArcelorMittal specifically, we have:

- Shutdown our Indiana Harbor Bar facility
- Shutdown our Georgetown SC wire rod facility
- Idled a Blast Furnace last year at Indiana Harbor West
- Reduced operating throughput at our Eastern Pennsylvania Plate facilities.

ArcelorMittal, as well as our competitors, has invested significant CAPEX to produce the most technologically-advanced steels in the world, and our workforce is as productive as any in the world. We agree on free trade, but only ask that it is fair trade.

However, we compete against governments around the world which support an industrial strategy of exporting excess steel, leading to record levels of imports into the United States.

It is easy, and correct, to point to China as the main culprit. But it is not just China. We face challenges from countries as diverse as Korea, Russia, Turkey, and others.

Nonetheless, the United States must address the problem of Chinese steel exports or every other action you or we take won't matter.

Throughout global markets, China presents a common challenge to ArcelorMittal's business. As a result of Chinese government policies, China's steel production has grown dramatically since 2000 to over 800 million metric tons, well more than demanded by the Chinese market. Now they are sending that excess production abroad, exporting 112 million metric tons to world markets in 2015.

ArcelorMittal is confronting the disruptive impact of those Chinese exports in the United States and in markets around the world. Our group's financial performance demonstrated that 2015 was a very tough year for the steel and mining industry – we reported a full year 2015 net loss of \$7.9 billion, largely due to the deterioration in global prices as a result of excess capacity in China. Our U.S. business was a significant part of these losses.

As you know, ArcelorMittal USA has joined with other U.S. producers to bring a number of trade remedy cases – not just against China, but also against other countries whose exports to the U.S. are injuring our business. Often those producers are seeking new markets because they have been displaced by Chinese producers in their own market. And we have seen an increase in imports of downstream products made from cheap Chinese steel.

These indirect effects of China's exports are as harmful to our U.S. business as when China ships directly to the United States. Whether we lose a sale directly to a Chinese steel producer, or we lose a sale to an OCTG customer who can't compete with Korean-made pipe from Chinese hot-rolled steel, or lose a plate sale to a Brazilian or European plate producer looking for a new market as Chinese producers take their customers at home – all have the same effect on our U.S. business. We sell less steel, receive less money for the steel we do sell, and employ fewer workers.

Over the long term, this situation is not sustainable for U.S. producers who operate without the kind of government support provided to the Chinese steel industry. We need the U.S. Government to vigorously enforce U.S. trade remedy laws. And we need the international community to come together to make clear to China that they need to reduce their excess capacity in steel making – the way a market-based economy would – rather than exporting it.

As I close, let me take a moment to thank Congressman Visclosky for his recent comments about the importance of the American steel industry to our national defense. As you know well, ArcelorMittal USA's operations have a long and rich history of supporting our nation's defense capabilities. We are a proud supplier of steel for U.S. military applications – from aircraft carriers and nuclear submarines to missiles, armor plate for tanks, and every major military aircraft in production. Thank you, Congressman Visclosky, for defending American steel in your capacity as ranking member of the Defense Appropriations Subcommittee.

Thank you, Mr. Chairman. I look forward to your questions.