



Testimony of Tracy Rudolph
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Section 332 Investigation on the Economic Effect of Section 301 and 232 Tariffs
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Good morning Chairman Johanson, Commissioners, and Commission staff. I am Tracy Rudolph, President and Chief Operating Officer of Electralloy, a G. O. Carlson, Inc. Company. Electralloy is a U.S. producer of stainless steel and other high performance materials based in Oil City, Pennsylvania. Today, I am testifying on behalf of the Specialty Steel Industry of North America, otherwise known as “SSINA.”

SSINA is a voluntary trade association representing the majority of the specialty metals producers in North America. Our members produce a variety of products including semi-finished, bar, rod, wire, angles, plate, sheet and strip, in stainless steel and other high performance materials, including titanium and titanium alloys, zirconium and niobium alloys, and nickel-based alloys.

The specialty metals industry is a key contributor to our nation’s defense industrial base. SSINA members supply a wide-range of military and defense programs ranging from land-based vehicles, naval systems, missiles and rockets, armor and munitions, and military aerospace systems. Many of these applications require highly sophisticated specialty alloys, which are often developed in conjunction with the U.S. Army, Navy, and Air Force. The importance of the specialty metals sector to the defense industrial base is reflected in the long-standing Specialty Metals Amendment, which since 1973 has required that these military and defense programs be manufactured from specialty metals and specialty steels that are melted or produced in the United States.

However, developing such sophisticated materials, particularly for defense purposes, is expensive and requires substantial financial commitments for research, development, and investment. The specialty metals industry cannot be sustained just on sales of these highly sophisticated, but at times, lower volume products. In order to operate our facilities that produce many of our critical materials efficiently, we must also produce significant volumes of commodity products – that are essential to the viability of our production facilities. As a result, it is imperative for the health of our industry to produce and sell at healthy prices the core stainless steel flat-rolled and long products that are used in a broad range of general applications. These are the products that have been covered by the section 232 tariffs, and that have enabled our sector to continue to invest in and produce products that are critical to our national security, even through the pandemic.

Import competition has long taken a toll on our industry, as we have battled unfairly traded imports for decades. Higher value stainless products, in particular, have been vulnerable to import competition, and our industry has brought dozens of successful antidumping and countervailing duty cases against numerous foreign producers. Just two weeks ago, the Commission voted unanimously to extend the antidumping and countervailing duty orders on stainless steel plate in coils from Belgium, South Africa, and Taiwan, and earlier this year, the Commission voted to extend the antidumping duty orders on stainless steel wire rod from Japan, Korea, and Taiwan. These orders extend back to the 1990s and continue to be very important to our industry.

Nevertheless, the 7.5 percent Section 301 tariffs on imports of flat-rolled and long stainless steel products from China and the various remaining measures in place as a result of the section 232 investigation, have been critical to providing the specialty metals industry with an

additional measure of relief from unfairly traded imports, particularly for those imports not under the discipline of antidumping or countervailing orders. Thus, the tariffs have had a positive economic impact on the U.S. specialty steel producers by helping to level the playing field.

Current market conditions make it even more critical that Section 301 and 232 tariffs remain in place. We have seen both rising and volatile pricing on raw materials, which in most instances are what confer on these specialty metals the unique characteristics that enable their use in military and aerospace applications. Many of these raw materials are neither mined nor produced in the United States. For example, commodity trading of nickel on the London Metal Exchange, a key raw material input of stainless steel and other specialty metals, was recently suspended, leading to a massive increase in prices for what is probably the most critical mineral used in the production of aerospace engines. Russia's invasion of the Ukraine is also further increasing the difficulty of obtaining certain raw materials and stressing an already challenging and uncertain supply chain situation. In sum, the costs of our raw materials are increasing, and the uncertainties surrounding the viability of the global supply chain for these raw materials pose continued challenges for the sector, even as demand in some of our markets increases.

Compounding these recent problems are more systemic issues that have long plagued our industry. There is substantial overcapacity for stainless steel and other specialty metals that often leads to intense pricing pressure and competition for critical demand. China alone has excess capacity that dwarfs the U.S. market. China has refused to cooperate with the world to reduce this excess capacity, and instead continues to expand and maintain existing capacity through the use of illegal subsidies, posing a direct threat to the U.S. industry.

The recent headwinds that are impacting both the availability and cost of our raw materials provide an important reason for maintaining the Section 301 and, in particular, the

section 232 measures that are currently in place. Without these measures, the U.S. specialty metals industry may continue to contract, unfair imports will increase, and the industry will not be able to continue the high level of research, development, and investment that enable the production of the high performance materials that are at the foundation of our defense and aerospace sectors. Removal of these tariffs will most likely benefit our economic and military adversaries in China and Russia. Thus, the Section 301 and 232 tariffs remain vital to both U.S. national security and the U.S. specialty metals industry.

Thank you for your time, and I am happy to answer the panel's questions.