



Federative Republic of Brazil

## **AIDE-MÉMOIRE**

### **Brazil-US Partnership in the Steel Sector**

#### **Inputs to Section 232 National Security Investigations**

- **Unlike most other trade partners, 80% of Brazil steel exports to the U.S. are of semi-finished products which are used as pre-materials for U.S. steel producers.**
- **Imports from Brazil complement U.S. steel production and enhance the competitiveness of U.S. manufacturing, agribusiness and infrastructure projects**
- **Brazil has already been deemed a reliable supplier for national security purposes by the U.S. government in the last Section 232 investigation.**
- **Brazil is prepared, in cooperation with the U.S. steel sector and government, to play a comprehensive and constructive role towards the solution to the global excess capacity**
- **The U.S. has enjoyed a trade surplus with Brazil for more than 10 years. Both countries have built solid economic and political ties, by enhancing bilateral business relationship and creating jobs through investment and trade. In the steel sector alone, more than US\$ 11 billion dollars in production facilities in the United States.**
- **Steel imports from Brazil have already been heavily affected by antidumping and countervailing duties.**
- **For the above-mentioned reasons, Brazil should be excluded from Section 232 National Security Investigations on U.S. imports of steel.**



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## **Brazil-US Partnership in the Steel Sector**

### **Inputs to Section 232 National Security Investigations**

#### **U.S. STEEL IMPORTS FROM BRAZIL COMPLEMENT U.S. STEEL PRODUCTION AND ENHANCE THE COMPETITIVENESS OF U.S. MANUFACTURING, AGRIBUSINESS AND INFRASTRUCTURE PROJECTS**

Steel imports into the U.S. accounts for a total 30 million tons, of which 6 million metric tons are semi-finished that are rerolled by U.S. based steel mills into finished steel products. The main finished steel exporters to the U.S. are Canada (21%), Korea (14%), Mexico (9%), Turkey (9%) and Japan (6%). Brazilian finished steel exports are responsible for only 3% of total steel imports in the U.S.

Additionally, Brazil tops world's **main suppliers of semi-finished steel to the U.S., providing the American market with more than 52% of its semi-finished steel needs**, followed by Russia (26%), Mexico (10%), Japan (0,5%) and Canada (0,2%).

Thus, **more than 80% of Brazilian steel imported by the U.S. is composed of semi-finished products**, a key input to the U.S. steel sector's products for important U.S. industries, such as automobile, machinery, oil & gas, and infrastructure projects. Also, U.S. steel imports contribute to enhance U.S. agricultural competitiveness by sharing logistics' modals and reducing logistics costs for exports.

#### **THE U.S. HAS ENJOYED A TRADE SURPLUS WITH BRAZIL FOR MORE THAN 10 YEARS. BOTH COUNTRIES HAVE BUILT SOLID ECONOMIC AND POLITICAL TIES, BY ENHANCING BILATERAL INVESTMENTS AND CREATING JOBS THROUGH TRADE**

Brazil and United States have built a long and solid commercial relationship. In recent years, commercial flows were strengthened by increased direct investments from Brazil into the U.S, which became the main destination of Brazilian investments overseas.

As a result, assets of Brazilian-owned companies in the U.S. have increased more than 300% in the latest 10 years. Brazilian FDIs in the U.S. are responsible for more than 80,000 jobs spread in more than 40 U.S. States and 150 Congressional Districts.

The U.S. steel sector relies on semi-finished imports to run their steel mills. More than 20 U.S. mills reroll and drawn imported semi-finished steel from Brazil to increase their competitiveness.

On the other hand, Brazilian-owned steel affiliates invested more than US\$ 11 billion dollars in production facilities in the United States. This commercial inflow secure billions of dollars of inward FDIs into the U.S. economy, which generates jobs in more than 10 U.S. States such as California, Alabama, Arkansas, Georgia, Kentucky, Connecticut, Texas, Indiana, South Carolina, Pennsylvania, Michigan and Tennessee.



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Brazil wants to continue this important cooperation that strengthens the broader bilateral economic partnership.

### **BRAZIL IS A RELIABLE SUPPLIER AND PARTNER FOR THE STEEL INDUSTRY AND DOES NOT PRESENT A THREAT TO U.S. NATIONAL SECURITY**

Semi-finished steel from Brazil in the U.S. market has no direct use in national security industry. Moreover, Brazil and U.S. enjoy robust and stable political and economic ties, with shared democratic values and a common objective to foster prosperity.

Brazil and United States are also connected by 30 bilateral dialogues on various issues, including defense and security. Within the US-Brazil Defense Industry Dialogue, launched in 2016, private sectors from both countries engage with each other in order to explore business opportunities and increase technology exchanges.

### **BRAZIL IS PREPARED, IN COOPERATION WITH THE U.S. STEEL SECTOR AND GOVERNMENT, TO PLAY A COMPREHENSIVE AND CONSTRUCTIVE ROLE TOWARDS THE SOLUTION TO THE GLOBAL EXCESS CAPACITY**

Brazil is part of and actively engaged in the OECD Steel Committee. Additionally, the country has been coordinating positions with the U.S. and selected countries under the steering group of **G20's Global Forum on Steel Excess Capacity**. In this sense, Brazil shares with the U.S. the goal of engaging the international community in a joint effort to solve the global challenges that impact the steel market.

The Brazilian steel industry has been severely injured by those challenges: 78 production units are paralyzed or deactivated and the steel sector reported more than 48 thousand job losses since 2014.

Brazil remains committed with international discussions and seeks to deepen bilateral dialogues with the U.S. steel industry and government for enhanced cooperation in international steel discussions.

### **STEEL IMPORTS FROM BRAZIL SHOULD BE KEPT FROM ANY FURTHER RESTRICTIONS**

U.S. imports of steel from Brazil have been decreasing dramatically as restrictions imposed by U.S. antidumping and countervailing duties have been increasing since 2015 (e.g.: hot and cold flat steel, cut-to-length plates, wire rods, stainless steel bars and welded standard pipes).

In the last investigation under Section 232 to determine the effects of imports of iron and semi-finished steel on the national security, concluded that Brazil is among the three countries "deemed to be safe suppliers for national security purposes (66 FR 9067, 2001). The very fruitful relationship established between Brazil and the U.S. confirms that Brazil should continue to be considered as a reliable source of steel products to the U.S. market.

For the above-mentioned reasons, Brazil should be excluded from Section 232 National Security Investigations on U.S. imports of steel.

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