



### FROM THE PRESIDENT

DAVE PHELPS:

AIIS members have struggled during this prolonged recession since early in 2008, with the only bright spot in 2008 the surge in exports, which have been more resilient in 2009 than either imports or domestic production. Reflecting the increase in focus of our membership in the international export market, you may have noticed that AIIS now puts out each month a press release on steel exports.

(continued page 3)

### IN THIS ISSUE:

- ▶ From the President - Page 1
- ▶ Market Update - Page 1
- ▶ AIIS Customs Webinar - Page 2
- ▶ WTO Cautions - Page 2
- ▶ Obama Admin - Page 5
- ▶ China Free Trade - Page 5
- ▶ Steel Market Data - Page 5

### AIIS CALENDAR:

- ▶ HOUSTON, September 23 - 24 2009  
AIIS Gulf Region Conference
- ▶ NEW YORK, November 9 2009  
AIIS Annual Dinner and Conference

### MARKET UPDATE

The steel market seems to be improving as we move into the summer months, with price increases being announced regularly for flat and some for long products. The AIIS importers' survey likewise shows some improvement albeit from a very low base.

To some degree, the improvement in the steel market appears to be a steel sector-driven phenomenon. One is hard put to find good economic news inside the macroeconomic data. Unemployment increased again in June, to 9.5 percent while non-farm employers shed yet another 467,000 jobs. Manufacturing again was hard hit, losing another 136,000 jobs. As of the time the *AIIS News* was being written, the GDP data for the second quarter were not available, but the experts all expect that it will register yet another decline. The new orders index from ISM declined in June after several months of growth. The only good news, also reflected in the steel sector, is the continuing decline in inventories economy-wide. According to Census Bureau data, inventories of durable goods declined by another \$3.3 billion in May, for the fifth consecutive monthly decline. Total construction declined again in May, but surprisingly, total public sector construction, notwithstanding the stimulus spending, also declined. So much for shovel ready.

Recent articles in the metals press suggest that low levels of inventory along with slightly improving demand, coupled with very low levels of imports have put the domestic producers in the drivers seat for the moment. That, along with the almost always reliable predictor of steel market trends, scrap prices, suggests that we could be in the beginning stages of an improving market. Some predict that scrap will escalate quickly due to the smaller supply of automotive scrap and if that happens, steel prices could escalate quickly back to healthier levels for the domestic producers.

(continued next page)

## MARKET UPDATE CONT.

According to press reports, hot rolled sheet is about to eclipse \$500 per ton in some parts of the US market as the mills raise their prices. Interestingly, the summer months usually slow from the faster paced second quarter, but this year, that normal trend appears to be upside down.

With domestic industry operating rate still at low levels, almost 1.2 million tons in the most recent week compared to almost 2.2 million tons at the peak of the market, there is a lot of capacity still available to bring online. With some mills announcing the re-opening of their hot end capacity, the question still remains as to whether demand is strong enough to hold up to increased steel supply? Of course, if the strengthening market and rising prices are sustained in the next few months, imports will start to re-appear in the marketplace.

## WTO CAUTIONS ON GROWING PROTECTIONISM IN RECESSION

Director General of the WTO, Pascal Lamy, cautioned industrialized nations about moves toward protectionism during the current world economic recession. A recently released report by the WTO stated that stimulus programs with subsidy and other trade distorting elements will lead to distortions from market-based production and investment. This could cause retaliation which in turn would become a threat to the recovery. The good news in the report is that multilateral trade rules continue to be well respected, as well as bi-lateral agreements. That said, with world trade projected to decline 10% this year and for developing countries 7%, according to the report developing countries remain vulnerable.

Mr. Lamy cited Australia, China, Ecuador, Egypt, India, Indonesia, Mexico, Paraguay, the Philippines, Russia, Saudi Arabia, Ukraine and Vietnam for taking trade liberalizing measure such as reducing import tariffs and surcharges to counter the recession.

On the other hand, he also cited over six dozen trade remedy actions that have been taken by governments during the last six months. On top of that list was India, followed by the US, Argentina and China. The products in question include agricultural products as well as iron and steel, auto parts, chemical and plastic products and textiles and apparel. Seems the US is on the wrong list.....

## WEBINAR

On July 9, AIIIS held its first webinar. As our first attempt at this new technology, we decided to focus on changes to Customs reporting requirement, the so-called 10+2. As our members are aware, in the past when there have been important changes to Customs rules and regulations affecting the importing and exporting of steel, we have held formal seminars. While we may still have to do that in the future, the new technology allows for a much more efficient and cost effective way to educate our members. There will be more webinars scheduled for the future on technical issues important to our membership.

The first, webinar had as its instructors, Customs Committee Chairman Steve Baker and Mary Jo Muoio, of Barthco, Division of OHL and also president of the Freight Forwarders Association where she has been intimately involved in the development of the new Customs regulations. The webinar focused on the issues surrounding Importer Security Filing, (ISF). This new, and very complicated regulation, covers all containerized steel products, including "canned" sheet products and requires that the importer file 10 specific data fields of information and the carrier 2 (hence 10+2). For containerized products, the ISF data must be filed 24 hours prior to the ship loading at the port of exportation. Break bulk products, such as crated pipe and tube and bars, must have the data filed on them 24 hours prior to the ship's arrival in the US. Plates, coils – not in cans – structurals, wire rod, etc. are considered bulk and not subject to the new filing requirements so long as they are not in a container or a crate.

The requirements were officially put in place on January 26, 2009 and Customs will begin assessing penalties on January 26, 2010 for violations of the new regulations and requirements. However, prior to that date, Customs can issue "do not load" or "do not unload" notices related to these regulations.

Our thanks go out to our two instructors and to AIIIS staff, Daniel Elder and Alexandra Jopp, who organized AIIIS's first venture into high-tech training.

Advertisement

I need to know my shipment will clear customs.

**OHL** Count on us.

You'll know the status of your shipments wherever they are with OHL as your global supply chain management partner.

**BARTHCO**  
DIVISION OF OHL

[www.ohl.com/countonus](http://www.ohl.com/countonus) or 800-401-6400

©2009. OHL, the OHL logo and "Count on us." are the trademarks of OHL Logistics, LLC.

## FROM THE PRESIDENT

Because it is believed by many that the US dollar will remain weak for some time and will weaken further with all the deficit spending going on here in Washington DC, this may be one market that will improve and grow in years to come. Clearly, not only the weak dollar has an impact on the level of exports, but also the free trade agreements that the US Government has negotiated in recent years. For example, the CAFTA eliminated high duties on manufactured exports, including steel, to the Caribbean nations and provided new business to our regular member companies, along with more work for our associate members in the maritime industry.

With these issues in mind, in July, AIIS stepped "out of the box" somewhat and made our opinion known on the so-called "Cap and Trade" issue being debated in Congress – see our web site for a copy of the press statement, [www.aiis.org](http://www.aiis.org). Our view is that this legislation will increase the cost for every manufacturer in the US, including energy intensive steel mills, their customers and suppliers, not to mention make it more difficult to obtain competitively priced steel products for export.

Since we believe it will add cost to our customer base – increased cost of energy – it will also negatively affect our customer base's international competitiveness. From turning on your light in the kitchen, to starting your car, this legislation is bad news and is a jobs killer. That it is a bad bill is clear from the close vote in the House and the vast amounts of pork that was required to get some members of Congress to vote for it. The Senate will do our nation, and especially our manufacturing base, a good turn by killing this ill-advised and ill-considered legislation.

In September, we look forward to seeing you at our annual Gulf Region Conference and golf tournament. Look for details in your email in-box soon.

This will be the last newsletter we send out until September. Our staff wishes all our members and friends a happy and healthy summer, and of course, wishes for improved business.



## Export Steel Services

Containers | Break-bulk | Bulk | Scrap Metal

For over 35 years we've been involved in the import and export of steel and steel-related products from all over the world. If you need help with ocean export and freight forwarding please contact Jack Mallough at [jemallough@ohl.com](mailto:jemallough@ohl.com) and 267-570-2612, or Rita Stout at [rstout@ohl.com](mailto:rstout@ohl.com) and 267-570-2879.

Based in Tennessee, OHL is one of the largest Third Party Logistics companies (3PL) in the world, providing integrated global supply chain management solutions including transportation, warehousing, customs brokerage, freight forwarding and import and export consulting services. OHL operates more than 120 value-added distribution centers, offers comprehensive transportation management services, employs over 6,000, and has offices worldwide.

[www.barthco.com](http://www.barthco.com) | [www.ohl.com](http://www.ohl.com)

### NEW MEMBER

#### **Rickmers-Linie(America), Inc.**

350 Glenborough Dr. #180  
Houston, Texas 77067

Rickmers-Linie is a member of the Hamburg based Rickmers Group. With more than 170 years to its name, the company provides a world-wide network of liner services for the transportation of breakbulk general cargoes such as steel, and plywood, heavylift and project cargoes such as transformers, generators, railway locomotives, brewery tanks and yachts.

Rickmers-Linie currently owns or long-term charters 19 specialist vessels and adds further capacity to its fleet by spot charters subject to demand.

Rickmers-Linie in numbers

- 150 employees worldwide
- 16 offices worldwide
- more than 40 agencies worldwide
  
- 65 employees in Hamburg
- own fleet: 9 vessels
- chartered fleet: 10 vessels on regular basis

"These articles were provided to AIIS News in response to our request to introduce themselves as new members of our Institute. The article was written by the company and AIIS is not responsible for its content."

## THE OBAMA ADMINISTRATION AND TRADE

The first real test of the Obama Administration's views on trade was the Buy American provision in the Stimulus bill passed by the House. The new administration understood that to start a trade war by violating all of our international agreements affecting government procurement – in the midst of a recession – would be disastrous economically and politically. The Senate made sure that the Buy American provision – still not good economics or politics – would honor those agreements at least. Of course, the Obama Administration, with all its strong political connections to the strongly pro-Buy American unions, took a domestic political risk in taking this position. A good, if not perfect, start.

The next real test for the Obama Administration will be the so-called Section 421 case that was filed on tires. A 421 case is a special China-only case similar in nature to the Section 201 case, such as was filed against steel imports in 2001. The ITC makes a determination of injury and if it finds injury, recommends protection to the president, who has the final say.

During the Bush Administration, several 421 cases made their way to the president's desk, including on steel, and he denied all of them. China has objected strenuously to every 421 case – something they don't always do in anti-dumping cases. Given the importance of the US-China relationship on many levels, finance, North Korea etc., this decision is a real test of the new president's trade views.

Behind the scenes, the Obama Administration's USTR, Ron Kirk, has been quietly visiting our trading partners and drumming up support for the long-dormant Doha Round of negotiations. A recent announcement that the head of the WTO, Pascal Lamy, wanted to have texts for the agreement ready by October in preparation for the December meeting of the senior Trade Officials in Geneva provides some small level of hope that the Doha Round may not be as dead as most people believe it is.

While it is clear that there are still major areas of disagreement amongst our trading partners, there are large areas that have been agreed to, providing trade benefits that no one involved in the negotiations wants to see disappear due to intransigence on hot button issues such as agriculture and manufactured goods tariffs. AISI's primary concern in the negotiations has been and remains common sense changes to the US's anti-dumping rules. If the negotiations regain some life, we intend to renew our efforts to effect common sense changes to US trade laws.

### WESTERN HEMISPHERIC FREE TRADE AND CHINA

After six decades of recognizing only Taiwan, two years ago Costa Rica recognized mainland China. Now, they are negotiating a free trade agreement with China. The Costa Rican Government has dismissed concerns that trade with China in computer components – a major industry in Costa Rica – will damage its industry. This is the third Western Hemisphere country that China has negotiated free trade agreements with – the first two were Chile and Peru.

## STEEL MARKET DATA

	2009 5 months	2008 5 months	Percentage Change
Domestic Shipments	21,359	45,879	-53.4%
Total Imports	7,762	13,201	-41.2%
Semifinished Imports	515	2,681	-80.8%
Finished Imports	7,247	10,520	-31.1%
U.S. Exports	3,231	5,266	-38.6%
Apparent Steel Supply*	25,375	51,133	-50.4.8%
Net Imports	4,531	7,935	-42.9%

(000s of net tons)

Source: AISI statistics

\*Apparent Steel Supply = Domestic Shipments + Finished Imports - Exports

Advertisement



Ship - Truck - Train

# Port of Stockton CALIFORNIA

209.946.0246 800.344.3213

portofstockton.com



## Your Water - Rail Cargo Connection

This Central California international 35-foot deep-water port is located in Foreign Trade Zone #231, close to Interstates 5 and 80. The UP and BNSF railroads have equal access to the Port through their regional railroad, the Central California Traction Company. Both major railroads have their main lines within 8 miles of the Port and have direct access for unit-train type service.

The Port has more than 4,200 acres, 7 million s.f. of covered warehousing and open dock areas for staging and assembly.



The Port of Stockton's West Complex has:

- More than 2.5 miles of on-dock rail service on double-reinforced concrete pier
- Two 1.25-mile sections of on-dock rail with capacity to hold over 60 railcars, each measuring 100 feet in length
- More than 12,000 linear feet of rail makes this the largest single terminal on-dock rail facility on the West Coast
- A facility that contains a third additional 1.25-mile section of near-dock rail within 80 yards of the water
- 5.5 million s.f. covered storage located within 1/4 mile of the terminal's rail

## AIIS IN THE NEWS

- ▶ **Article | Steel Business Briefing:**  
**US imports hit 33-year low**  
6.29.09  
Article quoting AIIS Press Release.
  
- ▶ **Article | American Metal Market:**  
**Traders see signs of recovery, but fret protectionism could derail it**  
6.26.09  
Article quoting AIIS President David Phelps, AIIS Board Member Leon Goldenberg, AIIS Board Member Jeffrey Himmel.
  
- ▶ **Article | American Metal Market:**  
**Weak US steel demand limiting trade cases**  
6.26.09  
Article quoting AIIS President David Phelps, AIIS Board Member Leon Goldenberg, AIIS Board Member Jeffrey Himmel.
  
- ▶ **Article | American Metal Market:**  
**Traders taking cautious view of steel rebound**  
6.22.09  
Article highlighting AIIS / AMM Roundtable.
  
- ▶ **Article | American Metal Market:**  
**US Steel exports stumble in April as global slump bites**  
6.15.09  
Article quoting AIIS Press Release.

*To be added to our distribution list for AIIS news, email your name and company to Alexandra Jopp with "Please add me to the AIIS distribution list"*

## AIIS CALENDAR

- ▶ **AIIS Gulf Region Conference**  
**September 23 - 24, 2009 | HOUSTON, TX**  
**The Houstonian | 111 North Post Oak Lane**
  
- ▶ **AIIS Annual Dinner and Conference**  
**November 9, 2009 | NEW YORK, NY**  
**Hilton New York | 1335 Ave. of the Americas**

### Not Yet an AIIS Member?

Don't miss out on our exciting benefits!

Contact Alexandra Jopp,  
Membership Coordinator, AIIS,  
at 703.245.8075 or [jopp@aiis.org](mailto:jopp@aiis.org)  
to learn more.

For more information, visit [www.aiis.org](http://www.aiis.org), or call 703.245.8075