

U.S. Steelmakers Accuse Russia of Breaching 15-Year Trade Deal

By [The Moscow Times](#)

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A red hot slab of steel moving along a production line at the Magnitogorsk Iron and Steel Works.

U.S. steel producers have accused Russia of flooding the market with cheap flat-rolled steel, challenging a 15-year trade deal and potentially reigniting a decades-old dispute over imports amid heightened tensions between Washington and Moscow.

In a submission to the Commerce Department, Nucor Corp, U.S. Steel Corp, ArcelorMittal USA and others said the agreement had not stopped Russian producers from undercutting local prices or flooding the U.S. market with a 1,400 percent shipment increase in the first half of 2014 compared with the same period last year.

"The agreement has failed in achieving its statutory purpose and thus should be promptly terminated," said the submission, released late last week by steel industry lawyers.

Scrapping the 1999 agreement would be in line with the U.S. administration's tougher stance

toward Russia following a flare-up in tensions over Ukraine, including dropping the country from a trade benefits program.

Russian steelmakers played down the impact of scrapping the deal, suggesting there would be little risk to their revenues as the north American market took only a small part of their overall exports. Russia's Severstal said it had met the terms of the agreement.

The so-called suspension agreement has sheltered Russian steelmakers from steep anti-dumping duties on hot-rolled coil, or HRC, instead setting a cap on imports and a minimum price. Reuters reported last month that the industry was considering challenging the trade deal.

But the industry's submission noted that the reference price had been below U.S. market prices since 2004, with the gap widening to more than \$180 in the second quarter. Russian prices were also lower than any other imports sold in U.S. markets.

"This consistent disconnect between the price of imports from Russia and those from other markets demonstrates that the suspension agreement is not working," said Alan Price, an attorney from Wiley Rein representing Nucor Corp.

"The failure of the suspension agreement to prevent underselling is allowing Russian producers to sell significant and injurious volumes of hot-rolled steel into the U.S. market," Price said.

New Duties

The call to scrap the deal follows travel bans and asset freezes imposed on Russian officials after Russia annexed the Crimean Peninsula from Ukraine earlier this year.

Russia is a major HRC supplier and the move also reflects concerns about weak global prices, oversupply and sluggish demand for hot-rolled steel, used in appliances and autos.

A Commerce Department official said the department was reviewing the request, which came a day before a closely watched decision over anti-dumping duties on imports of pipe used in the oil and gas industries.

If the agreement is ditched, Severstal would be hit with anti-dumping duties of 73.59 percent. Other Russian producers, such as Novolipetsk Steel, or NLMK, and Magnitogorsk Iron and Steel Works, or MMK, would face duties of 184.56 percent.

NLMK declined to comment on the report, but according to the company's website it earned \$510 million from sales to north America in the first quarter, up 38 percent year-on-year in dollar terms and up 56 percent in terms of volume.

Severstal said its HRC supplies were in line with the agreement, while "a certain increase" in 2014 steel products exports was due to the fact that levels were low in 2013.

MMK said its traditional markets were Russia and countries belonging to the Commonwealth of Independent States, a loose grouping of former Soviet states. Combined, these markets took 88 percent of its steel products in 2013.

It added that the company derived two percent of its revenue from supplies to north America in the first quarter.

"The company does not see risks if the U.S. government raises import duties for rolled steel," MMK said in an emailed comment.

The original deal was agreed as the U.S. moved to stem a flood of Russian steel imports after the Cold War ended. It can be terminated with 60 days notice and duties would apply immediately.

The submission was also signed by Gallatin Steel Company, Steel Dynamics and SSAB.

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