



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

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February 7, 2018

The Honorable Steven T. Mnuchin  
Secretary of the Treasury  
Chair, Committee on Foreign Investment in the United States  
Department of the Treasury  
1500 Pennsylvania Ave., N.W.  
Washington, D.C. 20220

Dear Secretary Mnuchin:

I am writing to share serious concerns about the proposed joint venture between Tsingshan Group, a Chinese-owned firm that is now the largest stainless steel producer in the world, and Allegheny Technologies, Inc. (ATI). Because of ATI's well-known history of cooperation with the U.S. defense industry, and because the proposed joint venture is expected to lead to the erosion of critical U.S. stainless steel manufacturing capability, the joint venture threatens to impair the national security of the United States. I urge the Committee on Foreign Investment in the United States, which you Chair, to initiate a review of the joint venture.

There appears to be the potential for considerable national security concerns that could arise from allowing Tsingshan Group to have such a close partnership with ATI, which boasts of producing "a wide range of military-grade titanium, specialty steels, and other materials and components for defense contractors and other customers." I am additionally concerned about the joint venture's announced intent to target the U.S. market with Tsingshan's foreign-produced stainless-steel slabs. If this proposed partnership is consummated, it will undermine the competitive marketplace by impairing the financial health of U.S. manufacturers of stainless steel, raise the potential for reduced output, shutter U.S. operations, and curtail R&D investment. Through this proposed joint venture, a Chinese firm could negatively impact the ability of domestic manufacturers to serve as a reliable source of stainless steel for defense industry applications critical to our national security. There will undoubtedly be a negative impact on critical infrastructure projects and other commercial uses key to the country's economic security.

As you may know, Kentucky is home to a manufacturing plant owned by North American Stainless (NAS), which today produces about 35% of all North American-produced stainless steel. NAS has invested more than \$2.6 billion in Kentucky since 1990 and, even at the depths of the economic crash in 2008, has never laid off workers. It employs more than 1,400 people at its facility in Carroll County, Kentucky, and is one of the best corporate citizens in the Commonwealth as measured by community engagement activities (donations to scholarships, high school programs, etc.).



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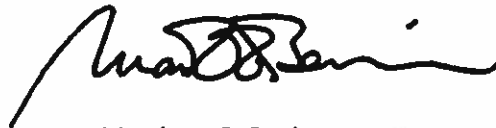
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I support the President's recently announced National Security Strategy. The President's strategy recognizes that "a healthy defense industrial base is a critical element of U.S. power." I also support the Administration's efforts on aluminum, which has national security and marketplace implications comparable to those of stainless steel, to "crack down on what it sees as China's efforts to flood global markets with cheap metals," according to a Bloomberg report on November 28, 2017. It is my fear that the proposed joint venture is a ploy by a strategic competitor of the United States to flood our market with foreign stainless steel, threaten the viability of U.S.-based stainless steel manufacturers, eliminate or degrade key competitive options for U.S. defense industry and other customers, and weaken the U.S. manufacturing and industrial base generally.

I ask the Committee on Foreign Investment in the United States to thoroughly review the proposed joint venture between ATI and Tsingshan Group, as it recently did with respect to the proposed acquisition of U.S. aluminum producer, Aleris Corp., to ensure that our national security is not impaired by the transaction.

In my capacity as a fiduciary of Kentucky's economy, it is my duty to share our concerns about the impact this proposed transaction would have on more than 1400 workers and their families in the Bluegrass State, as well as on the entire nation's critical stainless-steel manufacturing capacity. Thank you for reading this letter and for your thoughtful attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew G. Bevin". The signature is fluid and cursive, with a large initial "M" and "B".

Matthew G. Bevin  
Governor

CC:

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Mr. Peter Navarro, Director

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