

THE MEXICAN STEEL INDUSTRY ACKNOWLEDGES AND THANKS THE MINISTRY OF ECONOMY FOR ITS NEGOTIATIONS WITH THE UNITED STATES TO MAINTAIN A FREE FLOW OF STEEL TRADE BETWEEN THE TWO COUNTRIES.

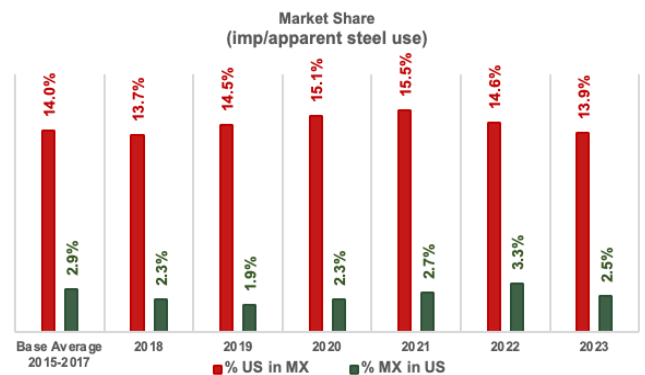
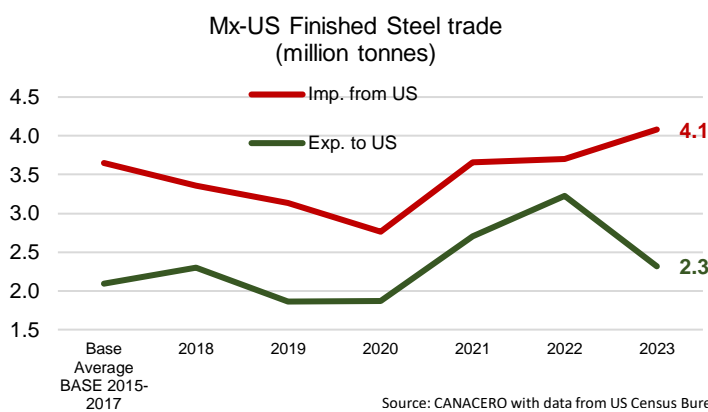
THE UNITED STATES HAS BENEFITED BY EXPORTING NEARLY TWICE AS MUCH FINISHED STEEL PRODUCTS TO MEXICO AS OUR COUNTRY EXPORTS TO THEM.

IT IS COMPLETELY FALSE THAT THERE IS A LACK OF COOPERATION AND TRANSPARENCY ON THE PART OF MEXICO AND THAT OUR COUNTRY IS A BRIDGE FOR THE TRIANGULATION OF CHINESE STEEL PRODUCTS TO THE UNITED STATES.

We recognize the strong defense of the Mexican steel industry by the Ministry of Economy against the United States, regarding the baseless (factual or theoretical) claims of a lack of transparency and harm to the steel industry of that country.

Mexico has openly collaborated with the United States to defend the North American region against triangulation and unfair trade practices in the steel sector. It is false that Mexico's steel exports affect the United States. Just look at the figures:

- 49% of U.S. steel exports are to Mexico.
- The trade deficit in steel with the United States is 3.2 billion dollars, the largest in history.
- While Mexico exports 2.3 million tons of finished steel products to the United States, they export 4.1 million tons of finished steel products to Mexico.
- Our exports of finished products to the United States only represent 2.5% of their market, while they have captured 13.9% of our domestic consumption for many years.
- U.S. steel exports to Mexico are on the rise, while those from Mexico to the United States are on the decline, as can be seen in the attached graphs, based on information published by the United States itself.



Source: CANACERO with data from US Census Bureau, AISI, ANAM and affiliated members.

Mexican steel is exported to the United States with legality, transparency, competitiveness, and respect for international trade rules and particularly those established in the USMCA and the Joint Statement for the exclusion of Mexico from the Section 232 measures agreed in 2019, the result of an efficient, innovative, and sustainable production process that contributes to the economic and social development of Mexico.

We have worked hand in hand with the Ministry of Economy to safeguard the North American steel market, so it is completely false to say that Mexico is a bridge for the triangulation of Chinese steel products to the United States, and even worse, that there is a lack of cooperation. We consider the following actions to be noteworthy:

- The Ministry of Economy has implemented a series of measures to defend the national and regional steel industry against unfair foreign trade practices. These measures include:
  - Increasing tariffs to countries without an FTA to 25% for 205 steel product categories, aligning tariff rates with those of the United States.
  - Creation of specific tariff categories to homologate the families of products subject to Section 232 of the United States, which allows for better monitoring and control of imports.
  - Strengthening the automatic steel product import notification scheme, which includes information on the country of melting and casting of the steel, the chemical composition, value, and volume of the goods, among other relevant data.
  - Dissemination of information on automatic notifications on the SNICE website, which replaces SIAVI as the official source of foreign trade information. This information is public and accessible to all interested parties.
  - Joint actions between the industry and the government (SE, SAT, ANAM) to detect and sanction possible operations outside the legal framework in foreign trade and customs fraud.
  - The Mexican steel industry has completed the first phase of the pilot program with the company Transmute, endorsed by CBP, to establish traceability mechanisms to the origin of steel that allow verifying the authenticity of the origin of imported products.

Now more than ever, we must strengthen our regional ties and alliances and focus on the common opportunities, challenges, and risks we face as a North American industry, rather than seeking to impose restrictions between USMCA members, which, if they occur, should be reciprocal to balance the trade balance.



#### **About the Mexican Steel Sector**

- The Mexican steel industry has a presence throughout the national territory, representing 1.4% of the National GDP and 8.7% of the manufacturing GDP.
- We are a strategic sector to accompany the development of the industrial value chain in Mexico and North America with investments of over 20 billion dollars in the last 15 years and over 5.6 billion dollars committed for the coming years.
- We participate in the entire Manufacturing Value Chain: mining, automotive, construction, appliances, aerospace, oil, gas, and electricity.
- We generate 700,000 direct and indirect jobs with highly remunerated salaries well above the manufacturing average.
- The steel sector has an important multiplier effect on the economy, as for every job in steel, 6.5 jobs are generated in the value chain and for every \$1 invested, \$2.5 are generated in related sectors.
- Mexican steel is one of the cleanest in the world, generating 38% fewer emissions per ton of steel produced than the world average and with 54% of production based on recycling (9.8 million tons of steel recycled annually).
- We have achieved a 14% reduction in CO2 emissions per ton of steel produced in the last 13 years.
- We consume 38% less energy per ton of steel produced than the world average and in the last 13 years we have managed to reduce the energy used per ton of steel by 22%.
- In terms of water, we consume 80% less than the world average for the steel industry, 35% of our water supply comes from reuse and we have 35 industrial wastewater treatment plants in operation.