

**Statement of Commissioner
Dennis M. Devaney on
Remedy Recommendations in
Steel TA-201-73**

On October 22, 2001 the Commission unanimously determined that increased imports of subject steel products are a substantial cause of serious injury to domestic industries producing steel. Therefore, my statutory responsibilities as a Commissioner of the USITC, call for me, pursuant to section 202(e)(1) of the Trade Act of 1974, to recommend to the President, such action as will address the serious injury to the domestic industries and which will be most effective in facilitating the efforts of the domestic industries to make positive adjustments to import competition. I make these recommendations after reviewing the presentation of voluminous evidence over the course of seven days of injury hearings and three days of remedy hearings, in addition to literally thousands of pages of briefs filed by the parties.

Section 202(e)(5) of the Trade Act enumerates factors to be considered in determining the form and the amount of relief to be recommended. In reaching my decision, I considered all of these factors, including the nature of the serious injury I found to exist; information available to the Commission concerning market conditions in domestic and world markets; likely developments affecting such conditions during the period for which action is requested. I have also considered the significant idling of productive facilities in the domestic steel industry, the inability of a significant number of domestic firms to carry out production operations at a reasonable level of profit, the significant level of unemployment and underemployment within the domestic industry and the inability of domestic producers to raise capital in the marketplace because of the injury caused by imported steel.

I therefore, am recommending to the President that he take the following actions in order to address the serious injury to the domestic industries found by the Commission. I find that these recommendations will most effectively facilitate the efforts of the industries to make a positive adjustment to import competition:

As to Carbon and Alloy Flat Products:

- 1.) I recommend that the President impose a duty, in addition to the current rate of duty, for a four-year period, on all imports of flat products that are the subject of the remedy phase of this investigation as follows: 40 percent *ad valorem* in the first year of relief; 38 percent *ad valorem* in the second year of relief; 36 percent *ad valorem* in the third year of relief and 31 percent *ad valorem* in the fourth year of relief;
- 2.) Having made negative findings with respect to imports of flat products from both Mexico and Canada under section 311(a) of the NAFTA Implementation Act, I

recommend that such imports not be subject to the recommended increase in the duty;

- 3.) I recommend that the increase in duty described above apply to imports of flat products from beneficiary countries under the Caribbean Basin Economic Recovery Act, but not apply to imports of flat products from beneficiary countries under the Andean Trade Preference Act, imports from Jordan or imports from Israel.

As to Carbon and Alloy Long Products:

- 1.) I recommend that the President impose a duty, in addition to the current rate of duty, for a four-year period, on all imports of carbon bar and rebar as follows: 35 percent *ad valorem* in the first year of relief; 33 percent *ad valorem* in the second year of relief; 31 percent *ad valorem* in the third year of relief and 26 percent *ad valorem* in the fourth year of relief;
- 2.) Having made negative findings with respect to imports of carbon bar and rebar from both Mexico and Canada under section 311(a) of the NAFTA Implementation Act, I recommend that such imports not be subject to the recommended increase in the duty;
- 3.) I recommend that the increase in duty described above apply to imports of carbon bar and rebar from beneficiary countries under the Caribbean Basin Economic Recovery Act, but not apply to imports of long products from beneficiary countries under the Andean Trade Preference Act, imports from Jordan or imports from Israel.

As to Carbon and Alloy Tubular Products:

- 1.) I recommend that the President impose a duty, in addition to the current rate of duty, for a four year period, on all imports of tubular products that are the subject of the remedy phase of this investigation as follows: 30 percent *ad valorem* in the first year of relief, 28 percent *ad valorem* in the second year of relief, 26 percent *ad valorem* in the third year of relief, and 21 percent *ad valorem* in the fourth year of relief;
- 2.) Having made negative findings with respect to imports of tubular products from both Mexico and Canada under section 311(a) of the NAFTA Implementation Act, I recommend that such imports not be subject to the recommended increase in the duty;
- 3.) I recommend that the increase in duty described above apply to imports of tubular products from beneficiary countries under the Caribbean Basin Economic

Recovery Act, but not apply to imports of tubular products from beneficiary countries under the Andean Trade Preference Act, imports from Jordan or imports from Israel.

As to Stainless Steel Products except Fittings and Flanges:

- 1) I recommend that the President impose quotas in the amount equal to the respective average quantities during the period 1996 to 1998, which I find to be the most recent representative period, on imports of stainless steel bar, stainless steel rod, tool steel, and stainless steel wire for a three year period. In addition, I recommend that during the first year of the quotas, a 15 percent *ad valorem* duty be placed on these products. I recommend that the quota be administered on a quarterly and country-by-country basis;
- 2) Having made a negative finding with respect to these products from Canada and Mexico under section 311(a) of the NAFTA Implementation Act, I recommend that such imports not be subject to the recommended quotas and duty increases;
- 3) I recommend that this quota and duty increase apply to stainless bar imports from beneficiary countries under the Caribbean Basin Recovery Act, but not apply to imports entered from beneficiary countries under the Andean Trade Preference Act, imports from Jordan, or imports from Israel. These quotas and duty increases should not apply to imports of stainless steel rod, tool steel or stainless steel wire from Israel, Jordan, beneficiary countries under the Caribbean Basin Recovery Act, or beneficiary countries under the Andean Trade Preference Act.

As to Stainless Steel Fittings and Flanges:

- 1.) I recommend that the President impose a quota in the amount equal to the average quantity during the period 1996 to 1998, which I find to be the most recent representative period, on imports of stainless steel fittings and flanges for a four year period. I recommend that the quota be administered on a quarterly and country-by-country basis;
- 2.) Should the President determine that the Commission reached an affirmative determination with respect to stainless steel fittings and flanges from Canada and Mexico under section 311(a) of the NAFTA Implementation Act, I recommend that such imports be subject to the quota recommended.
- 3.) I recommend that this quota not apply to imports from Israel, Jordan, beneficiary countries under the Caribbean Basin Recovery Act, or beneficiary countries under the Andean Trade Preference Act.

Further, the Commission has taken large amounts of evidence on exclusion requests over the course of this investigation, and the United States Trade Representative has gathered information

regarding such requests. I therefore believe it helpful to the President and USTR to make a recommendation regarding these requests. I have determined that several specialty or niche products should be excluded from the remedy recommended for the product category to which they belong. I will include in my written views to be submitted to the President on December 19, 2001 a description of those products.

Finally, some representatives of the integrated steel industry suggested that the revenues collected by the above remedies be distributed in a manner, agreed to by the President and the industry, so as to assist the industry in its announced commitment to restructure and reorganize. It is not clear that this recommendation falls within the purview of Section 202(e). The President clearly has the power to consider innovative approaches to remedy. I am also cognizant that there is a split within the domestic industry as to the desirability of such an approach. I believe that the "legacy" costs issue must be addressed in some forum in order to overcome this serious obstacle to industry consolidation in the integrated segment of the steel industry. In view of the Congressional vote yesterday to expand Trade Adjustment Assistance eligibility, I also believe that Trade Adjustment Assistance should be utilized to facilitate the restructuring to which the industry has committed.

I will forward my complete views on remedy to the President on December 19, 2001.

For immediate release
December 7, 2001

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PRESS RELEASE TO ACCOMPANY COMMISSIONER DENNIS DEVANEY'S STATEMENT
WITH RESPECT TO REMEDY RECOMMENDATIONS TO PRESIDENT BUSH IN
INVESTIGATION NO. TA-201-73 (Steel).

Today's meeting of the Commission to announce our determinations in the remedy phase of this investigation comes on the 60th anniversary of the attack on Pearl Harbor and three months after the terrorist assaults on the World Trade Center and the Pentagon. We make our recommendations to the President against this backdrop and at a time when the United States is at war with terrorists in a global campaign. We also make these recommendations at a time when prices for steel are at a twenty year low and demand for steel has plummeted and the country is in the throes of an economic recession. George Santayana once remarked, "Those who cannot remember the past are condemned to repeat it." During World War II, the United States was, in President Franklin Roosevelt's words, the arsenal of democracy and the American steel industry was a core component of the war effort supplying steel for weapons of war and for construction of needed infrastructure on the home front and around the world. President Bush recognized the critical national security and infrastructure contributions that domestic steel makes to the country by initiating this investigation and by his prescient statement in August to a steelworkers picnic in Pennsylvania prior to the tragedy of September 11 when he said: "If you are the Commander in Chief, it makes sense, it makes common sense, not to be heavily reliant on materials such as steel. If you are worried about the security of the country and you become over-reliant upon foreign steel, it can easily affect the capacity of our military to be supplied. Yes, steel is an important job issue, but it also is an important national security issue."

Under the safeguard provision (Section 201) of U.S. trade laws which is fully compliant with United States obligations under the World Trade Organization, the Commission found unanimously that imports of steel are a substantial cause of injury with respect to imported steel that in the year 2000 accounted for 27 millions tons of steel (74 per cent of the imports under investigation) valued at \$10.7 billion.

It has been a privilege to serve as a Republican member of the United States International Trade Commission during the administration of President George W. Bush who I strongly supported during his campaign for the Presidency and who requested this investigation at a time of severe crisis for the global steel industry. In addition, this Section 201 investigation is the first time where the President and the Congress (Senate Finance Committee) have requested parallel investigations when the President and the Senate majority are from different political parties. I believe Congress wisely created the U.S. International Trade Commission as a bi-partisan agency with three Democrats and three Republicans assigned the duty of interpreting U.S. trade laws. This structure encourages objective decision making in the trade area which is often marked by contentious disputes most recently illustrated by the House of Representatives approval of trade promotion authority just yesterday on a vote of 215-214. The 6-0 injury determination speaks volumes about the evidence that was presented to the Commission during 7 days of injury hearings and 3 days of remedy hearings.

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The ITC investigation represents only one part of a three step initiative by the President to support the American steel industry in the face of fifty years of foreign government intervention in the marketplace and a history of market distorting practices in world steel markets. President Bush instructed the United State Trade Representative, the Secretary of Commerce, and the Secretary of the Treasury to undertake negotiations with foreign governments to eliminate inefficient excess capacity in the worldwide steel industry. The President also tasked these same individuals with opening negotiations to create new rules that will eliminate market distorting practices that have contributed to the current situation under the auspices of the OECD. The next OECD meeting is scheduled to be convened just prior to the delivery of our report to the President in this 201 investigation which is due on December 19, 2001.

I believe that it is extremely important to send the strongest recommendation to the President so that he will have maximum leverage during these global negotiations. This will also insure that our trading partners appreciate the critical circumstances facing the US steel industry. America has been and is the most open and free market in the world, a market which our bipartisan agency found is being critically injured by surging imports of foreign steel. A strong recommendation will also send a message of support and hope to American steel companies, more than twenty-five of which are currently in bankruptcy and to 170,000 steel workers and their families who are entitled to the protection of our trade laws.

Furthermore, if we send a weak recommendation to the President, the remedy proposal may make matters worse by papering over the problems in the industry, leaving a weak industry susceptible to further injury. Unless we are able to convince foreign steel industries and governments to address the steel crisis on a global basis, we will continue to suffer injury from predatory penetration of our markets by others.