

UNITED STATES INTERNATIONAL TRADE COMMISSION

CERTAIN ALLOY TOOL STEEL

Report to the President
on Investigation No. TA-203-2
Under Section 203(i)(2) of the Trade Act of 1974



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. International Trade Commission,
February 14, 1977.

To the President:

In accordance with section 203(i) of the Trade Act of 1974 (88 Stat. 1978), the United States International Trade Commission herein reports the results of an investigation conducted under section 203(i)(2) of that act with respect to certain alloy tool steel.

The investigation to which this report relates was undertaken for the purpose of advising the President as to the probable economic effect on the domestic industry concerned if the relief provided by Presidential Proclamation No. 4445 of June 11, 1976, as modified by Proclamation No. 4477 of November 16, 1976, was terminated in part by excluding from the quantitative restrictions imposed thereunder the alloy tool steel covered by item 923.25 of the Appendix to the Tariff Schedules of the United States (TSUS).

The investigation was instituted on January 12, 1977, following receipt on December 7, 1976, of a request from the Special Representative for Trade Negotiations.

Notice of the investigation and hearing was duly given by publishing the original notice in the Federal Register of January 19, 1977 (42 F.R. 3715).

A public hearing in connection with the investigation was held on January 31, 1977, in the Commission's Hearing Room in Washington, D.C. All interested parties were afforded an opportunity to be present, to produce evidence, and to be heard.

The information contained in this report was obtained from fieldwork and from the Commission's files, other Government agencies, and evidence presented at the hearing and in briefs filed by interested parties.

In view of the limited nature of the Special Trade Representative's request, it was not believed necessary to obtain and examine customs entry documents (as was suggested in the Special Trade Representative's letter) in order to gather the import information required to enable the Commission to make its determination in this investigation.

Probable Economic Effect of the Partial Termination of the
Import Relief Applicable to Certain Alloy Tool Steel on
the U.S. Industry Producing Such Articles

The termination of the annual quantitative restrictions imposed by Presidential proclamations 1/ on imports of certain alloy tool steel (bearing steel) 2/ will have a negligible effect on the domestic industry producing such bearing steel by reason of the current limited production of such alloy tool steel and the fact that the annual volume of bearing steel imports amounts to less than half the annual import restrictions imposed by these Presidential proclamations.

1/ Presidential Proclamation No. 4445, as modified by Proclamation No. 4477.

2/ Provided for in item 923.25 of the TSUS.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On January 16, 1976, following an investigation (No. TA-201-5) under section 201(b)(1) of the Trade Act of 1974 (19 U.S.C. 2251(b)(1)) which was instituted upon receipt of a petition for import relief filed by the Tool and Stainless Steel Industry Committee for Import Relief and the United Steelworkers of America, AFL-CIO, the Commission determined (Commissioner Ablondi dissenting and Commissioner Parker abstaining) that bars; wire rods; and plates, sheets and strip, not cut, not pressed, and not stamped to nonrectangular shape; all the foregoing of stainless steel or alloy tool steel, 1/ provided for in items 608.52, 608.76, 608.78, 608.85, 608.88, 609.06, 609.07, and 609.08 of the Tariff Schedules of the United States, were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing stainless or alloy tool steel.

1/ For the purposes of investigation No. TA-201-5, alloy tool steel was defined as alloy steel which contains the following combinations of elements, by weight, in the amounts specified: Not less than 1.0 percent carbon and over 11.0 percent chromium; or not less than 0.3 percent carbon and 1.25 to 11.0 percent, inclusive, chromium; or not less than 0.85 percent carbon and 1.0 to 1.8 percent, inclusive, manganese; or 0.9 to 1.2 percent, inclusive, chromium and 0.9 to 1.4 percent, inclusive, molybdenum; or not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or not less than 0.5 percent carbon and not less than 5.5 percent tungsten. This definition was derived from statistical headnote 1(c) to subpt. B, pt. 2, schedule 6, of the Tariff Schedules of the United States Annotated.

The Commission transmitted its determination to the President on January 16, 1976. After considering the Commission's recommendations and taking into account the considerations specified in section 202(c) of the Trade Act of 1974, the President, on March 16, 1976, announced his intention to negotiate orderly marketing agreements with key exporting countries within 90 days.

An orderly marketing agreement (OMA) was concluded between the Government of the United States of America and the Government of Japan limiting the export from Japan and the import into the United States of certain articles of stainless steel or alloy tool steel provided for in items 608.52, 608.76, 608.78, 608.85, 608.88, 609.06, 609.07, and 609.08 of the TSUS. The OMA provided for imports of alloy tool steel from Japan in the amount of 3,500 short tons during the quota year beginning June 14, 1976; 3,700 short tons during the quota year beginning June 14, 1977; and 3,800 short tons during the quota year beginning June 14, 1978. The President implemented the OMA with Japan (by Presidential Proclamation No. 4445) and set quantitative quotas for other countries (see table 1).

In negotiating the portion of the OMA respecting alloy tool steel, the Japanese negotiators were assured by the U.S. negotiators that steel conforming to the American Iron and Steel Institute (AISI)

specification No. E52100 1/ and frequently referred to as bearing steel was not to be counted against the limits imposed by the OMA for alloy tool steel. The U.S. Customs Service had historically reported such so-called bearing steel for statistical purposes as other alloy steel instead of tool steel. Following the implementation of the quotas on June 14, 1976, however, the Customs Service recognized that steel conforming to AISI specification No. E52100 was in fact an alloy tool steel as defined in the TSUS. As a result of improved verification procedures and the consequent partial improvement of the classification and reporting of such steel, the Japanese quickly filled their alloy tool steel quota provided for in the OMA.

On October 14, 1976, the Special Representative for Trade Negotiations requested that the Commission undertake an investigation under section 203(i) of the Trade Act of 1974 as to the probable economic effect of terminating the import relief provided with respect to imports of so-called bearing steel. The Commission was also requested to submit with its advice a recommendation as to the appropriate adjustments which should be made in the quota quantities specified for other alloy tool steel if bearing steel was excluded from the import restriction. However, subsequent trade developments prompted the

1/ No. E52100 steel contains, in addition to iron, each of the following elements, by weight, in the amounts specified: Carbon, not less than 0.95 nor more than 1.13 percent; manganese, not less than 0.22 nor more than 0.48 percent; sulfur, none (or not more than 0.03 percent); phosphorus, none (or not more than 0.03 percent); silicon, not less than 0.18 nor more than 0.37 percent; chromium, not less than 1.25 nor more than 1.65 percent; nickel, none (or not more than 0.28 percent); copper, none (or not more than 0.38 percent); and molybdenum, none (or not more than 0.09 percent).

Special Representative for Trade Negotiations to substantially change his approach to the solution of these problems, as evidenced by action taken on November 16, 1976, when the President issued Proclamation No. 4477.

Proclamation No. 4477 recognized that alloy tool steel conforming to AISI specification No. E52100 had not been historically reported in import statistics as alloy tool steel prior to June 14, 1976, and that, therefore, the statistics used as a basis for establishing the quantitative limitations for alloy tool steel in Proclamation No. 4445 were substantially understated. Presidential Proclamation No. 4477, in effect, established a separate quota for AISI No. E52100 bearing steel imported in the forms provided for in TSUS items 608.52, 608.76, 608.78, 608.85, 608.88, 609.06, 609.07, and 609.08 (see table 2). Proclamation No. 4477 provided that all such bearing steel in the forms covered by the quota were to be reported under item 923.25 of the Appendix to the TSUS.

The quota for alloy tool steel other than bearing steel remained as originally set by Presidential Proclamation No. 4445 of June 11, 1976. It should be noted that there are steels other than AISI No. E52100 that are also used in the manufacture of bearings and referred to as bearing steel. AISI No. E52100 is apparently the most common and is the only one covered by Proclamation No. 4477. In addition, it should be understood that there is no generally accepted definition of the term "bearing steel." It is a generic term which describes a number of steels which are commonly used for the manufacture of bearings but which may be used for other purposes also.

Following receipt on December 7, 1976, of a request from the Special Representative for Trade Negotiations and pursuant to section 203(i)(2) of the Trade Act of 1974 and section 5(a) of Executive Order 11846 of March 27, 1976, the U.S. International Trade Commission on January 12, 1977, instituted an investigation under section 203(i)(2) for the purpose of advising the President as to the probable economic effect on the domestic industry concerned if the relief provided by Proclamation No. 4445 of June 11, 1976, as modified by Proclamation No. 4477 of November 16, 1976, was terminated in part by excluding from the quantitative restrictions imposed thereunder the alloy tool steel (bearing steel) covered by item 923.25 of the Appendix to the TSUS.

Existing Customs Treatment

The type of steel covered under the so-called bearing steel quota fits the definition of alloy tool steel found in the Tariff Schedules of the United States Annotated (TSUSA). However, on the basis of an examination of a 1-percent sample of customs entries, Customs Form 6431, statistical copies of customs entries, and conversations with U.S. Customs Service officials and U.S. importers, it appears that substantially all U.S. imports of the bearing steel covered by the investigation were incorrectly classified and reported prior to the imposition of the quota on June 14, 1976. Between June 14 and September 30, 1976, approximately 50 percent of U.S. bearing steel imports were still being incorrectly classified and reported. The Customs Service has advised the Commission that it has corrected U.S. bearing-steel-import statistics on all entries made subsequent to June 14, 1976.

AISI No. E52100 bearing steel was first specifically described in the TSUSA on November 21, 1976, as a result of Proclamation No. 4477 of November 16, 1976. The following table shows the current column 1 and column 2 rates of duty applicable to bearing steel of this specification as well as the rate applicable prior to concessions granted during the Kennedy round of tariff negotiations, if any.

AISI specification No. E52100 bearing steel: U.S. rates
of duty, Jan. 1, 1967, and Jan. 1, 1977

(Cents per pound; percent ad valorem)

TSUSA item No. (1977)	Description	Rate of duty		
		Col. 1 as of Jan. 1, 1967 <u>1/</u>	Col. 1 as of Jan. 1, 1977	Col. 2 as of Jan. 1, 1977
608.5225	Bar, not cold formed-----	14.5%	10.5%	28%
608.5265	Bar, cold formed-----	14.5%	10.5%	28%
608.7665	Wire rod, not tempered or treated-----	0.25¢ + 4%	0.25¢ + 4%	0.69¢ + 8%
608.7865	Wire rod, tempered or treated-----	0.375¢ + 4%	0.375¢ + 4%	0.85¢ + 8%
608.8507	Plates and sheets, not pickled, not cold rolled, not coated-----	12%	9.5%	28%
608.8807	Plates and sheets, pickled or cold rolled, not coated-----	0.1¢ + 12%	10%	0.2¢ + 28%
609.0655	Strip not over 0.01 inch thick-----	10%	8%	33%
609.0755	Strip over 0.01, not over 0.05 inch thick--	12.5%	10.5%	33%
609.0855	Strip over 0.05 inch thick-----	13.5%	11.5%	33%

1/ Prior to Kennedy round concessions.

Uses

Bearing steel, which is produced largely in the form of tubes, 1/ rods, and bars, is noted for its hardness, abrasion resistance, and heat resistance. The bearing steel covered by this investigation is used principally to produce balls and rollers for use in bearings. Domestic and foreign steel produced to the specification of the subject bearing steel is equally suitable for use in the manufacture of such products. The requirement for bearings, and thus for bearing steel, is governed by the demand for products incorporating bearings, such as motor vehicles, railway rolling stock, and virtually all machinery and equipment with moving parts.

The Domestic Industry

Two producers, Republic Steel Corp. and the Timken Co., account for more than * * * percent of the annual U.S. output of bearing steel. Such steel in the form covered by this investigation represents only a small fraction of the total business of each of these companies. Ohio is by far the largest producing State.

Principal Foreign Producing Countries

Bearing steel is produced largely by the developed nations having a sophisticated steel industry, such as Japan, Sweden, and certain countries of the European Community. Most of these countries also produce significant quantities of bearings.

1/ Tubes were not covered in investigation No. TA-201-5 and are not covered in this investigation.

U.S. Imports and Their Relation to U.S. Consumption

Official import data on bearing steel of the type considered here are not available prior to June 14, 1976. According to the U.S. Customs Service, imports amounted to about 13,500 short tons on an annual basis during the period June 14, 1976-January 7, 1977. 1/ Imports currently account for almost * * * percent of annual U.S. consumption, which is estimated at roughly * * * tons. While the demand for bearing steel fluctuates with the demand for bearings, it is believed that imports have exhibited an upward trend both in terms of quantity and in relation to total U.S. consumption. A decline in the number of U.S. producers has resulted in consumers seeking alternate sources of supply, principally in foreign countries.

Japan is the principal source of imports of bearing steel and has probably accounted for the preponderant share of the suspected increase in imports during the past several years.

Prices

Prices for imported bearing steel are reported to have generally been 20 percent or more below domestic producers' prices, except in periods of unusually high economic activity such as that which occurred during 1973 and early 1974.

1/ According to information submitted to the Commission by the Anti-Friction Bearing Manufacturers Association, U.S. bearing producers imported about 13,100 short tons of bearing steel in bar or rod form in 1974, about 8,600 tons in 1975, and about 13,600 tons in 1976.

Position of Interested Parties

The Tool and Stainless Steel Industry Committee for Import Relief, one of the petitioners in Commission investigation No. TA-201-5, the Anti-Friction Bearing Manufacturers Association, and U.S. importers favor the removal of the quota on bearing steel.

* * * * *

STATISTICAL APPENDIX

Table 1.--Alloy tool steel: Imports permitted by Presidential Proclamation No. 4445, by principal sources, June 14, 1976-June 13, 1979

(In short tons)

Source	Quota year beginning June 14--		
	1976	1977	1978
Japan-----	3,500	3,700	3,800
European Community-----	3,400	3,500	3,600
Canada-----	1,900	2,000	2,000
Sweden-----	8,500	8,600	8,700
Other:			
All countries entitled to the col. 1 rate of duty.	3,600	3,700	3,800
All other-----	6	6	6
Total, all sources-----	20,906	21,506	21,906

Source: Presidential Proclamation No. 4445.

Table 2.--Bearing steel: Imports permitted by Presidential Proclamation No. 4477, by principal sources, June 14, 1976-June 13, 1979

(In short tons)				
Source	Quota year beginning June 14--			
	1976	1977	1978	
Japan-----	19,800	22,000	24,300	
European Community-----	3,500	3,500	3,500	
Canada-----	65	65	65	
Sweden-----	7,000	8,000	8,000	
Other:				
All countries entitled to the	50	50	50	
col. 1 rate of duty.				
All other-----	0	0	0	
Total, all sources-----	30,415	33,615	35,915	

Source: Presidential Proclamation No. 4477.

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