

SPECIALTY STEEL INDUSTRY OF NORTH AMERICA

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September 24, 2004

Kelly Parkhill
Director for Industry Support and Analysis
Import Administration, Room 3713
U.S. Department of Commerce
14th & Constitution Ave., NW
Washington, DC 20230

Re: Request for Comments on Steel Import Monitoring and Analysis System

Dear Mr. Parkhill:

We hereby submit the following comments on behalf of the Specialty Steel Industry of North America ("SSINA"), on the proposed rule and request for public comment published by the Department in the Federal Register on August 25, 2004 concerning the Steel Import Monitoring and Analysis ("SIMA") system. See Steel Import Registration and Monitoring System; Advanced Notice of Proposed Rulemaking, 69 Fed. Reg. 52211(Aug. 25, 2004).

SSINA is comprised of eleven companies engaged in the fully integrated manufacture and distribution of specialty metals in mill product form (sheet, strip, plate, billet, ingot, bar, rod, wire, etc.). Our customers use these materials to make end use items serving virtually all segments of the economy, including defense; aerospace; consumer products; electronics, computers and communications; automotive and transportation; energy generation and distribution; chemical processing; pharmaceuticals; oil and gas production, distribution and refining; food processing; medical devices, instrumentation and hardware, and others. The "specialty" nature of these materials refers to their unique chemistry and high tech processing requirements. The materials themselves include stainless steels, tool steels, electrical steels, and nickel alloys among others. SSINA members account for the majority of the specialty steel produced in the United States.

SSINA believes that continuation and extension of the SIMA to include other steel products in Chapters 72 and 73 of Harmonized Tariff System of the United States ("HTSUS") should be undertaken by the Department. In this regard, SSINA supports similar collective comments filed by the various domestic steel industry groups including the American Iron and Steel Institute, the Committee on Pipe and Tube Imports, the Steel Manufacturers Association, and the United Steelworkers of America ("domestic industry"). SSINA is, in fact, a signatory to the collective comments.

Background

The overwhelming majority of specialty steel productions was not included in the SIMA program under the President's section 201 program. Specifically, stainless steel flat-rolled products, alloy tool steel, and grain-oriented electrical steel were excluded from the section 201 remedy, and therefore excluded from the SIMA program. Only stainless steel bar, stainless wire rod, and stainless wire were included in the remedy.

Imports in many of the specialty steel product categories excluded from the section 201 program have been increasing over the past three years, particularly in the stainless flat-rolled categories, which account for the majority of specialty steel production. These increases have occurred, notwithstanding the fact that most imports in these categories are subject to antidumping and countervailing duty orders. Even in those product categories that were previously covered by the section 201 tariffs, the impact of the relief was severely undercut by the exclusion from the remedy of certain major producing countries particularly India. Accordingly, the market for specialty steel, like for all steel products, is remains volatile and is also subject to new import entrants, including China.

General Considerations

The SSINA supports the domestic steel industry view that the volatility in world steel markets and the increase in new market participants make it essential that the government, the steel industry, and its customers have access to the most timely and accurate information possible. For the first seven months of this year, as compared to 2003, both total and finished steel imports have increased by 33 percent.

The expedited review and release of the SIMA statistics, in advance of similar information published with several weeks delay by the Bureau of the Census in its official import data, will benefit not only the domestic industry and its customers, but primarily will benefit government policy makers and Members of Congress by providing the most timely and accurate information about this critical sector. The SIMA provides important information to all industry participants and policy makers, allowing for the most timely and efficient response to market signals.

The existing SIMA system is fully WTO-consistent, and in no way limits or encumbers imports. The SIMA system was designed to ensure efficient and fair administration of the Section 201 program. As currently structured, it appears to have accomplished these objectives within the limited scope of the 201 product coverage. SSINA shares the concern of other representatives of the domestic industry that several steps could be taken to improve the SIMA program, one of the most important of which is to include the steel products in Chapters 72 and 73 that were not previously included. These enhancements to the system can be accomplished without creating an impediment for the importing community or an additional cost or burden to the U.S. government.

The SSINA requests prompt implementation of the following core improvements to the SIMA program:

1. **Product coverage must be expanded to cover all basic steel products, including all specialty steel products**, not just those that had been subject to the 201 remedy.
2. **The SIMA system must be made permanent**, to allow all interested parties to monitor steel import activity continually at a high level of detail, and as close as possible to real-time.
3. Both **volume and value data must be collected** and disseminated.
4. **Detail must be provided by 10-digit HTS product, country of origin and port of entry** (three-dimensional matrix)

Product Coverage

The SSINA agrees with the other major domestic steel industry organizations that the effectiveness of the current SIMA system is limited by the narrow scope of its product coverage. The program must be expanded to cover all categories of steel products. Exclusion of products from the licensing system precludes a timely assessment of their impact on the domestic market for large segments of the steel producing industry, including the specialty steel industry. This is not a purely academic concern as specialty steel products not currently covered by the SIMA program are exposed to import surges without warning as a result.

The President is in no way precluded from including currently uncovered steel mill products in the SIMA system, as long as inclusion is relevant to the fundamental purpose of ensuring efficient administration. Import licensing is also specifically authorized under the WTO, and other of our major trading partners, including Canada, have permanent steel import licensing in place.

The SSINA urges the expansion of the current program to require import licenses for specialty steel products, including all stainless steel, alloy tool steel and electrical steel, as well as the other steel products listed below in HTS Chapters 72 and 73:

- (A) Each of the headings 7206 through 7229 (relating to mill products, including carbon and alloy steel wire rod).
- (B) Each of the headings 7301 through 7307 (relating to rails, structurals, pipe and tubes, and fittings and flanges).
- (C) Heading 7308 (relating to fabricated structurals).
- (D) Subheading 7310.10.00 (relating to barrels and drums).
- (E) Heading 7312 (relating to strand – including PC strand — and rope).
- (F) Heading 7313.00.00 (relating to barbed and fence wire).
- (G) Headings 7314, 7315, and 7317.00 (relating to fabricated wire).

- (H) Heading 7318 (relating to industrial fasteners).
- (I) Heading 7326 (relating to fence posts).

Volume (weight) and Value Data

All output should be available in both volume (weight) and unit (\$/ton) format. This is necessary to evaluate fully and properly the impact of imports upon the domestic market.

Product by Country of Origin by Port of Entry Matrix

Data should be made available in a three-dimensional matrix of 10-digit HTS category by country of origin by port of entry. This would allow analysis at the same discreet level of detail as can be found in the statistics published by the Bureau of the Census. While it is appropriate for the website to contain numerous standardized output tables, there should also be the flexibility and capability to allow the user to sort the database and customize output tables.

Commitment to Continuing the Steel Import Monitoring and Analysis System

Members of the Administration have made a number of public statements to the press and members of Congress indicating a commitment to continuing the SIMA system beyond its currently scheduled expiration in March 2005, and for expanding the existing system. In light of this support and commitment, we believe it is incumbent upon the government to act quickly (1) to make the system permanent and (2) to implement the enhancements cited above to provide a system that is of the greatest utility to all interested parties prior to the expiration of the current system. Inclusion of the important elements listed above in a permanent SIMA system should not delay implementation of the expanded system.

Other enhancements should be considered if they will not delay implementation of the program. One such enhancement involves timing of the license application.

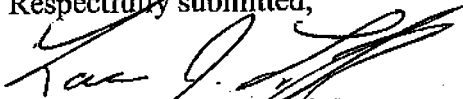
Timing of License Application

To generate more useful data, a license for offshore imports should be obtained no later than the date of entry and release. While the SSINA believes that it is both possible and desirable to obtain the essential information about shipments of offshore steel much earlier, *e.g.*, at the point of exportation (for the maximum in advance notification), adequate information is certainly readily available to apply for the import license 15 days before entry. Therefore, the Department should to consider -- once the revised system is in place -- incentives to encourage importers of offshore steel to obtain an import license at least 15 days prior to the date of entry. This will further enhance the effectiveness of the program.

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Representatives of the SSINA would be pleased to participate in any meetings held by the Department to discuss these comments. Thank you for your consideration of these comments. Please contact the undersigned with any questions concerning these comments.

Respectfully submitted,



DAVID A. HARTQUIST
LARRY J. LASOFF

Counsel to the Specialty Steel Industry of North America

...ing the security and immediate need to extend and enhance the Department of Commerce's Steel Import Monitoring Program before the expiration of the current program, which expires March 2005, in order to protect the steel industry in Lorain and