Fact Sheet: The Presidential Determination on Steel

Presidential Action Regarding Steel Safeguard Measures

- Today, President Bush announced his decision to terminate the temporary safeguard measures on steel that he put in place in March 2002.
  - Prior to the time President Bush imposed temporary safeguard measures, steel prices were at 20-year lows, and the U.S. International Trade Commission (ITC) found that a surge in imports to the U.S. market was causing serious injury to our domestic steel industry.
  - Since then, steel prices have stabilized, imports are at their lowest level in years, and U.S. steel exports are at record levels.

- The President's determination was based on significant improvements in the U.S. steel industry and other changed circumstances since last year, including:
  - Industry consolidation and restructuring that have reduced production costs and increased productivity;
  - New labor agreements that increase flexibility, boost productivity, protect retiree welfare, and empower steel workers; and
  - An improving economy that will create new opportunities for America's steel industry.

- President Bush is committed to America's steel workers and to the health of our steel industry – and will continue to pursue policies that will help this vital sector of our economy.
  - Steel import licensing, established when the safeguard measures were imposed, will continue to provide WTO-consistent data collection and monitoring of steel imports. This will enable the Administration to quickly respond to future import surges that could unfairly damage the industry.
  - The Administration will continue to vigorously enforce our trade laws.
  - Through international negotiations, the Administration will continue to work to reduce steel subsidies by foreign governments.

- President Bush believes that America's workers can compete with anyone in the world – as long as the playing field is fair and level. Enforcing our trade laws is an important part of the President's commitment to free trade.

Background: Providing Opportunity to Regain Competitiveness and Relief for Steelworkers

- On June 5, 2001, President Bush announced his three-part steel initiative including: (1) launching negotiations to establish disciplines on government subsidies and other market distortions in the steel sector; (2) working to reduce inefficient excess capacity in the global steel market; and (3) requesting initiation of a Section 201 ("safeguard") investigation to determine whether imports are seriously injuring the domestic industry.

- In March 2002 – after a comprehensive investigation, the ITC found a surge of imports was causing serious injury to the domestic steel industry – the President imposed temporary safeguard measures on ten categories of steel products under the authority of Section 201 of the Trade Act of 1974. The safeguard measures took the form of tariffs ranging from 8 to 30 percent on ten categories of steel products, as well as a tariff-rate quota on one product. As he stated at the time, the President took this action to "help give America's steel industry and its workers the chance to adapt to the large influx of foreign steel."

- Since applying the temporary safeguard measures, the Administration has monitored conditions in the steel sector. As part of the Section 201 process, the ITC conducted a mid-term review of the safeguard measures and in September provided a report to the President and the Congress. Since then, the President and Administration officials have:
    - Taken into account the ITC mid-term report, which examined the safeguard measures' effects on manufacturers of the ten products subject to the safeguards; and
    - Sought the advice of the Secretary of Commerce and the Secretary of Labor

- In light of changed circumstances since March 2002, the President concluded that the safeguard measures have accomplished their goal, and that continuing these measures was no longer warranted. These changed circumstances included:

    - <u>Industry consolidation and restructuring that has increased U.S. productivity and lowered production costs</u>.

        - Many domestic steel producers have cut inefficient capacity, have strengthened overall operations, and are now more competitive. The three largest steelmakers invested $3 billion to consolidate the flat-rolled sector. More than half of U.S. raw steelmaking capacity is now owned by firms that merged or restructured since the safeguard was implemented.
        - Restructuring has allowed steelmakers to reduce the high retiree pension and health care costs that impaired their competitiveness. Since 2000, the Pension Benefit Guarantee Corporation (PBGC) has assumed the pension plans of 14 companies with total liabilities of nearly $8.2 billion. Retirees from bankrupt steel companies will receive on average over 90 percent of the pensions they had earned.

    - <u>Labor agreements that have allowed greater flexibility</u>. The United Steelworkers of America and several major steelmakers negotiated innovative labor agreements that increase flexibility, boost productivity, protect retiree welfare, and empower workers. Major domestic steel producers also streamlined their management structure.

    - <u>An improving economic outlook that creates new opportunities for U.S. steel</u>. As a result of the President's jobs and growth plan, U.S. economic growth in the third quarter was the fastest in almost twenty years. Conditions are also brightening abroad. A strengthening economy will further stimulate demand, and the U.S. steel industry and its workers are now in a position to benefit.

<u>The President's Commitment to Maintaining a Strong Steel Industry</u>

- The President strongly believes America's workers can compete with anyone in the world as long as we have a fair and level playing field. The President will:
    - Continue to promote a level playing field for American steel producers and workers by:
        - Maintaining steel import licensing to collect data on steel imports and provide for early warning of any harmful import surges; and
        - Enforcing our trade laws vigorously.
    - Redoubling our efforts to advance OECD negotiations aimed at establishing new disciplines on steel subsidies, and efforts to encourage reduction of excess inefficient steel capacity globally.
    - Continuing to pursue policies that strengthen economic growth and job creation.