

Written Comments by Representatives of the Domestic Steel Industry

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:

These comments are filed on behalf of the U.S. members of the American Iron and Steel Institute, the Cold Finished Steel Bar Institute, the Committee on Pipe and Tube Imports, the Specialty Steel Industry of North America, the Steel Manufacturers Association, the Steel Tube Institute of North America and the United Steelworkers of America ("domestic industry"). These organizations represent virtually all major U.S. producers of steel products and their employees.

A critical element to help ensure fair trade in steel in the post-Section 201 period is the continuation of the Steel Import Monitoring and Analysis (SIMA) system. The Department of Commerce (DOC) published a proposed rule and request for public comments in the Federal Register of August 25, 2004 (69 FR 52211). The domestic industry submits these comments in response to that notice.

General Considerations

The volatility in world steel markets makes it essential that the government and industry have access to the most up-to-date 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. Demand for steel in China remains a major wildcard affecting world markets, and Russia -- no longer subject to the "Comprehensive Steel Agreement" -- has dramatically increased shipments to the United States.

Given that the SIMA statistics are essentially the same information already published with several weeks delay by the Bureau of the Census in its official import data, it is easy to envision strong support for the expedited collection and release of these data. It is critical to remember that the principal benefit of this program is to provide government policy makers and Members of Congress with the most timely and accurate information about this critical sector. The SIMA also provides important information to all industry participants, allowing for the most efficient response to market signals and the most useful input to policy makers.

The existing SIMA system is fully WTO-consistent, and in no way limits or encumbers imports. It was designed to ensure efficient and fair administration of the Section 201 program. As currently structured, the program generally accomplished these objectives within the limited scope of the 201. However, several concerns need to be addressed to improve the usefulness and effectiveness of the SIMA system as it is continued in the post-201 period. These enhancements to the input and output of the current system

can be accomplished without creating an impediment or barrier for the importing community or an additional cost or burden to the U.S. government.

The coalition of groups associated with these comments requests prompt implementation of the following. The items listed below represent the core improvements in the program that can and must be implemented at the earliest possible date:

1. **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.
2. **Product coverage must be expanded to cover all basic steel products**, not just those that had been subject to the Section 201 remedy.
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 effectiveness of the current system is limited by the narrowness of its product coverage. The program must be expanded to cover all major 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. This is not an academic concern. A number of high-value steel products (e.g., alloy tool steel, OCTG, stainless flat-rolled products and stainless pipe and tube) not currently covered by the program are exposed to import surges without warning as a result.

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

The industry urges the expansion of the current program to require import licenses for the following steel products in HTS Chapters 72 and 73, and it is critical that the data for these product categories be collected and disseminated at the 10-digit HTS level:

- (A) Each of the headings 7206 through 7229 (relating to mill products).
- (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 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 from the system must be available in both volume (weight) and unit value (\$/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 must 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 discrete 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 must also be the flexibility and capability to allow the user to sort the database and construct custom output tables to meet the user's specific needs.

Commitment to Continue the SIMA System

There is a broad commitment within the Administration for 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, recognizing the time urgency (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:**

- On December 4, 2003, President Bush lifted the steel safeguard measures. He also stated that "{t}o keep the positive momentum going, **we will continue our steel import licensing and monitoring program** so that my Administration can quickly respond to future import surges that could unfairly damage the industry."
- That night, DOC Secretary Donald Evans said: "We've told the industry that the licensing program we put in place during the safeguard period will be extended. In fact, not only will it be extended for an indefinite period of time, but **we'll expand it to include products that are not now included** under the licensing program ... [and] "The industry will have real time information as to imports."
- U.S. Trade Representative Robert Zoellick also indicated that day that the licensing system would be upgraded to "**get close to real time**", at least for economic and trade statistics, in terms of learning about overall import actions."
- Numerous news articles recounted the Administration's commitment to expand and extend the steel import licensing program. For example, "the White House said it was proposing to **beef up the current system** of licensing and monitoring imports, **so that the government would know** if a sudden influx of imported steel was threatening to destabilize the domestic industry." It was also reported that **Sen. Arlen Specter had "received assurances from Commerce Secretary Don Evans** that the Administration would closely monitor steel imports".
- In July 2004, **Congress reiterated its support** for the program with the introduction of legislation in the House and Senate to enhance the current system and make it permanent.

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Other enhancements to the system should be considered if they can be included without delaying implementation of the new program (and should in any event be considered for adoption at a later date if not included immediately). One such item is the timing of the license application.

Timing of License Application

To generate more useful data, a license for offshore imports must be obtained no later than the date of entry and release. While the domestic industry firmly 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 domestic industry urges the DOC 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.

Representatives of the domestic industry would be pleased to meet with Department officials to discuss these comments. We thank you for your review of our comments.

Respectfully submitted,

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