

**VICE CHAIRMAN DEANNA TANNER OKUN
STEEL 201 REMEDY RECOMMENDATIONS
INV. NO. TA-201-73**

On October 22, 2001, I found that increased imports are a substantial cause of serious injury, or threat of serious injury, to domestic industries producing eight steel products. Having made these determinations, I now recommend the action that would address the serious injury, or threat thereof, to the domestic industries and be most effective in facilitating the efforts of the domestic industries to make a positive adjustment to import competition. I have considered the relevant factors set out in the statute, the written and oral submissions of all parties, and other information obtained in the investigation.

Based on the record presented, I find that elimination of worldwide inefficient or excess capacity to produce steel is the most important long-term solution to the injury experienced by the domestic steel industries. Cognizant of this solution, the President has initiated multilateral negotiations, as contemplated by the 201 statute, to address this problem both at home and abroad. I have selected a trade remedy for each of the injured domestic steel producing industries that in my view will stabilize the market in the short term and encourage parties to conclude an international agreement.

FORM OF RELIEF

I. Carbon and Alloy Flat Products

For the industry producing carbon and alloy flat products, which includes slab, plate, hot-rolled, cold-rolled, and coated steel, I recommend that the President impose quantitative restrictions with country-specific allocations, for a three-year period, on imports of the following flat-rolled categories, in the following amounts in the first year, to be increased by three percent in each subsequent year that the action is in effect:

| Product | Remedy | Liberalization (percent) | Year 1 Level (short tons) | Year 2 Level (short tons) | Year 3 Level (short tons) |
|----------------|---------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Plate | Quota | Three | 1,232,260 | 1,269,227 | 1,307,304 |
| Hot-Rolled | Quota | Three | 4,928,712 | 5,076,573 | 5,228,871 |
| Cold-Rolled | Quota | Three | 2,796,196 | 2,880,082 | 2,966,485 |
| Coated | Quota | Three | 1,683,282 | 1,733,781 | 1,785,794 |

In proposing a quantitative restriction on these flat-rolled products, I have considered the following events that have transpired since our hearings on remedy:

- < LTV Corp.'s request this week to the U.S. Bankruptcy Court in Ohio for permission to close most of its facilities and to liquidate its assets;

- < Geneva Steel's announcement last month of the temporary shutdown of its hot-rolled sheet and plate operations; and
- < The announcement this week that U.S. Steel, Bethlehem Steel Corp. and other integrated steel producers are pursuing proposals to consolidate.

Therefore, any remedy adopted will be for a U.S. steel industry that may or may not have a significantly different capacity to produce the covered products. The President, however, has authority under section 203(e)(4) to set different quantitative restrictions when conditions clearly justify such action. The aforementioned market conditions may justify different quota levels.

With respect to slab, I recommend that the President impose a tariff-rate quota with country-specific allocations, for a three-year period, in the following amount in the first year, increasing in each consecutive year with decreasing over-quota tariff rates:

| Product | Remedy | TRQ Form of Relief | Year 1 Level | Year 2 Level | Year 3 Level |
|----------------|-------------------|---------------------------|----------------------|----------------------|----------------------|
| Slab | Tariff-Rate Quota | In-Quota Amount | 7,000,000 short tons | 7,500,000 short tons | 8,000,000 short tons |
| | | Additional Duties | 20 percent | 17 percent | 14 percent |

A. NAFTA Treatment

Having made negative findings with respect to imports of flat products from Canada under section 311 of the NAFTA Implementation Act, I recommend that such imports be excluded from the import relief.

Having made affirmative findings with respect to imports of flat products from Mexico under section 311 of the NAFTA Implementation Act, I intend to forward my recommendations to the President on December 19, 2001, with regard to that country's allocation of the overall quota for each product.

B. Israel, CBERA, ATPA Treatment

I recommend that these import relief actions not apply to any imports of the covered products from Israel, or to any imports of the covered products entered duty free from beneficiary countries of the Caribbean Basin Economic Recovery Act or the Andean Trade Preference Act.

II. Carbon and Alloy Long Products

For the industries producing carbon and alloy long products, which include the hot bar industry, the cold bar industry and the rebar industry, I recommend that the President impose

quantitative restrictions with country-specific allocations, for a three-year period, on imports of the following long-product categories, in the following amounts in the first year, to be increased by three percent in each subsequent year that the action is in effect:

| Product | Remedy | Liberalization (percent) | Year 1 Level (short tons) | Year 2 Level (short tons) | Year 3 Level (short tons) |
|--------------------------|---------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Hot Bar/ Light Shapes | Quota | Three | 1,961,648 | 2,020,497 | 2,081,112 |
| Cold Bar | Quota | Three | 246,033 | 253,414 | 261,016 |
| Rebar | Quota | Three | 1,054,266 | 1,085,894 | 1,118,470 |

A. NAFTA Treatment

Having made negative findings with respect to imports of rebar from Canada and Mexico under section 311 of the NAFTA Implementation Act, I recommend that such imports be excluded from the quantitative restrictions.

Having made negative findings with respect to imports of carbon and alloy hot bar and carbon and alloy cold bar from Mexico under section 311 of the NAFTA Implementation Act, I recommend that such imports be excluded from the quantitative restrictions.

Having made affirmative findings with respect to imports of carbon and alloy hot bar and carbon and alloy cold bar from Canada under section 311 of the NAFTA Implementation Act, I intend to forward my recommendations to the President on December 19, 2001, with regard to that country's allocation of the overall quota for each product.

B. Israel, CBERA, ATPA Treatment

I recommend that these import relief actions not apply to any imports of the covered products from Israel, or to any imports of the covered products entered duty free from beneficiary countries of the Caribbean Basin Economic Recovery Act or the Andean Trade Preference Act.

III. Carbon and Alloy Tubular Products

For the industries producing carbon and alloy tubular products, which include the welded tubular products industry and the fittings industry, I recommend that the President impose a tariff-rate quota, for a three-year period, on imports of welded tubular products other than OCTG, in the following amount in the first year, increasing in each consecutive year with decreasing over-quota tariff rates:

| Product | Remedy | TRQ Form of Relief | Year 1 Level | Year 2 Level | Year 3 Level |
|--------------------------------|-------------------|--------------------|----------------------|----------------------|----------------------|
| Welded Tubular other than OCTG | Tariff-Rate Quota | In-Quota Amount | 1,400,443 short tons | 1,442,456 short tons | 1,485,730 short tons |
| | | Additional Duties | 20 percent | 17 percent | 14 percent |

I further recommend that the President impose the following additional tariff on imported carbon and alloy quality fittings for a three-year period, which would be reduced by three percentage points in each subsequent year that the action is in effect:

| Product | Remedy | Year 1 Level | Year 2 Level | Year 3 Level |
|----------|--------|--------------|--------------|--------------|
| Fittings | Tariff | 13 Percent | 10 Percent | 7 Percent |

A. NAFTA Treatment

Having made negative findings with respect to imports of welded tubular products from Canada and Mexico under section 311 of the NAFTA Implementation Act, I recommend that such imports be excluded from the tariff-rate quota.

Having made affirmative findings with respect to imports of carbon and alloy fittings from Canada and Mexico under section 311 of the NAFTA Implementation Act, I have included such imports in my recommendation for increased tariffs.

B. Israel, CBERA, ATPA Treatment

I recommend that these import relief actions not apply to any imports of the covered products from Israel, or to any imports of the covered products entered duty free from beneficiary countries of the Caribbean Basin Economic Recovery Act or the Andean Trade Preference Act.

IV. Stainless and Tool Steel Products

For the industries producing stainless and tool steel products, which include the bar industry and the wire rod industry, I recommend that the President impose quantitative restrictions with country-specific allocations, for a three-year period, on imports of the following stainless product categories, in the following amounts in the first year, to be increased by three percent in each subsequent year that the action is in effect:

| Product | Remedy | Liberalization (percent) | Year 1 Level (short tons) | Year 2 Level (short tons) | Year 3 Level (short tons) |
|----------------------|---------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Bar and Light Shapes | Quota | Three | 109,440 | 112,724 | 116,106 |
| Wire Rod | Quota | Three | 62,573 | 64,451 | 66,385 |

A. NAFTA Treatment

Having made negative findings with respect to imports of stainless steel wire rod from Canada and Mexico under section 311 of the NAFTA Implementation Act, I recommend that such imports be excluded from the quantitative restrictions.

Having made negative findings with respect to imports of stainless steel bar from Mexico under section 311 of the NAFTA Implementation Act, I recommend that such imports be excluded from the quantitative restrictions.

Having made affirmative findings with respect to imports of stainless steel bar from Canada under section 311 of the NAFTA Implementation Act, I intend to forward my recommendations to the President on December 19, 2001, with regard to that country's allocation of the overall quota for that product.

B. Israel, CBERA, ATPA Treatment

I recommend that these import relief actions not apply to any imports of the covered products from Israel, or to any imports of the covered products entered duty free from beneficiary countries of the Caribbean Basin Economic Recovery Act or the Andean Trade Preference Act.

V. Administration of Quantitative Restrictions

For all products where I have recommended quantitative restrictions or a tariff-rate quota, I recommend that the President administer the quota or tariff-rate quota amounts on a quarterly basis. To the extent that supply shortages occur for products unavailable or produced in extremely limited quantities in the United States, I recommend that the President implement a short-supply mechanism.

JUSTIFICATION FOR FORM OF RELIEF

For those products where I have recommended quantitative restrictions, the form of remedy is appropriate for the following reasons:

- < The domestic market needs certainty. Quotas are predictable, allowing U.S. producers to plan their necessary adjustments; and

- < Quantitative restrictions provide the leverage and incentive for worldwide steel capacity reductions.

In proposing a tariff-rate quota on slab rather than the quantitative restrictions I recommend for the other flat product categories, I have placed emphasis on the following:

- < A portion of the domestic flat products industry must rely on the purchase of slab as a function of their business plan;
- < Geneva Steel's announcement last month of the temporary shutdown of its slab production operations, halting its ability to sell slab on the commercial market; and
- < Most domestic integrated steel producers have exhibited sporadic willingness to sell slab to their domestic competitors, and minimills have never sold slab on the open market.

In proposing a tariff-rate quota on welded tubular products rather than quantitative restrictions, I note that I determined that this industry is threatened with serious injury. This form of import relief is the most likely to address the threat of serious injury.

In proposing a tariff on fittings rather than quantitative restrictions, I note the following:

- < This category is composed of a diverse range of products; and
- < This category is the furthest removed from the direct steelmaking process.

OTHER REMEDY RECOMMENDATIONS

I. Trade Adjustment Assistance

In an industry where further bankruptcies or closures appear likely to occur regardless of the Commission's recommendations today, action to facilitate positive adjustment must include measures to allow dislocated workers in an industry to experience an orderly transition to productive pursuits. Therefore, I recommend that the President ensure that displaced workers can take full advantage of trade adjustment assistance programs. Furthermore, I also recommend that the President ensure that domestic steel producing companies have access to technical assistance provided by trade adjustment assistance to firms.

II. Exclusion Requests

With regard to the numerous product exclusion requests, the Commission requested the domestic industries to provide detailed, product-specific responses. For the carbon and alloy flat products, the carbon and alloy long products and the stainless and tool products groupings, I do not recommend that the President grant any exclusion request for the following reasons:

- < Based on my quantitative restriction remedy recommendation in these categories, the requested excluded products can enter the United States under the quota levels; and
- < As indicated above, I recommend that the President implement a short-supply mechanism.

However, if the President implements a remedy different than the one I propose (i.e., tariffs or tariff-rate quotas), I note that the domestic industry producing flat products failed to supply to the Commission detailed, product-specific responses to many of the exclusion requests. The President should examine carefully those products. With regard to the carbon and alloy long products and stainless and tool steel products groupings, the domestic industries supplied the Commission with adequate information; and based on this information, I do not recommend that the remedy apply to carbon and alloy track bar.

With respect to the carbon and alloy tubular products groupings, an area where I have not recommended quantitative restrictions, I do not recommend that those remedies apply in their entirety to certain large diameter welded line pipe, nor to tool joints included within the fittings category. I will provide definitions of these items in my written statement to the President.

POLICY CONSIDERATIONS

The statute directs the Commission to recommend the action that would be most effective in facilitating the efforts of the domestic industry to make a positive adjustment to import competition. Moreover, in the Administration's request that the Commission initiate this investigation, the U.S. Trade Representative stated that he was particularly interested in receiving the Commission's views on these issues. The Commission has collected a vast amount of information in this investigation during both the injury and remedy phases either through submissions or the eleven hearings.

Based upon this record, it is my view that for certain sectors of the domestic steel producing industry to successfully adjust to import competition at the end of any period of import relief there are problems that must be addressed through action not authorized currently by law. These problems relate to impediments to industry restructuring and consolidation. These impediments include:

- < Pension costs – after two decades of consolidating the industry and reducing its workforce, many domestic producers shoulder pension benefits for retirees, where the number of retirees outnumber the current workforce. Many of the accounts set aside for pension benefits are underfunded.
- < Healthcare costs – like pension costs, many domestic producers are responsible for retiree health care costs. However, unlike pension costs, most domestic producers do not have separate funds established to pay these annual benefits, which may fluctuate significantly each year.

- < Environmental clean-up costs – domestic producers are responsible for environmental clean-up costs under the superfund law. Not only are steel producers responsible for cleaning up and containing wastes while operating their facilities, but in the event of closure, significant liabilities and obligations arise to prepare the land for other productive uses.
- < Labor agreements – a number of labor agreements with domestic producers contain provisions that significantly restrict the ability of companies to reduce or rationalize capacity.

I recommend that the President evaluate carefully the information the Commission gathered throughout this proceeding regarding these impediments and the solutions proposed by various parties. These are policy matters that can be addressed only by the Executive and Legislative branches. I make no recommendations regarding these issues, but in my written opinion I will discuss other conditions of competition in the U.S. steel industry and will provide additional views on these various impediments and proposed solutions.

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

Inv. No. TA-201-73 (Steel):
Summary of Remedy Recommendations by Vice Chairman Deanna Tanner Okun

| Product | Remedy | Year 1 | Year 2 | Year 3 |
|--|---|---|---|---|
| Carbon and Alloy Flat Products | | | | |
| Slab | Country-specific tariff-rate quota (Canada, ATPA, CBERA, and Israel excluded) | 7,000,000 short tons (20% additional tariff for over- quota) | 7,500,000 short tons (17% additional tariff for over- quota) | 8,000,000 short tons (14% additional tariff for over- quota) |
| Plate | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Canada, ATPA, CBERA, and Israel excluded) | 1,232,260 short tons | 1,269,227 short tons | 1,307,304 short tons |
| Hot-Rolled | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Canada, ATPA, CBERA, and Israel excluded) | 4,928,712 short tons | 5,076,573 short tons | 5,228,871 short tons |
| Cold-Rolled | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Canada, ATPA, CBERA, and Israel excluded) | 2,796,196 short tons | 2,880,082 short tons | 2,966,485 short tons |
| Coated | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Canada, ATPA, CBERA, and Israel excluded) | 1,683,282 short tons | 1,733,781 short tons | 1,785,794 short tons |
| Carbon and Alloy Long Products | | | | |
| Hot Bar | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Mexico, ATPA, CBERA, and Israel excluded) | 1,961,648 short tons | 2,020,497 short tons | 2,081,112 short tons |
| Cold Bar | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Mexico, ATPA, CBERA, and Israel excluded) | 246,033 short tons | 253,414 short tons | 261,016 short tons |
| Rebar | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Canada, Mexico, ATPA, CBERA, and Israel excluded) | 1,054,266 short tons | 1,085,894 short tons | 1,118,470 short tons |
| Stainless and Tool Steel Products | | | | |
| Bar | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Mexico, ATPA, CBERA, and Israel excluded) | 109,440 short tons | 112,724 short tons | 116,105 short tons |
| Rod | Country-specific quantitative restriction, liberalized by 3% <i>per anum</i> (Canada, Mexico, ATPA, CBERA, and Israel excluded) | 62,573 short tons | 64,450 short tons | 66,384 short tons |
| Continued on the following page. | | | | |

Inv. No. TA-201-73 (Steel):
Summary of Remedy Recommendations by Vice Chairman Deanna Tanner Okun

| Product | Remedy | Year 1 | Year 2 | Year 3 |
|--|--|---|---|---|
| Carbon and Alloy Tubular Products | | | | |
| Welded Pipe (non-OCTG)* | Tariff-rate quota (Canada, Mexico, ATPA, CBERA, and Israel excluded) | 1,400,443 short tons (20% additional tariff for over- quota) | 1,442,456 short tons (17% additional tariff for over- quota) | 1,485,730 short tons (14% additional tariff for over- quota) |
| Fittings & Flanges** | Increased tariffs (ATPA, CBERA, and Israel excluded) | 13% additional tariff | 10% additional tariff | 7% additional tariff |

* The following products are to be counted against TRQ fill rates but are not to be assessed increased tariffs for over-quota entries: Certain large diameter line pipe: Carbon and alloy welded line pipe –

- C Having an outside diameter greater than or equal to 18 inches and less than or equal to 22 inches, with a wall thickness measuring 0.750 inch or greater, regardless of grade.
- C Having an outside diameter greater than or equal to 24 inches and less than 30 inches, with wall thickness measuring greater than 0.875 inches in grades A, B, and X42, with wall thickness measuring greater than 0.750 inches in grades X52 through X56, and with wall thickness measuring greater than 0.688 inches in grades X60 or greater.
- C Having an outside diameter greater than or equal to 30 inches and less than 36 inches, with wall thickness measuring greater than 1.250 inches in grades A, B, and X42, with wall thickness measuring greater than 1.000 inches in grades X52 through X56, and with wall thickness measuring greater than 0.875 inches in grades X60 or greater.
- C Having an outside diameter greater than or equal to 36 inches and less than 42 inches, with wall thickness measuring greater than 1.375 inches in grades A, B, and X42, with wall thickness measuring greater than 1.250 inches in grades X52 through X56, and with wall thickness measuring greater than 1.125 inches in grades X60 or greater.
- C Having an outside diameter greater than or equal to 42 inches and less than 64 inches, with a wall thickness measuring greater than 1.500 inches in grades A, B, and X42, with wall thickness measuring greater than 1.375 inches in grades X52 through X56, and with wall thickness measuring greater than 1.250 inches in grades X60 or greater.
- C Having an outside diameter equal to 48 inches, with a wall thickness measuring 1.0 inch or greater, in grades X-80 or greater.
- C Having an outside diameter of 64 inches or greater.

** The following products are to be excluded: Tool joints: Tool joints, whether or not forged.