# STEEL TRADE ISSUES

## HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

FEBRUARY 25, 1999

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# STEEL TRADE ISSUES

**THURSDAY, FEBRUARY 25, 1999**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 1:10 p.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

# *ADVISORY*

FROM THE COMMITTEE ON WAYS AND MEANS

## SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1721
February 12, 1999
No. TR–3

## Crane Announces Hearing on Steel Trade Issues

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on steel trade issues. The hearing will take place on Thursday, February 25, 1999, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 1:00 p.m.

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include United States Trade Representative Charlene Barshefsky and Secretary of Commerce William Daley. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

**BACKGROUND:**

During the first 10 months of 1998, U.S. steel imports grew at record levels, rising 30 percent over the same period in 1997. Increases were particularly high in key products such as hot-rolled sheets and coils, where imports rose 66.3 percent in the first 10 months of 1998 versus the same period in 1997. Overall, import penetration grew from 24.2 percent in the first 10 months of 1997 to 29.5 percent during the same period of 1998. Steel imports from Japan, Russia, and Korea together accounted for 78 percent of the increase. At the same time, U.S. steel production for 1998 was at near record levels, and steel demand in the United States during 1998 was the strongest in history.

Preliminary U.S. Department of Commerce figures for December 1998 indicate a decrease of 1.1 million metric tons in steel imports entering the United States. The November-to-December change in steel imports, based on metric tonnage, reflects decreases primarily in hot-rolled sheets, plates in coil, and blooms, billets and slabs. The source of the decrease is primarily Russia, Japan, and Korea.

In response to the increase in steel imports, segments of the U.S. industry have sought relief under U.S. trade laws. Most recently, U.S. steel producers and workers filed antidumping petitions at the Commerce Department on September 30, 1998, on U.S. imports of hot-rolled steel from Japan, Russia, and Brazil, and a countervailing duty petition on imports from Brazil. The U.S. International Trade Commission (ITC) issued a preliminary affirmative injury determination on these petitions on November 13, 1998. On November 23, 1998, the Commerce Department issued a preliminary ruling of critical circumstances with respect to hot-rolled steel imports from Japan and Russia. Based on this finding, importers may be retroactively assessed dumping duties reaching back 90 days before the preliminary determination to November 14, 1998, if an antidumping order is issued. As a result of the critical circumstances finding, importers have been put on notice of potential antidumping duty assessments.

On February 12, 1999, the Commerce Department issued a preliminary affirmative determination of dumping with respect to Japan (margins ranging from 25.14

to 67.59 percent) and Brazil (margins of 50.66 to 71.02 percent). In addition, Commerce made an affirmative preliminary subsidy determination with respect to Brazil, with margins ranging from 6.62 to 9.45 percent. The determination with respect to Russia is expected shortly. Commerce final determinations are due April 28, unless extended, and the ITC final determinations are due June 2, unless extended.

On December 30, 1998, another segment of the U.S. steel industry filed a petition for relief with the ITC under section 201 of the Trade Act of 1974 on imports of steel wire rod, alleging that imports of the product are a cause of substantial injury to the U.S. industry. An injury determination on that petition is due mid-May.

In the 106th Congress, four pieces of legislation have been introduced in the House of Representatives in response to the increase in U.S. steel imports. On January 19, 1999, Congressman Aderholt introduced H.R. 327, a bill to provide for the assessment of antidumping duties on entries of steel products made prior to the effective date of any antidumping order issued in the current investigation. On the same day, Congressman Regula introduced H.R. 412, the "Trade Fairness Act of 1999," to amend the injury test for a safeguard action by eliminating the requirement that imports be a "substantial" cause of injury to U.S. industry in order for the ITC to recommend industry relief to the President. In addition, H.R. 412 would establish a steel import permit and monitoring program to permit the U.S. Government to receive and analyze import data in a more timely manner by requiring the use of a permit to import steel into the United States.

On February 2, 1999, Congressman Traficant introduced H.R. 502, the "Fair Steel Trade Act," to impose a three-month ban on imports of steel and steel products from Japan, Russia, South Korea, and Brazil. Also on February 2, Congressman Visclosky introduced H.R. 506, a bill to require the President to take steps, by imposing quotas, tariff surcharges, negotiated enforceable voluntary export restraint agreements, or other methods, to ensure that the volume of steel products imported into the United States during any month does not exceed the average volume of steel products that was imported monthly into the United States during the 36-month period preceding July 1997. H.R. 327, H.R. 412, H.R. 502, and H.R. 506 were all referred to the Committee on Ways and Means.

On January 7, 1999, the Administration issued its own plan to address the steel crisis.

In announcing the hearing, Chairman Crane stated: "There is no question that the U.S. steel industry is facing competition from foreign producers that has intensified since the onset of the global financial crisis. I believe that the United States should strongly enforce its existing trade laws, which are designed to deal with such competition. I look forward to this opportunity to examine the impact of the increase in steel imports on the U.S. industry and the U.S. economy, as well as the legislation that has been introduced to address the rise in steel imports. I intend to examine whether proposed legislation is consistent with our WTO obligations and whether it runs the risk of sending messages to our trading partners that erecting trade barriers is an appropriate response in these circumstances. Finally, I am concerned about U.S. downstream users of steel, who are dependent on competitively priced inputs to maintain their own competitive stance in the global market."

**FOCUS OF THE HEARING:**

Witnesses should address the impact of the increase in steel imports on U.S. steel producers and workers and on the U.S. economy, as well as the legislation addressing this issue which has been introduced in the 106th Congress. In addition, testimony presented should address the effectiveness of U.S. trade remedy laws and the effect on downstream steel users in the United States to restricting access to foreign produced steel. Finally, witnesses should address ways to seek greater foreign consumption of excess steel and the possibility of retaliation against U.S. exports in response to action that would restrict the access of foreign steel to the U.S. market.

**DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:**

Requests to be heard at the hearing must be made by telephone to Traci Altman or Pete Davila at (202) 225–1721 no later than the close of business, Friday, February 19, 1999. The telephone request should be followed by a formal written request to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225–6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, of their prepared statement for review by Members prior to the hearing. Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than Tuesday, February 23, 1999. Failure to do so may result in the witness being denied the opportunity to testify in person.

**WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:**

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and hearing date noted on a label, by the close of business, Monday, March 8, 1999, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, by close of business the day before the hearing.

**FORMATTING REQUIREMENTS:**

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS__MEANS/'.

Chairman CRANE. Will everyone please take their seats?

Good afternoon and welcome to this hearing on the topic of steel trade issues. This hearing provides us with an opportunity to examine the underlying causes of the state of the steel industry today and the role of imports.

I believe that we must strongly enforce U.S. trade remedy statutes and it appears that the administration is doing so with preliminary antidumping and countervailing duty margins announced by the Commerce Department in the past few days.

At the same time, I believe that we must make sure that any actions taken against steel imports in our market do not violate our obligations in the World Trade Organization or send the wrong signals to countries recovering from the global financing crises about the steps they should take in their own economies. We must also be concerned about the impact of any changes to the law on U.S. industrial users and their employees, as well as U.S. consumers.

[The opening statement follows:]

**Opening Statement of Hon. Philip M. Crane, a Representative in Congress from the State of Illinois**

Good afternoon. Welcome to this hearing of the Subcommittee on Trade on the topic of steel trade issues. This hearing provides us with an opportunity to examine the underlying causes of the state of the steel industry today and the role of imports.

I believe that we must strongly enforce U.S. trade remedy statutes and it appears that the Administration is doing so with the preliminary antidumping and countervailing duty determinations and margins announced by the Commerce Department in the past few days. At the same time, I believe that we must make sure that any actions taken against steel imports in our market do not violate our obligations in the World Trade Organization or send the wrong signals to countries recovering from the global financial crisis about the steps they should take in their own economies. We must also be concerned about the impact of any changes to the law on U.S. industrial users and their employees, as well as U.S. consumers.

I would now like to yield to Mr. Houghton, who serves as Chairman of the Ways and Means Oversight Subcommittee, to make a brief opening statement.

I would now like to recognize Mr. Levin, the Ranking Member of the Trade Subcommittee, for an opening statement.

We have a very full witness list today and I would like to inform all of our witnesses that we will be strictly enforcing the five minute rule. Longer written statements will be made a part of the hearing printed record of the hearing.

Because of the length of the hearing, and the number of Members interested in testifying, we are using special procedures. We will ask the first Member panel to testify and then retire to the witness chairs located directly behind the witness table. After the second Member panel has finished, there will be a question and answer period for both panels. Should you be called upon to answer questions, please move to the chair located to the left of the panel table. Please identify yourself for the hearing record before responding. The remaining panels will proceed as usual.

With that, I would like turn to our first panel of witnesses and ask that our Colleagues testify in the order printed on the witness list. We will begin with Senator Specter.

Chairman CRANE. And, I now would like to yield to Mr. Levin, who is the Ranking Member of the Trade Subcommittee, for an opening statement.

Mr. LEVIN. Thank you, Mr. Chairman. I am glad we decided last month that it would be useful to hold this hearing. Since then, the steel issue has become even more important.

As we are all aware, over the last year low-priced imports of steel have flooded the U.S. market. Although our U.S. steel companies and workers are among the most modern, efficient, low-cost producers in the world, they have not been able to withstand this deluge. Over 10,000 hard-working steelworkers have lost their livelihood as companies have reduced their work force, engaged in production cuts, and, in some cases, declared bankruptcy.

Over the last few weeks, the administration has taken some important steps to address this problem, including aggressively enforcing U.S. trade laws. Most recently, the Department of Commerce preliminarily decided that Japanese, Brazilian, and Russian producers were dumping hot-rolled steel into the United States. The Department also announced this week that it has reached two agreements with Russia to curb steel imports.

One immediate step we can take to address further the current crises is to ensure that the U.S. Government has adequate resources. To that end, I am proposing today that Congress make supplemental appropriations to the Department of Commerce as soon as possible to ensure that it has adequate resources to address this problem.

Last week, 14 additional petitions were filed to address imports of dumped and subsidized steel plate products. This supplemental appropriation would ensure that the Department of Commerce has the resources it needs to process these cases swiftly.

While this step and the Russian agreements and the antidumping determinations against Japanese and Brazilian steel will provide some relief to the U.S. industry, the vital question remains—and we will address it today—whether they will be enough to resolve the problem. As I see it, there are three reasons why they are not.

First, for workers, relief is too little, too late. In important respects, U.S. law is unable to provide U.S. producers with expeditious relief. To make an effective case under the antidumping laws, U.S. producers must wait until the damage is imminent or has already been done. Once a case is filed, it takes a significant amount of time for relief to be provided, even with such steps as the critical circumstances finding which was invoked by the administration. Further, section 201 has not been used effectively for rapid response to import surges, even where anticipated.

Second, the response largely has been ad hoc. We now have provisional measures in place against three countries covering one group of products, except for the broader agreement with Russia. While these measures appear to have at least temporarily stemmed the import surge of these products from these countries, other countries may step in to fill the gap. Moreover, with respect to Japan and Brazil, the new dumping orders cover only specific products; nothing precludes producers in other countries from shifting production into other product areas.

Third, the solutions that have been proposed thus far fail to tackle the broader dilemma facing Congress and the administration with respect to U.S. trade policy. That dilemma is whether our existing rules for trade can be applied to and reconciled with the new environment in which trade operates. The existing rules for trade in competition were conceived to address trade among industrialized nations, such as the United States and Japan. Antidumping and other U.S. trade remedy laws were designed to respond to factors distorting trade flows between industrialized nations.

Amo Houghton and I, with others, fought successfully in Geneva to safeguard U.S. antidumping laws. But, as shown in the steel crisis, they do not address the more systemic problems of structural overcapacity, now exacerbated by the increasing involvement of industrializing nations in informal, anticompetitive restraints to global steel trade.

Indeed, our existing rules for trade and competition do not provide an overall workable framework for conducting trade with industrializing nations. These are countries with very different capital and labor markets and very different regulatory environments than our own. With these nations, differences in producer costs are not attributable mainly to efficiency but rather to governmental policies and other factors unlikely, for example, to be captured in an antidumping analysis.

Nonmarket economies—such as Russia—provide a more extreme version of the problem of assessing what constitutes fair trade between countries with divergent market structures. The steel issue underlines the need for us to work our way through to a new consensus on trade.

In closing, I would note that there are those who would characterize taking action on the surge in steel imports and other broader trade issues as starting down a "slippery slope" to protectionism. They are dead wrong. The danger is the opposite, that inaction will bring a slide into economic nationalism. Economic globalization is the wave of the present and the wave of the future. What we need is not a mindless internationalism that accepts passively whatever occurs as automatically better, but an active internationalism that works to help shape increasing globalization to benefit our standard of living that, as the President has put it, levels up not levels down.

[The opening statement follows:]

**Opening Statement of Hon. Sander M. Levin, a Representative in Congress from the State of Michigan**

Mr. Chairman, I am glad we decided last month that it would be useful to hold this hearing. Since then, the steel issue has become even more important. As we are all aware, over the last year low-priced imports of steel have flooded the U.S. market. Although our U.S. steel companies and workers are among the most modern, efficient low-cost producers in the world, they have not been able to withstand this deluge. Over 10,000 hard-working steel workers have lost their livelihood as companies have reduced their workforces, engaged in production cuts, and in some cases, declared bankruptcy.

Over the last few weeks, the Administration has taken some important steps to address this problem, including aggressively enforcing U.S. trade laws. Most recently, the Department of Commerce preliminarily determined that Japanese, Brazilian and Russian producers were dumping hot rolled steel into the United States. The Department also announced this week that it has reached two agreements with Russia to curb steel imports into the United States. One immediate step we can take to address further the current crisis is to ensure that the U.S. government has adequate resources. To that end, I am today proposing that Congress make supplemental appropriations to the Department of Commerce as soon as possible to ensure that it has adequate resources to address this problem. Last week, 14 additional petitions were filed to address imports of dumped and subsidized steel plate products. This supplemental appropriation would ensure that the Department of Commerce has the resources it needs to process these cases swiftly.

While this step and the Russian agreements and the antidumping determinations against Japanese and Brazilian steel will provide some relief to the U.S. industry, the vital question remains whether they will be enough to resolve the problem.

As I see it, there are three reasons why they are not.

First, for workers, relief is too little too late. In important respects, U.S. law is unable to provide U.S. producers with expeditious relief. To make an effective case under the antidumping law, U.S. producers must wait until the damage is imminent or has already been done. Once a case is filed, it takes a significant amount of time for relief to be provided even with such steps as the critical circumstances finding which was invoked by the Administration. Our Section 201 has not been used effectively for rapid response to import surges even where anticipated. We need to promptly analyze and learn from this experience with steel.

Second, the response largely has been ad hoc. We now have provisional measures in place against three countries covering one group of products, except for the broader agreement with Russia. While these measures appear to have at least temporarily stemmed the import surge of *these* products from *these* countries, other countries may step in to fill the gap. Moreover, with respect to Japan and Brazil, the new dumping orders cover only specific products. Nothing precludes producers in those countries from shifting production into other product areas.

Third, the solutions that have been proposed thus far fail to tackle the broader dilemma facing Congress and the Administration with respect to U.S. trade policy. That dilemma is whether our existing rules for trade can be applied to and reconciled with the new environment in which trade operates. The existing rules for trade and competition were conceived to address trade among industrialized nations, such as the United States and Japan. Anti-dumping and other U.S. trade remedy laws were designed to respond to factors distorting trade flows between industrialized nations. Amo Houghton and I, with others, fought successfully in Geneva to safeguard U.S. anti-dumping laws. But, as shown in the steel crisis, they do not address the more systemic problems of structural overcapacity, now exacerbated by the increasing involvement of industrializing nations, and informal anti-competitive restraints to global steel trade.

Indeed, our existing rules for trade and competition do not provide an over-all workable framework for conducting trade with *industrializing* nations. These are countries with very different capital and labor markets, and regulatory environments than our own. With these nations, differences in producers' costs are not attributable mainly to efficiency, but rather, to government policies and other external factors unlikely, for example, to be captured in an antidumping analysis. Non market economies such as Russia present a more extreme version of the problem of assessing what constitutes fair trade between countries with divergent market structures.

The steel issue underlines the need for us to work our way through to a new consensus on trade. This new consensus must address both the harder to define barriers to trade that plague our relations with our traditional trade partners, as well as the special problems that arise in the context of trade with developing nations.

In closing, I would note that there are those who would characterize taking action on the surge in steel imports and other broader trade issues as starting down a slippery slope to "protectionism." They are dead wrong. The danger is the opposite—that inaction will bring a slide into economic nationalism. Economic globalization is the wave of the present and of the future. What we need is not a mindless internationalism that accepts passively whatever occurs as automatically better, but an active internationalism that works to help shape increasing globalization to benefit our standard of living...that as the President has put it, "levels up, not levels down."

Mr. LEVIN. I would now like to yield briefly, if I might, to the gentleman from Pennsylvania, our good friend, Representative Coyne.

Mr. COYNE. Thank you very much. First of all, I want to thank Chairman Crane and Chairman Houghton and yourself, Mr. Levin, for having given us the opportunity to examine the steel dumping problem in this hearing today. Few trade issues rise to the importance of steel dumping for the United States. The surge in foreign steel imports has seriously damaged the U.S. steel industry and put thousands of American steelworkers out of work.

Today's hearings are being held because of the dramatic increase in steel imports since July 1997. Imports of steel mill products increased by more than 32 percent between 1997 and 1998 and imports of hot-rolled steel products increased by nearly 75 percent over that 1-year period. Commerce Department figures released on January 28 indicated that steel imports declined dramatically in December 1998. Those preliminary figures indicated that steel imports dropped 32 percent from November's levels. Hot-rolled steel products, apparently, dropped even more between November and December.

But, that begs the question of whether there has been a dumping problem and whether that dumping has hurt American steelworkers and steel producers. Today, I hope we will hear more about the problems associated with dumping steel into the United States and also hear about some proposed solutions. Thank you very much.

Chairman CRANE. I now would like to yield to Mr. Houghton, who serves as Chairman of the Ways and Means Oversight Subcommittee, to make a brief opening statement.

Mr. HOUGHTON. Thank you very much, Mr. Chairman. I also want to thank you very much for having this hearing.

I am not going to dwell on my own particular feelings and philosophies here but I would like to make just a couple of points.

We certainly don't want to abrogate our responsibility with the WTO, World Trade Organization, and we certainly don't want to give a signal to other people that we are sort of drawing back into ourselves. But, at the same time, as we all know, freedom is only freedom as we are willing to give up some of it and that means to have some discipline. And that means that there is sort of a quid pro quo and the concept of free trade is that it doesn't always have to be in balance but it has to be nearly in balance and we don't want to have the totally "beggar thy neighbor" philosophy.

Second, I guess we all know—because we live here—the most important asset we have is our market and we have got to protect that market. And, if we don't, nobody else is because other people are protecting their markets.

The third point is, this morning, Mr. Coyne and I had a hearing here on the oil patch problem. It's not identical but it is almost similar. Here is an industry of independent producers doing a great job. The costs are low, the service is good, the quality is fine, they are producing lots of jobs and, all of a sudden, they are just closing down one after the other after the other. Now, do we have a responsibility here? I really think we do.

One of the things that has always bothered me—and we can talk to Ambassador Barshefsky later on—is that there hasn't been a single 201 case filed recently. This is not a 301 or a dumping case. This is the industry that is going out. Now, you can say, well, in a sort of macro sense, intellectual sense, that really isn't important because there is sort of a forced obsolescence here. Not so. I don't believe that at all.

I have been in an industry where the same thing almost happened to me and when people are going out of work and they are doing the best they can, that is when the U.S. Government has got to step in to help.

And I think the thing, Mr. Chairman, just in final, is that we have got to be sure we don't end up in this country—particularly in areas like steel—as the warehouse for a good we can't even afford to buy. So, I thank you very much and I appreciate the opportunity to let me talk.

Mr. LEVIN. Mr. Crane, if I might yield briefly to Mr. McNulty?

Chairman CRANE. Certainly.

Mr. MCNULTY. Thank you, Mr. Levin, Mr. Chairman, and my colleagues. I want to express my deep concern about the crisis facing the American steel industry.

The continued dumping of steel is causing tremendous harm to the industry and forcing huge layoffs of hard-working U.S. steelworkers. Over 10,000 steelworkers had been laid off in the past year as a result of the flood of underpriced steel coming into the United States.

As we all know, America was built on the backs of laborers. We cannot turn our backs on them now. Although the actions taken by the steel industry and the administration have caused the amount of dumped steel to drop, more needs to be done. We need to be firm and make it very clear to our competitors that we will not tolerate illegal dumping of any kind.

American steel companies and organized labor have worked very hard over the last decade to restructure and to restore the integrity of this important industry. We cannot allow these sacrifices to be in vain.

Mr. Chairman, I am a cosponsor of Representative Visclosky's bill to reduce steel imports to 25 percent of the U.S. market. That is the level that prevailed in July 1997 before the illegal dumping began. I hope that this Subcommittee will adopt this measure in the near future.

Given the Nation's strong economy, now is the time to deepen our commitment to ensuring that working families keep the well-paying jobs they deserve. Thank you, Mr. Chairman and thank you, Mr. Levin.

[The opening statement follows:]

**Opening Statement of Hon. Michael R. McNulty, a Representative in Congress from the State of New York**

Mr. Chairman, I want to express my deep concern about the crisis facing our American steel industry. The continued dumping of steel is causing tremendous harm to the industry and forcing huge lay-offs of hard-working U.S. steel workers. Over 10,000 steel workers have been laid off in the past year as the result of the flood of under-priced steel coming into the United States.

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Given the Nation's strong economy, now is the time to deepen our commitment to ensuring that working families keep the well-paying jobs they deserve.

Chairman CRANE. Thank you all.

We have a very full witness list today and I would like to inform all of our witnesses that we will be strictly enforcing the 5-minute rule. Longer written statements will be made a part of the printed record of the hearing.

Because of the length of the hearing and the number of Members interested in testifying, we are using a special procedure today. We will ask the first Member panel to testify and then retire to the witness chairs, located directly behind the witness table. After the second Member panel is finished, there will be a question and answer period for both panels and, should you be called upon to answer questions, please move to the chair located to the left of the panel table. Please identify yourself for the hearing record before responding and the remaining panels will proceed as usual.

And, with that, I would like first to turn to Senator Specter for his presentation and let me remind all the witnesses that that little light out there gives you a reading. When it turns green, that means proceed. When it turns yellow, that means be on your guard. When it turns red, that means wrap it up. Any of your printed statements will be made a part of the permanent record. The lights help you stay on schedule and I know Senator Specter can't stay for questions and answers because he has another commitment and so we shall proceed with you, Senator.

## STATEMENT OF HON. ARLEN SPECTER, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SPECTER. Thank you very much, Mr. Chairman. I commend you and this distinguished Subcommittee for focusing on this critical problem.

Within the tight time limits, I shall not review the crisis being caused by dumped steel but would focus solely on a legislative remedy for which I have been pressing since I introduced legislation in the Senate some 17 years ago on March 4, 1982, which provides for a private right of action in the Federal court to get judicial relief where there is a violation of our trade laws.

There is no doubt that the steel coming in from Russia, Korea, Brazil and other countries violates U.S. trade laws and violates GATT, the General Agreement on Tariffs and Trade. The procedures which are available within the executive branch are much too slow. Cases filed in September will not be heard for months and then there may be some retroactive application to duties and, even there, it is subject to change, as, for example, with the proposed agreement with Russia where even that meager remedy is not being enforced.

We know that the administration focuses on foreign policy and on defense policy and it is an open secret that American industry has been sacrificed for those objectives. Judicial remedies, however, would provide for legal enforcement and I refer to the opportunities to go into a court of equity. If you file a legal action in Federal court on affidavit, it is even possible to get ex parte relief. If that is done on the application of one side without the other even being present, then there has to be a hearing on a preliminary injunction within 5 days. And there is an opportunity to present evidence and for the defense to present evidence.

You may be able to get a preliminary injunction in a matter of days. From then, there is a hearing on a permanent injunction. And then, if the dumpers are found against, there are very stiff bonds which have to be filed pending appeal so that instead of having a very long process administratively—which takes months—it is possible to have judicial enforcement in a matter of days through equitable procedures.

The original legislation which I have produced called for injunctive relief and there is some opinion to the effect that that is not consistent with GATT. But, there is no doubt that a court of equity could impose duties, which is entirely GATT-consistent. And, my idea of picking a remedy—which has been proposed by Senator DeWine in different legislation—is that those duties ought to be paid to the damaged parties, to the steelworkers who have lost their jobs and to the steel companies which, after enormous capital investments, have been pilloried by this dumped steel.

It is absolutely insufficient to have procedures which take months where steelworkers lose jobs which they cannot reclaim, where markets are lost which cannot be reclaimed, and I ask you—while my yellow light is still pending—to take a very close look at this equitable relief which would provide an immediate answer—not from what the executive wishes to do motivated by the collateral considerations of foreign policy and defense policy but judicial relief to enforce the law.

Thank you very much.

Chairman CRANE. Thank you, Senator, and out of deference to your schedule, unless you are willing to accept some quick questions here before we bring forward the rest of our first panel——

Senator SPECTER. I would be glad to, Mr. Chairman, and I would even commit to quick answers.

Chairman CRANE. All right.

Mr. Houghton.

Mr. HOUGHTON. Well, so, how would this work? What you are trying to do is to substitute a 301 action or a super-301 action——

Senator SPECTER. Correct.

Mr. HOUGHTON [continuing]. Or something in the private right of action? Just spell it out. What happens, how is it GATT-consistent, and how long does it take?

Senator SPECTER. It would work by having the injured party—steelworkers or the company—file a case in equity. A similar case has been filed by Wheeling, Pittsburgh in the State courts of Ohio, since removed to the Federal courts.

When an equity action is filed, you can ask for what is called ex parte relief—that means on one party even without the defendant being present where there is an emergency on the filing of affidavits. If that relief is granted, there has to be a preliminary injunction hearing within 5 days. You might go straight to an injunction hearing without ex parte relief and that can be done in a matter of days. Then, the judge hears the evidence and the evidence of dumping is overwhelming—there really is no defense—and then an injunction would be issued.

When we come to GATT, the opinions differ as to whether you can get an injunction which says, no more steel. It stops at that point. But, it is consistent with GATT beyond any question to impose a duty so the Federal judge would find dumping and then would find the remedy to impose a duty on any steel which comes in after that finding. And those funds, instead of going to the Treasury, would go to the damaged parties—the steelworkers or the company.

Mr. HOUGHTON. Can I ask just one other question?

It is a very appealing motion because when you go through a 301 proceeding, it's years and years before you get anything accomplished. I don't know whether it is true or not but the question is, don't you lay yourself open to a problem with other countries being able to create their own laws, their own standards in doing the same thing for products such as ours moving in on an export basis into that country?

Senator SPECTER. Do we raise the risk of having other countries——

Mr. HOUGHTON. Fine.

Senator SPECTER [continuing]. Retaliate? Yes, but so far, the Japanese are the past masters at closing their markets in a variety of ways, as are the other countries. And, free trade seems to be only the province of the United States to allow other countries to come in and dump in the United States. I think that is a risk but a minimal risk compared to the damage which is currently being sustained by the dumping.

Mr. HOUGHTON. I think I am a good, straight man, Mr. Chairman. Thanks very much for——

Chairman CRANE. Thank you——

Mr. HOUGHTON. OK.

Chairman CRANE [continuing]. Congressman Houghton.

Mr. Levin.

Mr. LEVIN. Senator, your proposal has been around a long time but it's more cogent, I think, than ever. The administration acted quickly under our present laws and aggressively and, indeed, I think that shows there is an issue of timeliness that your proposal seeks to address. The horse is too long out of the barn—the steel horse, in this case.

So, I hope we can work together to see if we can find a way—and yours is one alternative—to be able to move faster before thousands of jobs are lost and companies are in bankruptcy because you can't revive them. And, you also put your finger on the problem of where these duties go and I think we need to address the issue of why don't actions that we take accrue to the benefit of those people who were most hurt. So, I, for one, welcome your reraising your proposal and let us dedicate ourselves to addressing the issue that you discussed and I discussed in my opening statement, one of the issues here, timeliness.

Senator SPECTER. Well, thank you very much, Congressman Levin, for your comments. This legislation had been pressed. We came as close to a 51-to-47 vote in the eighties on this legislation but it has never been pursued successfully because of administration opposition. But, with the crisis which is present now I think the scene is set to get it done and the administration has other weapons at its disposal which they are not willing to activate because of concern for the economy of Russia and the economy of Brazil, and so forth.

I do not believe in criticizing the administration because it sounds political coming from a Republican but I can tell you we had a steel caucus hearing in Pittsburgh on Thursday. I chair the caucus on the Senate side, Congressman Regula is here from the House side, and Senator Rockefeller is the vice chairman and I would only have to quote Senator Rockefeller in his denunciation of what the administration has done. We really need to take it out of the hands of executive discretion—which is concern about foreign policy, defense policy, and international issues—and put it in the courts where you get enforcement of the laws.

Mr. LEVIN. To finish, I am not sure what process will allow us to be expeditious. We may well need a process that takes into account all factors. But, the problem is that even when there is action under present law, it's very likely. So, let us work together to see if we can find an approach that will be timely.

Senator SPECTER. I will be delighted to do that, Congressman Levin.

Chairman CRANE. Thank you very much, Senator Specter. We appreciate your testimony, we are sorry for your schedule and——

Senator SPECTER. Well, thank you very much for accommodating the schedule. Thank you——

Chairman CRANE. Well, you are more than welcome——

Senator SPECTER [continuing]. For conducting the hearing.

Chairman CRANE [continuing]. And let me now, then, call the remainder of our first panel to collectively come up and take seats. And that's Hon. Ben Cardin, Hon. Phil English, Hon. Ralph Regula, Hon. John Murtha, Hon. Peter Visclosky, Hon. Jim Traficant, and Hon. Jim Greenwood.

And, if you gentlemen will please take seats, we will proceed in the order that I called you up. I think you may have names—well, I guess the name tags are going up now.

But, I would remind everyone again to keep your eye on the lights there and keep your presentations, please, to 5 minutes or less, and any printed remarks will be made a part of the permanent record. With that—let us see, is Ben here?

Well, then, we will start with Phil English.

**STATEMENT OF HON. PHIL ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. ENGLISH. Thank you, Mr. Chairman. I want to thank the fellow Members of the Ways and Means Committee, and especially you, Mr. Chairman, for the opportunity to testify here today and your prompt willingness to schedule this hearing at our request.

I will leave the bulk of my comments to be printed in the record but I would like to make a few points while I may.

Mr. Chairman, American steel is facing a crisis which, without immediate action from the Federal Government, is threatening to devour a significant part of the industry. The domestic steel market has been flooded by imported products pouring in from Asia, Russia, and Latin America, swamping more efficient American producers and drowning thousands of jobs. This tsunami threatens to wash away a strategic industry that has been a keystone of our manufacturing sector for generations, and nowhere more so than in my part of western Pennsylvania, where the Bessemer process was first perfected in the last century.

Today, American steel jobs are threatened by illegal foreign imports as our trade competitors attempt to unload the consequences of their failed economic policies on American companies and workers. I predict the bad news will get increasingly worse, as other manufacturing sectors face similar unfair competition as foreign producers target lucrative U.S. markets, causing rolling depressions that sweep away industry after industry. The time has come for Washington to stand up for steel, and insist on a level playingfield for American producers.

Mr. Chairman, the question before us today is this: What can Congress do to stop the current steel crisis and reduce the possibility of another crisis that could be devastating to the industry and its workers? I firmly argue that we need legislative action. There are several major areas that can be effectively addressed by legislation if we act quickly.

We need to start by strengthening our ability to deal with import surges. By bringing U.S. standards in line with the WTO "Safeguards Agreement," we can make laws which have been on the books for years—such as section 201 of the Trade Act—more effective and easier to use.

Second, we need to establish a strong tracking system to monitor imports. Many of our trading partners already have systems for this purpose in place. I suggest a steel import notification and monitoring system that would allow the U.S. Government to receive and analyze critical import data in a more timely manner and allow industry to determine more quickly whether unfair imports are disrupting the market.

We should consider strengthening our antidumping and countervailing duty laws and, given the current situation, I believe the United States needs to put pressure on our trading partners to curb their exports into our market. Negotiated Voluntary Restraint Agreements are one possible method the administration can use to accomplish that result.

I believe that we should also take a look at legislation similar to what Representative Visclosky has introduced to consider providing quotas under certain circumstances. In addition, we should look for ways we can limit the effect that foreign cartels of steel producers have on our ability to export U.S.-made steel products. It is apparent that cartel activity in foreign countries is not only creating an unlevel playingfield for our producers but may, in fact, be leading to increasing instances of dumping into the U.S. market. We should also strengthen Trade Adjustment Assistance.

Mr. Chairman, in closing, any time an American loses their job, it's a tragedy. But, in the steel valleys and mills across our country, this tragedy has been replayed thousands of times in just the past few months. The administration has been unwilling to act. No wonder our communities are demanding action from us—strong action necessary to stop this tragedy and prevent the theft of our jobs by illegal imports.

Let me make it clear. The choice we face today is not between free markets on the one hand and protectionist barriers on the other. The choice today is whether we have the will to take appropriate action—such as I have outlined here—to prevent the victimization of our economy by predatory exporters determined to pursue a mercantilistic economic policy at the expense of our workers. We need to take action now and I appreciate the opportunity to testify today.

[The prepared statement follows:]

**Statement of Hon. Phil English, a Representative in Congress from the State of Pennsylvania**

INTRODUCTION

America's steel industry is the most efficient, competitive and technologically advanced in the world. Our domestic steel producers have long since shed the inefficiencies that plagued the industry in decades past. American steel companies are capital intensive and internationally competitive.

Nevertheless, American steel is facing a crisis which, without immediate action from the federal government, is threatening to devour a significant part of the industry. The domestic steel market has been flooded by imported products pouring in from Asia, Russia and Latin American, swamping more efficient American producers and drowning thousands of jobs. This tsunami threatens to wash away a strategic industry that has been a keystone of our manufacturing sector for generations, and nowhere more than in my part of western Pennsylvania, where the Bessemer process was first perfected in the last century.

Today, American steel jobs are threatened by illegal foreign imports as our trade competitors attempt to unload the consequences of their failed economic policies on American companies and workers. And I predict the bad news will get worse. Increasingly, other manufacturing sectors face similar unfair competition as foreign producers target lucrative U.S. markets, causing rolling depressions that sweep away industry after industry.

The time has come for Washington to stand up for steel, and insist on a level playing field for American producers.

BACKGROUND

The American steel industry is facing a crisis due to an immense surge of illegally dumped and subsidized foreign steel imports. Since mid 1997, many foreign markets have been rocked by economic and financial crises. One consequence of these financial crises has been the significant drop in demand for steel products in foreign markets. When combined with preexisting overcapacity and subsidized foreign producers, the drying up of foreign demand for steel has led many countries to attempt to illegally unload their excess steel onto the U.S. market.

Since the 1980s the American steel industry has reinvented itself as one of the most efficient, most competitive in the world. Through sacrifice by the industry and its workers, streamlining and investments, the U.S. steel industry has nearly tripled productivity. The new U.S. steel industry can compete against anyone in the world. The sad part of this story is that our industry plays by the rules and has restructured itself to be a model of economic efficiency. It is only through illegal and unfair trading practices that foreign producers have been able to undercut U.S. producers.

Import volumes in 1998 reached record levels, surging 33 percent over 1997. And 1997 was itself a record year for steel imports. Imports have surged over a wide variety of product lines. We have recently seen, in response to trade cases filed by the industry and unions, a decline in certain products that are subject to duties that would be imposed by the final disposition of the cases. But steel is still flowing in massive quantities from countries not covered and in the form of products not listed by the cases. Also it is entirely possible that imports have declined temporarily because we're simply out of storage space at U.S. ports.

This crisis is precisely the reason why the Congressional Steel Caucus, Republicans and Democrats together, have been urging the Administration to use all of the tools at its disposal under our trade laws to take decisive action to address this crisis. So far, we have all been disappointed by the Administration's general lack of concrete, effective action.

Mr. Chairman, the question before us today is this: What can Congress do to stop the current steel crisis and reduce the possibility of another crisis that could be devastating to the industry and its workers?

I firmly believe that we need legislative action. There are several major areas that can be effectively addressed by legislation if we act quickly.

### SECTION 201

We need to start by strengthening our ability to deal with import surges. By bringing U.S. standards in line with the WTO "Safeguards Agreement," we can make laws which have been on our books for years, such as Section 201 of the Trade Act, more effective and easier to use. U.S. standards for proving injury are currently more strict than required by the World Trade Organization. With these changes, the industry or the Administration will be able to challenge unfair trading activities by foreign competitors in a more timely fashion.

### IMPORT MONITORING

Secondly, we need to establish a strong tracking system to monitor imports. Many of our trading partners already have systems for this purpose in place. I suggest a steel import notification and monitoring system, which is modeled on similar systems currently in use by our largest trading partners, Canada and Mexico, that would allow the U.S. government to receive and analyze critical import data in a more timely manner and allow industry to determine more quickly whether unfair imports are disrupting the market.

### ANTI-DUMPING

We should consider strengthening our anti-dumping and countervailing duty (AD/CVD) laws. We can bring the injury thresholds in line with international standards to allow workers and companies adequate remedies when it is proven that our trading partners are trading unfairly. One aspect of the AD/CVD laws that can be improved is the consideration of currency devaluations. Currency devaluations can have the effect of "robbing" the value of sanctions imposed and allow dumpers to avoid the penalties they should legally face.

### VOLUNTARY RESTRAINT AGREEMENTS (VRAS)

Given the current situation, I believe that the United States needs to put pressure on our trading partners to curb their exports into our market. Negotiated Voluntary Restraint Agreements (VRAs) are one possible method the administration can use to accomplish this result.

We need to be careful, however, that we do not end up rewarding destructive and illegal actions by our trading partners. For an example of how this might happen, think of a horse thief who sneaks into a barn which has 10 horses in it. I am concerned that in some instances, VRAs are being used to limit the theft to just 3 horses once he is caught in the act of stealing.

It is critical to allow the anti-dumping suits which have been filed in accordance with our trade laws to run their course and come to fruition. Only then can we expose illegal dumpers to the full weight of the law. The concept of a level playing field and our "rules-based trading system" depends on this. VRAs should be used as an additional tool which can supplement the remedies allowed for under our anti-dumping laws, NOT as an alternative that weakens anti-dumping sanctions.

### Russian Agreement

In this light, the recently announced agreement with Russia gives reason for concern. In addition to short-circuiting the legal process of proving dumping and imposing sanctions against violators of the trade laws, the agreement would cede a large part of our market to one of the most inefficient steel producers in the world.

### H.R. 412 as the Basis

To those of you who have been following the introduction of steel related legislation in this Congress, you will probably recognize the first two points of my suggested legislative action as the components of a bill introduced by my colleague, Rep. Ralph Regula, who has most ably led this fight as Chairman of the Congressional Steel Caucus. I believe that his bill, H.R. 412 should be the basis for legislation that should be considered by the House of Representatives. The strengthening of our ability to enforce our trade laws and effectively monitor our imports is critical to ensuring that this crisis does not worsen and that a similar future crisis can be forestalled.

Rep. Regula's bill would make it easier for the President to impose duties, impose a tariff-rate quota system, or impose quantitative restrictions under section 201 in a way that is fully consistent with our WTO obligations and the WTO "Safeguards Agreement."

This approach is completely "WTO compliant" and can hardly be colored as sending any sort of protectionist signal(s) to our trading partners.

To this base legislation we should seriously consider adding several other elements:

### H.R. 506

I am a cosponsor of H.R. 506, introduced by Congressman Peter Visclosky and cosponsored by over 170 members of the House. Language similar to Rep. Visclosky's bill reducing the burden of imports into our market to pre-crisis levels will help to limit the damage done to communities, workers, and firms in the U.S. steel industry in the short term.

### Cartels

Additionally, we should look for ways we can limit the effect that foreign cartels of steel producers have on our ability to export U.S. made steel products. It is apparent that cartel activity in foreign countries is not only creating an unlevel playing field for our producers but may in fact be leading to increasing instances of dumping into the U.S. market.

### TAA

Finally, I think that it is important that the certification requirements for steel industry workers applying for benefits under the Trade Adjustment Assistance program be relaxed to parallel the requirements for the NAFTA transitional adjustment assistance program. This small change would be a big help in allowing workers whose jobs were disrupted by surges in imports to obtain benefits under this valuable program.

### Closing

Anytime an American loses their job it is a tragedy. But in the steel valleys and mills across our country this tragedy has been replayed thousands of times over in just the past few months. The Administration has been unwilling to act. No wonder our communities and districts are looking to Congress to take the strong action necessary to stop this tragedy and prevent the theft of our jobs by illegal imports.

I want to be clear. The choice we face today is not between free markets on the one hand and protectionist barriers on the other. The choice today is whether we have the will to take appropriate action, such as I have outlined here, to prevent the victimization of our economy by predatory exporters determined to pursue a mercantilistic economic policy at the expense of our workers. Unfortunately, nations sometimes try to take unfair advantage of their trading partners. Companies may attempt to benefit—at the expense of their legitimate competitors—from unfair and often disguised subsidies. When that happens it is the job of government to step in and ensure a level playing field where competition—which benefits us all—can survive. Now is such a time for government action. I hope this committee will answer our call and restore fairness for American steel producers. Thank you.

Chairman CRANE. Thank you, Mr. English, and now, Mr. Cardin.

## STATEMENT OF HON. BENJAMIN L. CARDIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. CARDIN. Thank you, Chairman Crane and Mr. Levin and the other Members of the Subcommittee. I appreciate this opportunity of testifying before this Subcommittee.

I would ask that my full statement be made part of the record.

Chairman CRANE. Without objection, so ordered.

Mr. CARDIN. I have the honor of representing the 3d Congressional District of Maryland. I represent many of the steelworkers who work at Bethlehem Steel at Sparrow's Point. They are amply represented by their locals—2610, 4727, and 9084—and many of them have been to visit with you. You know firsthand their problems.

Let me underscore what has happened. Now, I understand the last month or two might have shown some improvements on steel imports. But what we saw between 1997 and 1998, for example, was an increase of 162 percent—going from 7.4 percent of the U.S. market to 15.8 percent of the U.S. market in 1 year. That occurred because of illegal dumping of steel. There is no question about that.

Now, Mr. Chairman, I have been in government long enough to remember the problems of U.S. steel production. We were not competitive internationally during the seventies and the eighties and the steelworkers and the steel companies made the adjustments necessary to become competitive. At Sparrow's Point, we can compete on a level playingfield with any steel producer in any country in the world. We couldn't do that in the seventies, but we can do it today if we have a fair playingfield.

What's happening right now is not fair. The steelworkers are losing their jobs and we are losing our capacity in this country to produce steel. That is not right. It is time for action. There are those who say: Well, just wait and let the normal trade process work. If we do that, we are going to lose steel production in the United States unfairly. It is time for us to move legislation now.

I support the Visclosky bill, H.R. 506, as a way to move this issue forward. It is time for us to help the distressed steelworkers in this country. It is time for us to help the steel companies in this country maintain their production. When they are competitive and on a level playingfield, they will be able to do that.

So, I urge the Subcommittee to act soon. Let us bring a bill to the floor and let us move legislation. Thank you, Mr. Chairman.

[The prepared statement follows:]

### Statement of Hon. Benjamin L. Cardin, a Representative in Congress from the State of Maryland

Mr. Chairman and distinguished members of the Ways and Means Subcommittee on Trade:

I applaud your efforts here today on steel dumping and look forward to an open debate on this troubling issue.

I represent many of the 4,600 men and women who work at Bethlehem Steel's Sparrows Point Division in Baltimore. They are very ably represented by locals 2610, 4727, and 9084. I say that because I, like many of you, have had the chance to meet with many of these workers and their union leaders in the last six months—in my office and around the district. They have painted a compelling and disturbing picture of the state of the industry in the wake of these unfair dumping practices.

Mr Chairman, these people are frightened and frustrated. Although no jobs have been lost yet at Sparrows Point, there has been a slowdown at the plant and the fourth quarter financial report from the company was especially bleak. Bethlehem Steel, as my friend Hank Barnette will attest, is clearly hurting.

And, to be blunt, the workers who have taken time to visit my office are furious. They are furious at the inaction of their government in the face of a foreign invasion. They are furious that 10,000 fellow steelworkers are already out of work. They are furious because they realize they're next. They are furious but they won't go quietly. And I think the House Steel Caucus has made it clear that Congress won't sit quietly either.

It is hard to argue with this fury when you consider the numbers and the facts. U.S. imports of steel from Japan jumped nearly 162-percent from 1997 to 1998. In 1998, Japan exported to the US a staggering 385-percent more steel mill products than it did in 1997, according to new statistics from the Commerce Department. It is no surprise that Japan's share of the US market for imported steel also jumped dramatically—from 7.4 percent to 15.8 percent.

At Sparrows Point in Baltimore, they experienced a 20-percent drop in hot-and cold-rolled steel from June 1997 to November 1998. During that same time, the plant weathered a 25-percent decrease in realized prices. Although they have avoided layoffs, plant officials say they can't operate at these levels for too long without them.

I contend that the American steel industry took the lumps it deserved in the 1970s and 80s and managed to reemerge stronger and more profitable because of it. Since 1985, there has been a $1 billion investment in the Sparrows Point facility. I began my career here in Congress just as this revitalized plant and industry returned to the fore in 1988.

But I also remember the darkness before the dawn. As Speaker of the House in the Maryland General Assembly throughout the 1980s, I remember that painful process for Beth Steel and the steel industry as a whole. Between 1977 and 1987, 45 million tons of steelmaking capacity was lost due to bankruptcies, plant closures, and partial closures. Employment dropped 57-percent from 442,000 to 188,000 jobs, and the wages and benefits of those workers who survived were substantially cut as well.

The industry had let itself lag behind other countries, failing to adopt new techniques and practices until these techniques and practices themselves were out of date. The industry needed to change and a revitalized international steel industry did just that.

But, Mr. Chairman, we can't blame the US steel industry for the problems it faces today. And one month declines in the levels of steel imports are nice; but I fear them to be the streaks of a false dawn.

I am a supporter of HR 506 and congratulate Rep. Peter Visclosky for his work on its behalf. The bill is simple because the problem is relatively simple. An avalanche of steel dumping began last summer; HR 506 would return import levels to what they were pre-July 1998. Let's all go back to the same level field we were all competing on. Let's get off this tilted track before it's too late.

I appreciate the complexity of the financial crisis in Asia which many agree prompted this glut of imports. I appreciate the work of Treasury Secretary Rubin in minimizing the effects of global economic problems on the US. I appreciate the distress of steel workers all over Asia, South America and Russia. But quite frankly I am concerned about the effects of steel dumping on our economy. A recent report from the Economic Strategy Institute makes it clear that the long term negative effects of steel dumping—lost production, investment and high wage jobs—easily outweigh the short term benefits of cheaper steel.

And I am most concerned about the distressed steelworkers at Beth Steel and all over the US. They are my primary responsibility—they are our primary responsibility—and we have to do more for them. I am equally concerned about the future capacity to produce steel in the US.

This industry has been sending us SOS signals for months. A full hearing on this bill and its consideration by the full House would help us convince them and the American public that we hear their calls.

Thank you.

Chairman CRANE. Thank you, Mr. Cardin.
Mr. Regula.

**STATEMENT OF HON. RALPH REGULA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. REGULA. Thank you, Mr. Chairman. First of all, I would like to ask unanimous consent to enter the statement of Jack Quinn in the record. He cannot be here today. So, I will submit that and also ask unanimous consent to put my statement in the record and I will summarize that statement.

I know that you have a lot of witnesses. I will try to keep my remarks very brief.

It goes without saying that there is a problem. We all agree on that. The issue is how to solve the problem. You have a number of options that will be available to you.

I have one option that I think is constructive and that is H.R. 412. We have approximately 50 sponsors for this bill. It is important in that it does not violate our international trade agreements. It is totally compatible with the WTO requirements. I think that is an important element.

Second, it would permit the establishment of something comparable to the VRAs, Voluntary Restraint Agreements, that worked so effectively in the eighties. Congressman Murtha and I were very involved in getting the VRAs put in place and, as a result of the VRAs—which this Subcommittee supported—we have allowed the steel industry in the United States to become probably the most efficient, the most quality-conscious, and the most productive in the world today. And, in the process, labor, management, and government worked as a team.

One result of this modernizing effort was significant downsizing. Jobs in the steel industry have gone from 440,000 to 180,000. Industry and labor have worked together on this modernizing effort. Industry invested $50 billion in new plants and equipment. So, it's not a case that the management and labor have not worked together as a team and, likewise, government was a party to the effort in establishing the VRAs.

Now we are faced with a crisis again—not because we don't have quality, not because we are not competitive, not because we don't have the most efficient steel industry, but because product is being dumped in our marketplace to get access to hard currency and to export unemployment in other countries to us. That's not fair.

In the President's report of January 7 produced as a result of a congressional request, it says "free and fair rules-based trade is essential for both global economic recovery and for U.S. prosperity." I think that establishes the benchmark that we want to achieve.

What H.R. 412 does is change the standard on section 201. It eliminates the term "substantial" because if you look in the dictionary, "substantial" is very large. So, what we have proposed to do is to make the standard compatible with WTO rules. We want an effective tool for the President to deal with the current crisis that has resulted in a loss of 10,000 jobs, and 3 companies in bankruptcy.

And, I would point out that the other feature of this bill is that it does establish an import permit and monitoring program. Such a program was suggested earlier as something that would be very important in receiving timely import data.

So, I think this bill—maybe combined with elements that are in other bills before this Subcommittee—will provide effective tools to address a very serious threat to the steel-producing unions, the management and to the United States. This crisis is a threat even to our defense capability because a viable steel industry is an important asset of any nation.

I thank you, Mr. Chairman, for holding the hearing and I look forward to action by your Subcommittee.

[The prepared statement follows:]

**Statement of Hon. Ralph Regula, a Representative in Congress from the State of Ohio**

Mr. Chairman, Congressman Levin and Members of the Subcommittee, I want to thank you for scheduling this important hearing on steel trade issues. As Chairman of the Congressional Steel Caucus, I became concerned about the serious impact that the dramatic surge of steel imports was having on the steel industry and steel workers last September when the Steel Caucus held two days of briefings on this subject. The Caucus heard from CEO's from the large integrated companies, from the President of the United Steelworkers, and from CEO's representing the minimills, the specialty steel companies, and pipe and tube manufacturers.

The message from all, at that time, was that steel imports were pouring into the U.S. at unprecedented levels and that prices of these imports were extremely low. This surge of imports at very low prices was threatening the health of the industry and the jobs of its workers.

This became a fact after the following data was finally made available to the public. Steel imports from July through November 1998 were at all-time record levels:

- in July 4 million net tons of steel entered the U.S.;
- in August 4.4 million net tons;
- in September 3.8 million net tons;
- in October 4.1 million tons;
- and, in November 4 million net tons.

Although imports did decline somewhat in December of 1998 because of the impact of the preliminary determinations in the hot-rolled steel trade cases, the level of December steel imports was still 30 percent higher than a year before. And we ended 1998 with the highest level of imports ever—41.5 million net tons of steel mill products, which represents a 33 percent increase over 1997, which was also a record year.

These unprecedented levels of steel imports continue to threaten the health of an industry and the well-paying jobs of its workers. Since the import crisis began, over 10,000 steel jobs have been lost according to the Administration's steel report. Three companies have filed for bankruptcy protection. Other workers find themselves subject to short work weeks and on temporary lay-off. Suppliers and community businesses in the affected communities are also feeling the impact of these lost steel jobs.

As you know, the steel industry and steel workers went through a painful restructuring in the 1980s which saw employment drop from over 440,000 to around 180,000. The industry invested $50 billion in new plant and equipment and to develop new production techniques. The U.S. steel industry is today a world-class competitive industry. Steel workers have become the world's most productive in terms of man-hours producing steel and the industry is among the world's low-cost and most environmentally sound industries.

Why are these steel imports surging into the United States and threatening a highly competitive industry? Other nations have pursued industrial policies over the years that have built up a steel industry using trade protection and subsidies. This has resulted in a distorted steel market world-wide, and also in tremendous over capacity in steel production world-wide. Then you have the financial collapse in Asia, and economic crises in Russia and Brazil. These nations can no longer afford to buy steel or no longer have use for the quantities of steel they once did.

Because the U.S. continues to have an open market for steel—with low tariffs on steel and no substantial non-tariff barriers—the steel that was once sold in Asia, in Russia and in Brazil is now surging into the U.S., even though U.S. steel companies and steel workers are among the world's most efficient producers. In order to obtain hard currency, foreign companies continue to ship to the world's most open market.

We were told by the Administration, and I quote from the January 7th report on steel: "Free and fair rules-based trade is essential for both global economic recovery and for U.S. prosperity." But what we have seen since July 1997 when the Asian financial crisis began and the Russian economic crisis flared up has certainly not been "fair rules-based trade." This is confirmed by the overall steel import figures and by recent preliminary decisions in dumping cases that have found substantial dumping margins.

In view of this steel import crisis, I ask the Subcommittee to reexamine our overall trade policy. I would like to pose the following questions: As we provide nations in financial and economic turmoil with international monetary aid, should these nations be allowed to export their way our of their troubles, thereby threatening a basic industry in the United States? Why should an industry, such as the steel industry, which has modernized and down-sized to become world-competitive, now be put at risk because of outside factors over which it has not control? And, do we want to become a nation without any basic manufacturing capability, totally dependent on foreign supply for such basic materials as steel? Do we want to subjugate U.S. manufacturing jobs to foreign policy objectives when those objectives could be reached by other means? I believe that these are questions that we must address and which have been brought to the forefront by this steel import crisis.

I continue to urge the Administration to take additional and immediate actions to stop unfair steel imports under their existing authority. The Administration could self-initiate a Section 201 case and provide a comprehensive solution to this import crisis.

I also believe that it is time for Congress to reexamine this existing authority and ensure that the appropriate tools are available to the industry, to labor and to Administration officials. I have introduced legislation, H.R. 412, the Trade Fairness Act of 1999, which lowers the injury standard to bring it in accordance with the World Trade Organization (WTO) Safeguards Agreement. I would like to emphasize that this change is consistent with our WTO rules. Why should the U.S. law contain a higher injury standard that is required by international law?

Section 201 of the Trade Act of 1974 is the appropriate current law remedy accepted under our international obligations to stop import surges that injure a domestic industry. It allows a comprehensive approach to solving the problem. Under current law, if the International Trade Commission determines that an article is being imported into the United States in such increased quantities as to be a "substantial cause of serious injury" then the President can take appropriate action to ensure a positive adjustment to import competition.

Current law requires that imports are a "substantial cause of serious injury" to U.S. industry. Our WTO obligations require only that imports be a cause of serious injury. Therefore my bill would delete the term "substantial" from the causation standard in Section 201. Under current law "substantial cause" is defined as a cause that is important and not less than any other cause. My bill clarifies that in order to gain relief there only needs to be a causal link between imports and injury.

H.R. 412 also would include in U.S. law the factors to be considered by the International Trade Commission, as set forth in the WTO Safeguards Agreement, to determine whether the U.S. industry has suffered serious injury. These factors include: the rate and amount of the increase in imports of the product concerned in absolute and relative terms; the share of the domestic market taken by increased imports; changes in the levels of sales; production; productivity; capacity utilization; profits and losses; and, employment.

I am proposing these changes to Section 201, to restore the effectiveness of Section 201 and to once again make it a viable remedy against import surges. With this change to Section 201, the Administration could join with the Congress, industry and labor to rekindle the partnership that was so effective during the 1980's in rebuilding this vital industry, and come up with a comprehensive solution to stop this import surge. The remedy could encompass all countries that have been exporting large quantities of steel and all products that are affected. I should also make the point that these changes to Section 201 would be applicable to any industry that is being injured by import surges.

H.R. 412 has a second section which establishes a steel import permit and monitoring program. In order to gain relief under U.S. trade laws, domestic industries must demonstrate that unfairly traded imports have caused injury. This requires complex factual and economic analysis of import data. Under normal procedures, such data is not available to the public until at least 45 days after the data has been collected for a particular month. The Commerce Department has been making steel import data available recently within three to four weeks after the end of a month. But in both cases, the data is not available until well after the imports have already arrived in the U.S. The steel import and monitoring system I propose, which is modeled after similar systems now in use in Canada and Mexico, would allow the U.S. to receive steel import data on a "real time" basis. This would allow the Administration and the industry to determine more quickly whether unfair imports are disrupting the U.S. market.

As you know, I have also been a long-time proponent of other trade law changes. In particular, I reintroduced a bill yesterday, the Continued Dumping and Subsidy Offset Act, that seeks to stop continued dumping of foreign goods after an antidumping order is in place.

Again, I thank you for holding this hearing and I urge you to take action to ensure that the Administration and our domestic steel industry and steel workers have effective tools to ensure that they can protect themselves against import surges and unfair imports. H.R. 412 in no way is a protectionist bill. It simply brings our laws into conformity with WTO standards and allows us to respond to import surges without having one hand tied behind our back. We cannot put a highly efficient domestic industry and the jobs associated with this industry at risk because of outside factors that are not under their control.

Chairman CRANE. Thank you, Mr. Regula.

Let me see, Mr. Murtha is not with us. Mr. Visclosky.

**STATEMENT OF HON. PETER J. VISCLOSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA**

Mr. VISCLOSKY. Thank you, Mr. Crane, Mr. Levin and the other Members of the Subcommittee. I understand that my prepared statement will be entered into the record.

Mr. Chairman, I am here to ask your Subcommittee to favorably report to the Full Committee and to the House of Representatives, H.R. 506. I ask because since noon, when many people sat down for a comfortable lunch in the last hour and a half, one steelworker somewhere in the United States of America was told, don't come to work tomorrow.

I have never been told not to show up for work because I have been fired. I cannot imagine the devastation that causes a family. But, pursuant to the numbers that you received from Dave Cantor, the steel analyst for the Congressional Research Service, today, the average job loss for a U.S. steelworker is every 90 minutes since this crisis started in July 1997.

Why has that steelworker lost his or her job in the last 90 minutes? Because people have violated U.S. trading statutes. They have broken our laws.

I appreciate that others have problems, particularly in the Asian Basin. That's why I testified before the House Banking Committee last year with George Becker, president of the United Steelworkers of America, to ensure that reforms took place at the IMF, International Monetary Fund, to help those in need.

I appreciate that there have been reductions in foreign aid and to supplement that loss of explicit aid we are providing aid indirectly through trade policy. But, I think it is wrong that jobs are used to supplement that trade policy.

The role of government is to not hurt one person to help another. This is not a zero-sum game we are all involved in here today. Government should add to the lives of its people.

Why is H.R. 506 necessary? The administration has acted and I do believe that Ambassador Barshefsky, Secretary Daley, and others have an absolute commitment to help those in our country. However, the very nature of our trade laws, as reiterated by the number of members that the panel spoke about during their opening remarks, is reactive. We are reacting to a problem the cause of which is discovered after the fact. I would like to suggest that we should help the administration by taking what the gentleman from New York and the gentleman from Michigan characterized as "a global approach."

The administration has acted against three countries: Japan, Russia, and Brazil. But, given trade figures that were given to the Subcommittee at 11 o'clock this morning, I would point out that exports from Indonesia are up 890 percent in January 1990 from July 1997. I would suggest that it has only dealt with some products, and that the price set for steel imports, as far as the Russian agreement is concerned, is inadequate to protect those in this country. Moreover, people will shift product lines if we do not take that global approach.

I think we should enact H.R. 506 to alert our trading partners that we are serious, the problem is urgent, Europe should be engaged, and we must give the administration flexibility, within a specific timeframe, to solve this problem. We need to be global and we need to act now. I also support the suggestion of the gentleman from Michigan that we ought to make sure that the financial resources are available to the administration to pursue the path that we can draw for them.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

**Statement of Hon. Peter J. Visclosky, a Representative in Congress from the State of Indiana**

Thank you, Mr. Chairman, for inviting my testimony on the crisis facing the American steel industry. I am grateful to you and to Mr. Levin for giving me this opportunity to discuss with you the unique place steel has in America's economy, its current challenge, the inadequacy of the Clinton Administration's response to the problem, and a proposed solution.

STEEL'S SPECIAL ROLE IN AMERICAN INDUSTRY

Steel occupies a unique place in the American economy. It is the most basic and widely used material in industry. Without it, no car would be made, no building would be constructed. A $70 billion industry in the United States, it occupies 8 percent of worldwide steel production, employs more than 170,000 Americans, and ships nearly 80 million tons of steel every year.[1] Furthermore, it is the most recycled material in North America.[2] Steel's singular importance to our nation's economic security is undisputed.

A strong domestic steel industry is also a key to the national security of the United States. The steel industry's present and future competitiveness has long been a priority of the Department of Defense because of the importance of a sufficient wartime steel supply.[3] During the Cold War, steel, like aircraft and ship manufacturing, was essential to our ability to defend ourselves if the need arose.[4] We could not then count on imports from the Soviet Union, Brazil or Japan, nor could our allies.

As recently as the Gulf War, the U.S. Army relied on American steel in 5,000 tanks, Bradleys, and other Armored Personnel Carriers.[5] At the peak of the conflict, the U.S. Navy deployed 120 ships made almost exclusively from American steel, including the aircraft carrier U.S.S. Nimitz and the battleship U.S.S. Missouri, to the Persian Gulf.[6] As the crew of the Nimitz likes to say, she represents 95,000 tons of diplomacy that carries 4.5 acres of sovereign U.S. territory anywhere in the world—that diplomacy stands on 95,000 tons of American steel.[7]

Corporate leaders from the aerospace, vehicle, and shipbuilding industries successfully argue that production lines for equipment, such as submarines and F–16s, must remain open, if for no other reason than to ensure that the means and skills to produce those ships, tanks, and planes remains ready.[8] The line of reasoning goes that our defense industrial base must maintain the capacity to increase production within a reasonable amount of time. Obviously, a domestic steel industry that cannot provide the millions of tons of steel necessary to make ships and tanks would have a devastating impact on America's ability to respond to a threat to our national security.

Steel stands strong among America's industries in boasting of the significant role it played in winning and securing our freedom.

In the second half of this century, the United States increasingly dedicated itself to open trade and the principles of the free market for every sector of our economy. Unfortunately, other nations did not follow our example.[9] The European Union, while closely patterning their trade laws after ours, built high market access barriers to steel. Russia's industry is state-owned and geared more toward keeping Russians employed than responding to market needs.[10] During the Cold War, the Soviet steel industry supported its military; now, Russia floods the U.S. market with steel to prop up its failing economy.[11] Japan, Korea and Brazil also use government subsidies and government ownership to control their domestic steel industries.[12] Subsidies are the rule, the United States is the exception. No other industry so integral to our economic freedom and national security can make that claim. We are the sole player in the global marketplace that has not intervened on behalf of its steel industry.[13] According to the Department of Commerce, the United States has low tariffs on steel products and no material non-tariff barriers to imports.[14]

## THE CURRENT STEEL CRISIS

The story of the American steel industry is almost Dickensian. For them, it truly is the best of times and the worst of times. It is a tale of two industries. One industry, steel in the 1970s and 1980s, was bloated and inefficient. Consequently, it increasingly lost market share to less expensive foreign steel imports (which accounted for 26 percent of the U.S. market in 1984).[15] However, the industry reformed itself through pain, hard work, and struggle. By 1992, steel imports fell to only 18 percent of the market.[16] The other industry, the New Steel, is the most productive, environmentally sound, and competitive in the world. It takes fewer hours of labor for steel workers in the United States to make a better quality of steel, and with less pollution, than in any other country. Yet, in 1998, foreign imports shattered the record by grabbing 35 percent of the U.S. market share.[17] American steel has failed, struggled, and reformed, and still it suffers at the hands of others.

Because of America's openness, our steel industry has been subjected to periodic surges in imports from these countries. The most recent round has left steel companies and their workers reeling. In 1998, more than 41 million tons of cheap, foreign steel flooded our shores, 33 percent more than the record.[18] The 1998 numbers are 77 percent higher than the annual average of imports since 1990.[19] The fourth quarter of 1998 showed a dramatic increase over the same period in 1997: Imports from Japan were up 141 percent, Russia was up 162 percent, Korea was up 102 percent, and Brazil was up 65 percent.[20] Imports from Russia, Japan and Brazil cost 10 to 27 percent below that of domestic producers, causing total market share of imports to skyrocket from 23 percent to a new high of 35 percent.[21] By November 1998, foreign steel was coming into the United States as low as $195 a ton, $130 a ton less than it would cost to produce here.[22]

On February 12, 1999, the Commerce Department officially recognized what the steel industry and unions have been concerned about when it announced that Japan and Brazil were selling hot-rolled steel at "unfairly low prices" in the U.S. market.[23] Commerce Secretary William Daley declared, "The situation here cries out for action because of the abuse."[24] On the same day, the Commerce Department stated that they are in talks with Russia about dumping.[25] One week later, Brazil announced that it, too, wanted to enter into a discussion over steel imports.[26]

By every measure, and recognized in every quarter, the United States steel industry is suffering. The backbone of the industry—hot-rolled steel—fell $50 a ton (18 percent) in price, in 1998 to reach a record low of $200.[27] Consequently, the steel industry's profits plummeted 50 percent in 1998 and net income was down almost 60 percent.[28] Stock prices of the biggest firms, such as U.S. Steel, LTV, and National Steel, hit the floor.[29] Salomon Smith Barney issued a report estimating that up to 30 percent of the steel industry's 170,000 jobs are endangered.[30] More than 10,000 steelworkers have either been laid off, had their hours cut, or lost their jobs completely because of bankruptcies in the industry (Laclede Steel in St. Louis and Acme Metals in Riverdale, Illinois).[31]

Critics have argued that the numbers belie an uncompetitive industry bowing to free market pressures. Fifteen years ago that might have been true. In 1982, domestic production fell to 75 million tons, 49 percent lower than in 1974.[32] Then it took 10 hours of labor to produce one ton of steel.[33] Steel companies lost their market share to imports. Steel imports rose to capture 26 percent of the domestic market in 1984.[34] The Reagan Administration was forced to negotiate Voluntary Restraint Agreements (VRAs), mainly with the European Union and Japan, to protect the industry and buy time for it to modernize and restructure.

The steel industry had its own painful role to play. The Reagan Administration required that it modernize mills that polluted the air and invest in worker training.[35] By 1987, the industry had closed 462 facilities, shed 273,000 jobs and decreased by 42 million tons of capacity.[36] It invested $50 billion in upgrading its mills and equipment.[37] The productivity of the average steelworker rose 4 percent every year, dropping the hours of labor it took to make one ton of steel from 9.3 hours of labor in 1980 to 4.8 hours of labor in 1993, a 94 percent improvement.[38] In 1999 it takes 2 hours of labor to produce one ton of steel. Recent reports now cite the American steel industry as the most competitive, efficient, and least polluting in the world.[39]

Moreover, the steel industry's renaissance showed dramatic improvements in its environmental record. The industry invested $7 billion alone in new environmental technologies since 1980.[40] It annually recycles millions of tons of steel scrap that is remelted to produce new steel.[41] The steel industry's overall recycling rate is about 65%—higher than any other industry.[42] This saves more than $2 billion in annual landfill charges.[43] In fact, each new steel product contains some amount of recycled material.[44] The industry's competitiveness and quality increased although environmental operating costs account for 10 percent of total operating costs (which often exceeds industry profits).[45]

By the time the Bush Administration let the VRAs expire in 1992, foreign imports had fallen to less than 18 percent of the U.S. market.[46] Compared to 1980, the industry had 68 percent fewer workers and 35 percent less capacity.[47]

The cause of the current domestic steel crisis is not a steel industry that cannot measure up to others in the global marketplace. Quite to the contrary, if foreign governments did not own and subsidize their steel manufacturers, and erect trade barriers that closed markets, American steel could succeed on a firm and fair footing. The ability to compete on a level playing field is what free trade is all about. However, foreign governments, as illustrated in the aforementioned figures, are charging lower prices for the steel they export to the United States than they do at home. Dumping is illegal under American law and grounds for punitive action under the rules of the World Trade Organization. Companies can engage in dumping only if their governments help them. The consequences of selling products lower than the production cost are simply too great to maintain over the long-term without trade barriers or subsidies.[48]

## ANTIDUMPING LAWS

Dumping—the practice of importing steel that cost less than its price in the home market or less than its cost to produce—has been against the law in the United States since Congress passed the Antidumping Acts of 1916 and 1921. The world recognized dumping as an unfair trading practice through the General Agreement on Tariffs and Trade (GATT) in 1948.[49] Based on principles articulated by Adam Smith and Alexander Hamilton, who were concerned with predatory trade tactics, antidumping laws were established as an extension of antitrust laws.[50] Modern antitrust laws differ from antidumping laws in several key respects. First, antitrust laws target private-sector actions while prohibitions on dumping are directed to actions taken by foreign governments. Second, antitrust laws are aimed at protecting consumers while antidumping laws seek to protect domestic producers (since they are the injured party).

More recently, the World Trade Organization (WTO), GATT's successor, rewrote Article VI, the Anti-Dumping Agreement, that authorizes member states to take unilateral steps to address dumped imports that harm domestic industries.[51] The WTO also provides a multilateral system of settling disputes if a member country violates trade rules. The typical case normally takes more than one year from initial investigation through appeal and final adjudication.[52] The U.S. has prevailed on 19 of the 21 cases decided by the WTO so far.[53] Other complaints, on bananas, beef hormones, and magazines, have been vigorously pursued by the United States. In fact, the United States brought an antidumping complaint against Mexico over high-fructose corn syrup that has remained active since September 4, 1997.[54]

THE CLINTON ADMINISTRATION'S RESPONSE

In 1997, Asian economies that were deeply intertwined—Indonesia, South Korea, Thailand and Malaysia—began to slow and were pressed to repay huge loans to struggling Japanese banks, and other international investors. Many factors, including government corruption, poor banking practices, and a host of others made the situation worse. The contagion soon spread as governments in Eastern Europe and Latin America devalued their currencies and raised interest rates. Country after country lined up at the door of the International Monetary Fund (IMF) asking for emergency loans to pay their debts.

Russia's economy fell drastically in the summer of 1998 when the ruble lost more than twice its value and the government defaulted on its foreign debt. Brazil soon looked like it would follow suit. In each country the story was the same—markets dried up, unemployment rose and investment capital either fled for safer pastures or disappeared altogether.

The IMF faced a crisis of its own. Its commitments to help struggling economies depleted its treasury and caused it to look to its donor states, the United States chief among them, for help in filling its coffers. As members of Congress, each of us was concerned about the impending peril facing world markets and were eager to find a responsible means of stemming the tide of economic collapse. The only question facing Congress was which avenue to take. Domestic fiscal considerations and changes in policy led to a marked decrease in appropriations for foreign operations. This clearly limited the Clinton Administration's ability to deal with international economic problems. The Administration had to find a way to go around Congress and keep troubled economies afloat.

Treasury Secretary Robert Rubin found such a way: America would use the strength of its own economy to provide a stabilizing force for countries encountering financial difficulties. Nations such as Korea, Japan, Russia, and Brazil could trade cheap steel for jobs. This indirect foreign aid can be measured in the value of each American steel job lost. A dollar out of a steelworker's pocket is a dollar used to prop up an ailing foreign economy. Therefore, the Administration has been very hesitant to enforce our antidumping laws lest it send the wrong message to other countries about America's economic strength.[55] Secretary Rubin has stated publicly, in response to a question about the surge of steel into the American market, that "[O]ur country has benefitted greatly from having relatively open markets. I think it has contributed to lower prices, greater choice and a more efficient economy."[56] However, as Secretary Daley has said, "Enforcing our trade laws is not protectionist."[57] U.S. Trade Representative Charlene Barshefsky echoed this view when she stated, "U.S. trade laws are also a vitally important means of ensuring respect for U.S. rights and interests in trade."[58]

Secretary Rubin went on to say that "the appropriate people at the right time" would deal with the surge of foreign steel that is undercutting our domestic industry.[59] Apparently, the time is not yet right. Instead of taking direct action in the face of mounting evidence of the damage already done, the Administration, in a report mandated by Congress, responded with $300 million in proposed tax breaks to the steel industry (that the industry neither solicited nor desired) and stated that it would continue to work through the WTO-approved framework to deal with the problem.[60] Part of this approach included the Commerce Department's recent announcement that antidumping duties would be imposed on hot-rolled steel from Japan and Brazil, and the tentative agreement it has reached with Russia to limit their imports.[61]

Unfortunately, the Administration's action has done nothing to address the fundamental problems faced by the American steel industry. Unlike direct foreign aid, which each American taxpayer shares equally, our domestic steel industry bears the entire burden of indirect foreign aid through the sacrifice of their jobs. The supposed long-term benefit of making a particular sector of the economy absorb the impact of the world's financial woes should not obscure the inherent unfairness and long-term damage done to thousands of individual steel workers. The Administration should be explicit in its efforts to provide overseas assistance. Instead, it hides behind the mounting casualties—in the form of lost jobs, slowed production, and shrinking capacity—in the American steel industry. While the Commerce Department investigates and the U.S. Trade Representative negotiates, steel workers continue to be laid off. Furthermore, the Commerce Department's action against Japan and Brazil applies only to one product from those two countries. Further discussions with Brazil are merely that—discussions.[62] The recent agreement with Russia does not go far enough. Instead of continuing to talk and monitor import data, as Ambassador Barshefsky has stated, the Administration should aggressively pursue negotiated agreements with countries to achieve a global, comprehensive resolution to the surge of cheap steel imports.[63] As a stick in their negotiations, the Administration can point to one bill that provides a quantitative solution to the matter—H.R. 506, the Stop Illegal Steel Trade Act (SISTA).

The tentative agreement the Commerce Department reached with Russia, if it is finalized, is a good example of what the Administration might accomplish when Congress pushes it into action with strong steps of our own. Through its use of quotas and bans that apply to all steel products from Russia, rather than just one or two, the Administration is following the Visclosky-Traficant approach to end this crisis.[64] However, the Russian steel deal is only one step in the right direction. Its sets quotas that are too high and minimum prices that are too low. It is clearly not a solution that is fair to the steel industry or to steel workers.

### H.R. 506, THE STOP ILLEGAL STEEL TRADE ACT (SISTA)

SISTA, bipartisan legislation cosponsored by over 170 members of Congress, requires that the Administration return steel imports to the pre-surge levels of July 1997. How the Administration gets there is entirely up to the President and his advisers. The bill explicitly provides for tariff surcharges, VRAs, and quotas. These measures, arguably, violate the WTO's general prohibition on unilateral antidumping measures without first meeting certain established criteria.[65] However, the House of Representatives is already on record as supporting measures to end the steel crisis that do not comply with the WTO.[66] H.Res. 598, sponsored by Congressman Traficant, expressed the sense of the House that the Administration should ban steel imports from countries who are not abiding by our trade agreements with them due to illegal dumping.[67] The measure passed overwhelmingly in the 105th Congress, 345 to 44.[68] Furthermore, neither Russia nor Ukraine, both of whom are major participants in the steel surge, are members of the WTO. Consequently, such measures do not apply, even theoretically, to those countries. For WTO members whose flood of exports will be stemmed by this bill, the WTO's dispute settlement system is well-equipped to deal with their complaints. Meanwhile, America's market and, most important, steel workers' jobs, will no longer be threatened.

Ambassador Barshefsky was right when she said we should not stop imports for reasons other than unfair trade.[69] If the Administration wishes to avoid meeting other nations before a WTO hearing panel, it can find a way that is WTO-compliant to bring this crisis to a close. SISTA gives the Administration permission to "otherwise" ensure that the volume of steel imports does not exceed pre-surge levels.[70] Personally, I would welcome any action by the President that made SISTA a moot issue because that would mean we have reached an end to the crisis facing tens of thousands of American steel workers. Until that time, SISTA stands by to do what the Administration cannot—defend an industry vital to our national security, and tens of thousands of American jobs, from attack by a tidal wave of illegally dumped, cheap foreign imports.

Thank you, Mr. Chairman.

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54. World Trade Organization, Overview of the State-of-Play of WTO Disputes, February 17, 1999.
55. Costa, February 15, 1999.
56. Jack Lucentim, “Rubin Defends Imports as Steel Trade Surges,” Journal of Commerce, December 9, 1998.
57. Blustein, February 13, 1999.
58. Barshefsky, January 26, 1999.
59. Ibid.
60. Report of the President to Congress on the Steel Crisis, January 7, 1999.
61. Department of Commerce, Press Release, February 22, 1999.
62. Kepp, February 22, 1999.
63. Barshefsky, January 26, 1999.
64. H.R. 506 and H.R. 502.
65. WTO, Article VI of GATT, 1994.
66. H.Res. 598, Roll Call #532, October 15, 1998.
67. Ibid.
68. Ibid.
69. Blustein, February 13, 1999.
70. H.R. 506, Section 1.

Chairman CRANE. Thank you, and our next witness is Mr. Traficant.

## STATEMENT OF HON. JAMES A. TRAFICANT, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. TRAFICANT. Thank you, Mr. Chairman. I would ask that my statement be incorporated into your record.

Chairman CRANE. Without objection, so ordered.

Mr. TRAFICANT. I would like to talk about this in a little bit of a different vein, talking about GATT and the World Trade Organization. Our policy so far I think has been misguided and it's hurt our industry.

America has taken Europe to GATT over beef and over bananas. GATT ruled in our favor. Europe laughed in GATT's face. GATT referred us to WTO. WTO ruled in both cases in our favor. Europe laughed at WTO's ruling, then later appealed it. In the process is now a reference back to GATT which will be about a 3-year malaise over bananas and beef.

For every head of cattle we export, we are importing 11. We exported 44,000 hogs and imported a half a million. Hogs are selling for 8 cents a pound.

I am talking about GATT. The dilemma bananas and beef posed were nonmilitary, so we didn't have much of a choice. Now, in October, we passed a ban in the House as a nonbinding resolution. Japan's exports to American steel dropped 22 percent. I recommend you bring out the Visclosky bill but you allow the Traficant amendment to be offered on the floor, which is simply a 3-month ban.

I want to read this to you. In article 21 of GATT, it states, "nothing in this agreement shall be construed to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and material as it carried on directly or indirectly for the purpose of supplying a military establishment."

Steel is not styrofoam. We are clearly in our rights to take a stand legally in the world and my bill just calls for a 90-day ban. I don't care what the final workout is because I know in 90 days this problem will be solved. You do not regulate illegal trade, you do not manage it, coordinate it, or massage it with international bodies. You ban it.

That is my feeling very strongly here. And I believe we have delegated the role of Congress, constitutionally mandated with the power to regulate commerce with foreign nations, and given it to the White House. And they are playing politics with it. As a Democrat, I will say that. They have been weak.

But, I want to let this panel know that in the negotiated voluntary agreement with Russia there is a 6-month moratorium on this steel—too little, too late. My legislation speaks right to the core. I want an opportunity for an amendment to whatever vehicle you bring out to present this argument. I think it needs to be heard on the floor of the House.

I thank you.

[The prepared statement follows:]

**Statement of Hon. James A. Traficant, Jr., a Representative in Congress from the State of Ohio**

Mr. Chairman, Mr. Vice-Chairman and Members of the Committee. I ask that my written statement be submitted for the Record.

THE IMPACT OF STEEL DUMPING ON U.S. STEEL PRODUCERS, STEELWORKERS AND THE U.S. ECONOMY

U.S. steel companies have transformed themselves. I believe that statement is of utmost importance in understanding. The U.S. steel industry is no longer the inefficient, uncompetitive entity it was in the 1970s. I am not here today to ask for special favors to save a dying American industry. The truth is, the U.S. steel industry underwent a painful restructuring in the 1980s—losing hundreds of thousands of jobs and investing over $50 billion into new technologies, equipment and facilities. Millions have been expended to retrain steelworkers. As a result, U.S. steel companies are technologically-advanced, remarkably competitive, and employ some of the most highly-skilled workers in the world today.

The question is, Mr. Chairman, why are we here today? If we have a world-class steel industry and world-class workers, why is the U.S. steel industry not turning out so much as a simple profit during a time of record steel demand and consumption in the United States?

The answer is simple. Our foreign competitors have been dumping steel in America below market value for well over a year. This practice, which has been allowed to continue unencumbered by the Clinton Administration, has had a devastating effect on the U.S. steel industry and U.S. steelworkers.

The numbers are incredible. In 1997, imports of hot-rolled carbon steel flat products averaged approximately 525,000 tons per month. In 1998, monthly imports averaged almost 1 million tons per month. The surge was concentrated in the last half of the year, which led to sharply falling prices and shipments by domestic producers. Similarly, hot-rolled steel imports averaged 676,000 tons per month from January to June, but then exploded to an average monthly rate of 1.3 million tons from July to November. November 1998 imports reached an all time record of 1.6 million tons, capturing over 55 percent of the American market that month.

Japan alone accounted for 41 percent of the import surge in the first 11 months of 1998. Russia and Korea accounted for another 38 percent. By product group, hot-rolled sheet and plate-in-coil accounted for almost 50 percent of the volume surge in 1998. However, import surges are clearly not limited to the three countries and two products that are on everyone's lips. Steel dumping has become a global event. For example, in the first 11 months of 1998, steel imports were up 167 percent from Japan, up 60 percent from Russia, and up 112 percent from South Korea. But during that same time period, steel imports were also up 68 percent from the Ukraine, up 150 percent from Australia, up 105 percent from South Africa, up 114 percent from Brazil and up a whopping 586 percent from Indonesia. Dumping is dumping, Mr. Chairman. Our laws should be enforced across the board. Why isn't the Administration looking at all potential violators?

What impact has steel dumping had on an industry vital to U.S. national security? It's not just that U.S. steel companies aren't turning a profit during a time of record demand and consumption—U.S. steel companies are posting devastating losses. For example, Bethlehem steel reported a $23 million loss for the fourth quarter of 1998, compared to the net income of $42 million for the same quarter in 1997. Bethlehem is just a snapshot of a widespread problem. Ongoing unfair trade practices have cost 10,000 steelworkers their jobs and threatened the job security of many thousands more. Ten thousand lost jobs over two months translates into 860,000 hours of lost earnings. With an average hourly wage rate of $18.25, that's $16 million in lost wages. That's not just a $16 million loss to the U.S. economy. How much will the federal government pay out in unemployment compensation and job retraining, or worse—welfare, housing vouchers, and Medicaid? These men and women aren't hopeless or helpless. They are highly-skilled, well-trained, hard-working, law-abiding, taxpaying citizens.

*The Effectiveness of U.S. Trade Laws*

U.S. trade laws have been of little help in resolving the ongoing import surges quickly, or with any sense of urgency. While the Administration has taken action to expedite the antidumping petitions, the process continues to be multi-leveled, complicated and exceedingly slow. I have been told that the entire process is expected to persist a minimum of nine months, from start to finish. However, a lengthy investigative process is only one facet of our trade law effectiveness problem.

There is one overreaching problem that the U.S. steel industry, steelworkers amd Members of Congress have run into like a brick wall: it is the Administration's unwillingness to enforce the law.

First, the steel dumping investigation has been focused on three countries: Japan, Russia and South Korea. Granted, these three countries are responsible for approximately 79 percent of the steel dumping. But what about the other 21 percent? Why are we not pursuing these violators—violators that account for one-fifth of all steel dumping?! Similarly, just as steel dumping is not limited to three countries, it is not limited to two products. If all but a few countries and products are ignored with respect to steel dumping, what does this say about the quality of enforcement? It seems clear that our trade laws are not equally enforced and violators not ardently pursued.

Second, if enforcement of our trade laws is inconsistent and uneven at best in an officially-requested investigation and highly-publicized case, what is the quality of enforcement when an a antidumping petition has not been filed? In other words, is the U.S. steel industry case purposely being mishandled, or is this the best the federal government is capable of when called upon? Not much of a choice, is it?

Let's look at a similar case, to illustrate my point. While the White House continues to drag its feet on steel, U.S. Trade Representative Charlene Barshevsky said the United States is going to the mat with the European Union—over bananas. That's right, the Administration has drawn up a list of goods—from cashmere sweaters to pork and pasta—on which to impose 100 percent additional tariffs totaling $520 million a year, to force the EU's hand on bananas. Think about it. While Uncle Sam is prepared to wage a trade war over bananas, 10,000 steelworkers are receiving unemployment compensation.

Finally, and most importantly, this Administration would rather negotiate empty promises than enforce our trade laws. U.S. trade laws were designed by Congress to protect our economic and national security and our sovereignty. However, it has become obvious to me that this Administration is unwilling to take the type of definitive action necessary to deal with this serious crisis. The voluntary restraints the Administration has asked of Japan is like putting a kid in a candy store and asking him not to eat. No disincentives, no repercussions—it's strictly voluntary. Promises won't help the 10,000 steelworkers who have lost well-paying jobs and promises won't stop industry giant Bethlehem steel from closing the doors on two of its plants, and neither will $300 million in tax relief.

While I support relief for the steel industry, I am livid that the President expects the American taxpayer and the steelworkers who have lost their jobs to pay for the illegal actions our foreign competitors. Perhaps if the Administration enforced our trade laws for a change, and penalized dumping, we would collect enough revenue to pay for tax relief for our domestic steel industry.

*H.R. 502/FASTA, the "Fair Steel Trade Act"*

The time for negotiating, monitoring and litigating are long past. Tax breaks and retraining will not bring back good-paying manufacturing jobs and industries vital to our national security. It's time to stop the feet dragging and do something FASTA!

My bill, H.R. 502, the "Fair Steel Trade Act" (FASTA), would force the Administration to impose swift and severe penalties on those countries that have flagrantly and repeatedly violated our trade laws. Specifically, FASTA will impose a three-month ban on imports of steel and steel products from Japan, Russia, South Korea and Brazil.

FASTA is strong, fast and to-the-point. Our trade laws are exceedingly slow and not equitably enforced by the Administration. Negotiations are at best a drawn-out process, and at worst, a handshake of empty promises. America's steel industry and steelworkers need our help now. The message FASTA sends is the Congress of the United will not tolerate illegal trade practices.

On the one hand, FASTA's moratorium has been criticized as being unreasonable and in violation of the General Agreement on Tariffs and Trade (GATT) by free traders. On the other hand, the ban has been challenged by pro-steel supporters for being too short, and therefore, ineffective. I would like to address both criticisms.

First, a total, but temporary ban on steel is not an unreasonable action. FASTA calls for a three-month ban on steel. I found it interesting that the Clinton Administration recently negotiated a six-month moratorium on hot-rolled steel products—twice the length of the FASTA—in its agreement with Russia. That is precisely the type of action I and many in Congress have been advocating for months.

Second, some Members of Congress are worried that FASTA will violate the principles of GATT. The truth is, Japan, South Korea, Brazil [1] and numerous other co-signers of GATT have violated GATT by dumping steel in America below market value. As such, FASTA is not a precedent-setting measure. Our trading partners

[1] Russia is a special case. Since Russia is not a co-signor of GATT or a member of the World Trade Organization (WTO), the United States and Russia are not violating the principles of GATT.

have restricted U.S. imports based upon national security or health and safety principles for years. In fact, Section XXI of GATT, entitled Security Exceptions, makes exceptions for trade measures taken in the interest of national security. Specifically, Article XXI of GATT states, "Nothing in this Agreement shall be construed...(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests...(iii) relating to the traffic in arms, ammunition and implements of war and *to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment* [emphasis added]." The U.S. steel industry, a direct and indirect supplier of materials used in maintaining implements of war—unarguably—is an industry vital to U.S. national security. If our trading partners want to challenge FASTA's national security claims, they are welcome to do so at the WTO.

Third, FASTA is not meant to start a trade war, hence the three-month ban. It is merely a tool to allow the U.S. steel industry to recover while giving the Administration time to: 1) expedite these antidumping petitions through the investigations process, and 2) negotiate import agreements on steel. FASTA also gives Congress an open window of opportunity to propose and enact substantive trade reform legislation. In fact, FASTA is part of my two-pronged approach toward ensuring that U.S. trade laws are more responsible and accountable to U.S. industry. Within a month, I plan to introduce a comprehensive trade reform bill that will have a positive, long-term effect on American industries and American workers.

Finally, FASTA's three-month moratorium has been criticized by some as not being long enough to have any effect. I strongly feel that FASTA is a wake-up call to countries that continue to engage in unfair and illegal trade activities, without causing undue financial hardship. I believe that the United States and our trading partners can reach an understanding in three months time. Anything longer is protectionist. In terms of long-term effectiveness, it is imperative that Congress enacts comprehensive trade reform legislation and stops patching the holes with band-aid-type measures.

*Conclusion*

In his Presidential campaign, Bill Clinton spoke of using U.S. trade policy to build a bridge to the 21st century for American workers. Mr. Chairman and Members of the Committee, that bridge is crumbling under the weight of millions of tons of illegally dumped foreign steel. I say to you today: If Congress does not take extraordinary and decisive action, hundreds of American communities and thousands of American families will enter the 21st century in poverty.

Thank you.

Chairman CRANE. Thank you. We want to make sure that "traffic can't come in," right? [Laughter.]

Mr. TRAFICANT. Just allow it as an amendment and you can bring out whatever you want, Mr. Chairman.

Chairman CRANE. OK.

Mr. Greenwood.

**STATEMENT OF HON. JAMES C. GREENWOOD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. GREENWOOD. We want to make sure the traffic can't come in as long as it doesn't come in "by crane." [Laughter.]

Thank you, Mr. Chairman, for giving me the opportunity to testify. The first several pages of my testimony spell out the problem and you don't need to hear that from me. You have heard it enough and you will hear it a lot more. Instead, I want to just focus briefly on solutions.

Mr. Chairman, I am a fair trader, I am not a free trader. I have supported NAFTA, the North American Free Trade Agreement, strongly, I have supported GATT, I am a supporter of fast track, and year after year, as the union members from my district have visited me in my office, they have argued against these policies. I have defended these policies, explaining the importance of America being an exporter and the number of jobs created because of our openness to trade. But I can't look my 300 laid-off steelworkers in the eyes anymore and tell them that there is nothing wrong with the system. I can't defend the system as working for them.

We don't need to throw it out but we need to make some changes. I am a cosponsor of the Regula bill. I think that bill ought to be brought straight to the floor. It does improve the system and it improves it significantly.

I also today, after a lot of anguish and a lot of research, became a cosponsor of Mr. Visclosky's bill, H.R. 506, because I believe the foreign countries have broken our trade laws and they have caused American steelworkers to lose their jobs.

I would, however, like to work with the sponsors of the legislation to clarify the intent of the legislation to ensure that it does not violate WTO safeguard regimes and I think that that's possible. In its present form, the bill could be interpreted to leave that opportunity open—to be inconsistent with WTO—but I believe that the bill could be amended slightly to make sure that it does not violate the safeguards of WTO. That's a possibility.

I also would like to add that under section 201 of the Trade Act of 1974, the International Trade Commission may conduct an investigation upon receipt of a petition from numerous sources, including a resolution of the House Ways and Means Committee. I think it was Mr. Houghton who wondered why 201 had not been invoked. This Committee can invoke it, the administration can invoke it, the requisite Committees of the Senate can invoke it. I am not clear on why the industry or the unions have not invoked the protections that are available to them under 201. Following an affirmative injury determination, the Commission may recommend a duty, a tariff rate quota, or other appropriate remedy in a way that does not run afoul of the procedures set forth by the International Trade Commission.

I believe that the administration must be more aggressive in its discussions with our trading partners, they must understand that our patience and forbearance are not inexhaustible and that the continued practice of dumping steel into our market in violation of bona fide trading agreements risks bringing a less measured and a more protectionist response from this Congress and from the American people. I urge this Subcommittee to impress upon the administration the need to make illegal dumping a priority in any bilateral or multilateral discussions we have with our trading partners around the world.

While I appreciate the administration's reluctance to be overly harsh with emerging democracies—most notably, Russia—suffering from a cash-starved and a troubled economy, the time has come to make it clear to Russia that membership in the WTO will not come until it commits itself fully to responsible trading practices.

And finally, I believe we in Congress have an opportunity in the new round of trading talks in Seattle to send a strong message to our negotiators that the issue of ending the practice of illegal dumping must be one of our highest priorities. And I thank you again for the opportunity to come forward and I yield back.

[The prepared statement follows:]

**Statement of Hon. James C. Greenwood, a Representative in Congress from the State of Pennsylvania**

Good Afternoon, Mr. Chairman, distinguished members of the Ways and Means Subcommittee on Trade. Thank you for convening this hearing.

Today, you will hear from an array of witnesses on the real and present danger our domestic steel industry faces from the unfair trading practices of countries in South America, Europe and Asia.

These practices are no longer in dispute. They are well documented by the International Trade Commission and the U. S. Department of Commerce. In fact, just last Friday, Commerce issued a preliminary determination against Brazil and Japan, finding high dumping margins for both these nations. Significant subsidization of imported steel products was also identified in Brazil.

This was not a surprise to anyone participating in or observing the U.S. steel market. Last November, President Clinton noted that our country had just experienced a one-year 300 percent increase in imports of hot-rolled steel from Russia and a 500 percent increase in hot-rolled steel from Japan.

Five days later—one day before Thanksgiving—the impact of this unprecedented dumping of steel hit my district.

Three hundred of the men and women employed by U.S. Steel at the Fairless Works were notified that they would be laid-off indefinitely. Altogether, an additional thousand Fairless jobs will be at risk if this crisis is allowed to continue unabated.

Ironically, the seeds of this crisis were sown over the past decade and a half, as our domestic steel industry undertook the most expansive restructuring in the history of any basic industry. In the early 1980's, suffering huge losses from aging plants and equipment, big steel nearly surrendered its competitive edge to foreign producers and thousands of American steelworkers left the mills forever.

But domestic producers fought back. By the middle of this decade, with billions invested in new plants, equipment and employee training, our domestic steel producers recaptured their place as the world's most competitive steel manufacturers. In product quality, customer service and productivity, no one ranks higher.

Yet, while our steel producers were bringing new and environmentally compliant steel facilities on-line, many of our trading partners continued to retain excess capacity through government subsidies. They relaxed environmental standards for older plants on the one hand and imposed import barriers on the other. Today, the amount of excess capacity worldwide may be as great as 300 million tons. That is roughly one-third more steel making capacity in any year than world markets could possibly absorb.

Due to the current growth in the U.S. economy, demand for steel is strong and there has been no shortfall in the ability of our domestic steel industry to provide high quality products for its customers in the quantities needed. Still, the volume of imported steel reached historic proportions in 1998, even as prices for imported steel plummeted nearly $100 per ton last year.

The effects at home have been devastating. Thousands of layoffs, families and communities shattered, and an increasing number of bankruptcy filings have come in the wake of this import tsunami.

Equally disturbing to me is the time it takes to identify and punish these steel-making predators. In the case being reviewed by the Administration—one that was brought last September—a final injury determination is not expected until June, nearly three quarters of the business cycle.

Before WWII, when President Franklin Roosevelt first explained why the Lend-Lease program was important in the fight to save Europe, he used the analogy of the "good neighbor." A good neighbor, he observed, would certainly lend a hose to a neighbor whose house was on fire, even if he himself didn't join in to extinguish the fire. I wonder what President Roosevelt would have thought of a neighbor who responded to the urgent call by remarking that he would first have to undertake a lengthy six-step investigation to determine if his neighbor's house were actually on fire and then develop an appropriate form of relief.

Sadly, we are the reluctant neighbor under existing trade laws. To me, it seems unfair to our vital interests.

Instead of rewarding American industries that have met the challenge of global markets by becoming leaner, environmentally cleaner and more competitive, we punish them and ourselves by allowing subsidized products, produced under questionable environmental standards, to flood our markets while our government painstakingly crosses its bureaucratic "t's" and dots its regulatory "I's."

Our basic industries cannot hope to remain strong if our trading partners are allowed to dump their excess capacity on our shores at prices that fail to reflect the genuine cost of production. We need to remind our partners that our commitment to free and fair trade rests on the innate sense of fairness in the American people. If these kinds of unfair practices go unchanged, the American people may decide they have seen enough, risking retaliatory measures and trade barriers that no reasonable person wants.

The Regula bill, of which I am a cosponsor, is a responsible first step to providing timely relief to our domestic steel producers. By harmonizing injury standards with the World Trade Organization (WTO) rules, we will significantly strengthen our ability to address these dumping cases. The development of a steel import-monitoring program, envisioned in the proposed legislation, is also an important new tool in our efforts to fight illegal steel dumping.

Further, the Administration must be more aggressive in its discussions with our trading partners. They must understand that our patience and forbearance are not inexhaustible and that the continued practice of dumping steel into our market, in violation of bonafide trading agreements, risks bringing a less measured and more protectionist response from this Congress and the American people.

I urge this Committee to impress upon the Administration the need to make this issue of illegal dumping a priority in any bilateral or multilateral discussions we have with our trading partners around the world.

If we do not get an adequate response from the WTO and our bilateral negotiations, then we will be forced into unilateral steps to protect American interest.

And while I appreciate the Administration's reluctance to be overly harsh with emerging democracies suffering from a cash-starved and troubled economy, the time has come to make clear that the membership in the WTO will not come until they commit themselves fully to responsible trading practices.

Finally, I believe we in Congress have an opportunity in the new round of trading talks to send a strong message to our negotiators that the issue of ending the practice of illegal dumping must be one of our highest priorities.

This November, when all our families gather to give thanks to God and our nation for our prosperity, I want the hardworking men and women at the Fairless Works, and at steel mills across this country, to be able to give thanks that we in this Congress took the wise and responsible actions needed to enable them to return to their jobs.

Again, thank you for this opportunity to testify before your Committee this afternoon.

Chairman CRANE. Thank you very much, Mr. Greenwood.

And now, if you folks would retire to the row behind you, I would like to call our next panel to testify.

Hon. Ron Klink, Hon. Jack Quinn, Hon. Bart Stupak, Hon. Stephen Buyer, Hon. Michael Doyle, Hon. Marion Berry, and Hon. Dennis Kucinich.

And I will remind all of you to please keep your oral presentations to 5 minutes or less. You can watch the light in front. When it turns red, that's 5 minutes and any printed statements will be made a part of the permanent record. And, I would ask that you proceed in the order I presented you.

Mr. Klink will go first.

## STATEMENT OF HON. RON KLINK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. KLINK. Thank you very much, Mr. Chairman. I would ask again for unanimous consent that my entire statement be put into the record and I be able to talk extemporaneously for further——

Chairman CRANE. All of it.

Mr. KLINK [continuing]. Or less if it's your pleasure.

Let me just say that, rather than adding to a lot of what was said, I would like to associate myself with the remarks that many of you made on the panel—and thank you for being here—and also a lot of the comments that were made by the previous panel.

I just wanted to focus in on a couple of points. Number one, I agree and want to just expand upon what was said earlier. We need not try to mix foreign policy and defense policy with trade policy and my sense is that there are some people in this administration who have been trying to do that and I think that they may have influenced the President wrongly on some of these issues.

We have seen, throughout the last several decades, a tremendous downturn in the number of people who are employed in core industries in our Nation—in southwestern Pennsylvania, in the Midwest, in the Great Lakes, and across America. The steel industry has been bashed, steelworkers have been laid off by the tens of thousands, and communities have fallen apart. I watched it in Pittsburgh, which, at one time, was known as the "Steel City." It's not the "Steel City" anymore and when those workers are laid off in those numbers and you go into a town like Aliquippa, Pennsylvania and 13,000 workers are laid off in 1 day and the steel mill is leveled, the town is leveled. Families are torn apart. Violence occurs both in the community and among family members. People commit suicide.

What we are talking about here is a diminishment of a core industry and a prolonged period of time where this is just getting a lot worse. And, what we have heard is, well, we will make more trade adjustment assistance available. What does that do? The horse has been stolen. What are we going to train him to do?

We have heard, well, we are going to give the steel industry more tax writeoffs. They don't need tax writeoffs. They need us to enforce the trade laws.

I would say, gentlemen—and I know that, from your statements, most of you agree—the people that we are talking about, the 10,000 that have been laid off, occur at a time when we have not recovered from those tens of thousands that were laid off in the seventies and eighties. Those communities haven't recovered yet. These are people that work very hard. It used to take 10 man-hours to produce a ton of steel, now it takes 2 man-hours. That is how much better they have gotten just since 1970. They work hard, they play by the rules, and now the Federal Government fails to enforce those rules. What kind of a message do we send to those workers that are out there in the workplace?

We have had a record trade deficit of $168.6 billion last year. Steel is the tip of the iceberg. As it has been said, we have gone bananas over bananas, we have got a beef with beef but when are we going to stand up for steel, a core industry? If this country finds itself in a defense dilemma, we will need steel. We can put blueberries on our cereal. The heck with bananas. We can live without them.

I agree. We have to have the Visclosky bill. I am a cosponsor of the Regula bill. I think that Mr. Traficant is right, we need a 3-month moratorium, just to have time to figure out where it is that we are and where we need to be. We have watched the textile industry go away, the shoe industry go away, so many of our industries we have chased away. Don't make the steel industry the next industry.

Mr. Crane, Mr. Levin, Mr. Coyne, the rest of you and Mr. Becerra, thank you for being here, thank you for putting time in this. It is, I would say in closing, Congress that shall regulate commerce. It is not the President, it is not the Supreme Court, it is not the WTO, it is the Congress that our Constitution says will regulate commerce. And thank you for holding this hearing and taking the first step toward putting Congress back in that role again. It is an honor to be with you.

[The prepared statement follows:]

**Statement of Hon. Ron Klink, a Representative in Congress from the State of Pennsylvania**

Thank you, Chairman Crane, Ranking Member Levin, and Members of the Trade Subcommittee for holding this hearing. The United States has become the international dumping ground for the glut of steel on the worldwide market. As a result of that, our steel companies have had to reduce their operating capacity to 74% and lay off 10,000 steelworkers. Your Committee has the jurisdiction to bring legislation to the Floor to send a firm signal that we will not tolerate steel dumping. But before I turn to legislation, I ask that we put ourselves in our steelworkers' shoes.

In return for lost jobs, the Administration offered to give Trade Adjustment Assistance to displaced steelworkers. What good will that do? We need to fight to *save steelworkers' jobs in the first place* rather than catering to foreign nations' unfair trade practices. Trade Adjustment Assistance will not guarantee them new jobs.

Back in the 80's when I was a TV reporter in Pittsburgh, I saw thousands of steelworkers lose their jobs when their plants closed. Now, here we go again. Over the past year 10,000 of our American steelworkers have lost their jobs because of steel dumping. In the Pittsburgh area alone, we lost 1,000 steelworkers' jobs in just four months.

I've seen the devastation caused when a plant shuts down. Whole towns disappear or become shells of what they once were. In the early eighties, I saw the pain on the faces of the steelworkers in Aliquippa, PA when it was announced that more than 10,000 of them would lose their jobs due to plant closings. I will never forget the feeling of despair and loss that set in immediately. To this day Aliquippa has never recovered and the sad fact is there are hundreds of cities just like Aliquippa all across this country. I ran for Congress because I was tired of standing by while no one did anything for these people and my message today is that once and for all we must do something to protect this vital American industry from being destroyed by illegal foreign dumping.

We have every reason to be *proud* of our American steel industry. Twenty years ago the steel industry may not have been the most efficient or competitive, but since then it has worked hard to modernize and update its processes. Now we have the most efficient steel producers in the world. They have reduced the amount of time it takes to make a ton of steel from 10 man-hours to just 2 man-hours. Regarding workplace safety, U.S. steel makers have cut their injury and illness rates by 40% in the past 10 years and under the scrutiny of government regulators they have cut pollution discharges by 90% since 1970. In contrast, foreign competitors who dump cheap steel into this country are subsidized by their governments and are completely unburdened by tough environmental regulations.

What have the American steel companies gotten in return for providing good jobs, stimulating the economy, contributing to our tax base, and being good environmental citizens? An offer of a $300 million tax break to try to make up for their losses. What good will that do? Tax breaks for the steel companies won't put food on the table for our displaced steel workers. Nor will tax breaks bring the steel companies back to operating capacity so the workers can get their jobs back. The only answer is to stop the flood of cheap foreign steel being dumped on our nation.

We must consider our trade deficit and the ripple effect the steel dumping crisis will have on our economy. Last Saturday, February 20, an article in the Washington Post emphasized that the U.S. trade deficit hit a record $168.6 billion last year, "and may well go higher...thanks to continuing economic troubles overseas."

Other industries worry about the negative ripple effect unfair trade has on our economy. For example, every Member of Congress got copy of a letter the American Foundrymen's Society wrote to President Clinton a few days ago saying that the metalcasting industry also competes in a global marketplace. They urged the President "to take all action necessary to enforce our trade laws" because they also face tough foreign competition. Overseas foundries are often subsidized, pay lower duties than U.S. foundries in order to export products, and do not have to meet environmental and safety regulations as our businesses do in this country.

Congress must take immediate action. Mr. Chairman, I am an original co-sponsor of several bi-partisan bills to help our workers and our industries get relief from unfair trade. Each bill has been referred to the Committee on Ways and Means. Mr. Regula has introduced HR 412, the Trade Fairness Act of 1999, which will allow the President to provide relief to an industry which has been seriously injured by imports. This bill also would start a steel import monitoring program to determine whether unfair imports are disrupting the market.

Mr. Traficant has introduced HR 502, a bill to ban imports of steel and steel products from Japan, Russia, South Korea and Brazil for three months.

Mr. Visclosky has introduced HR 506, a bill that would require foreign nations to limit their steel exports to the United States back to the levels preceding July of 1997, when the current steel dumping crisis started to heat up.

I want to see any one of these bills come to the Floor for a vote. I've heard that some Members are reluctant to sign on to these bills because they do not want to be perceived as anti-free trade. The question is not about free trade, but about *fair* trade. Last month, every Member of Congress received a letter from Kevin Kearns, president of the United States Business and Industry Council, which represents 1,500 *conservative* business leaders. Mr. Kearns encouraged Members to co-sponsor the Visclosky bill, because the Council recognizes that the U.S. steel industry receives no government subsidies, but *does* stimulate our economy. If we lose our American steel industry, then once it is gone, it will not be brought back.

The Committee on Ways and Means has jurisdiction over all of the bills I just mentioned. I urge you to consider them and send them to the Floor for a vote. I ask you to do that for our displaced American steel workers, so they can rebuild the financial security they were fighting hard to achieve; for the steel companies, who have worked to be the best steel producers in the world; and for the workers and industries from broad segments of our economy who need to see us get tough, permanently, with foreign countries who have betrayed our good-faith effort to promote open and *fair* trade.

Thank you Chairman Crane, Ranking Member Levin, and Members of the Subcommittee.

Chairman CRANE. Thank you, Mr. Klink.

Mr. Buyer.

**STATEMENT OF HON. STEPHEN E. BUYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA**

Mr. BUYER. Thank you, Mr.——

Chairman CRANE. Excuse me for my earlier mispronunciation.

Mr. BUYER [continuing]. Chairman, Mr. Levin, Members of the Subcommittee, I also join with our colleagues thanking you for this hearing today and I am sure all of you understand the importance of the steel industry to this country. I also appreciate your willingness to accommodate many of the different Members and to hear their views at this hearing.

This Subcommittee, over the years, has taken steps to support American competitiveness in world markets. This Subcommittee has worked very hard to put into our trade laws steps that can be taken to support our industries, our workers, when other countries do not play by the rules. I thank you for your hard work and dedication.

The steel industry has invested billions of dollars in modernizing itself and, at the same time, improving environmental compliance. It has learned the hard way of the benefit of cutting-edge technology. The industry has seen a 5.5 percent annual gain in productivity. American steelworkers are the most productive in the world.

I have met with these steelworkers. I have toured the modern facilities in Indiana. I have spoken with these workers, who like their fathers and their grandfathers, have worked the mills in northern Indiana. Generations have contributed to America's growth to become a world power.

I doubt there is one person in this room who disagrees on the objective, and that is to ensure a free trade policy is, in fact, fair trade. Nobody in this room supports illegal subsidies or illegal dumping of steel products or any other products or commodities from foreign sources into this country. The disagreement arises over the methods and the tactics that lead us to this objective.

I respect the efforts of Pete Visclosky and Jack Quinn, who are not only my friends but colleagues. Mr. Visclosky's district and my district border each other. We share Lake and Porter counties in Indiana. We have cooperated on many issues for the benefit of our constituents in Indiana. Pete and Jack have introduced legislation to impose quotas on steel products coming into this country. They have done this with the best of intentions and, I surmise, out of a level of frustration felt by all of us when our trading partners take advantage of the U.S. open market and the slow wheels of our bureaucracy.

But, my view is that this legislation and the imposition of quotas should always be the solution of last resort. I would prefer that this administration, working with Congress and this Subcommittee, in particular, make sure that the laws already on the books are enforced and utilize the tools that this Subcommittee has given the executive branch to do so.

This industry and labor can petition the government to take action. They have done so in the case of hot-rolled steel products and those cases are being pursued. I believe the administration has operated in good faith to expedite these investigations, for which I applaud them.

The administration could take unilateral action on the dumping and unfairly subsidized products coming into the American market and they should do such action. I regret the administration has not done that today.

If we utilize our current trade laws and prove that another country is unfairly trading, we bring credibility to our laws and to our determination to see them enforced and to our policy of encouraging other countries to play by the rules. If we impose quotas without these findings, we lose the moral high ground.

I am also concerned that taking a hasty action would bring retaliation from our trading partners. Take the case of Japan. Japanese steel is not going to evaporate if the United States hastily imposes quotas. It might return to the United States in the form of automobiles, trucks, or other vehicles. The Japanese could make their market even more restrictive than it has already done so to our agricultural products, for example. The price for a fully operating steel industry and full employment for its workers should not be hardship in the automotive market or other industries.

Nonetheless, we cannot foot-drag. The administration must give this situation the highest priority, and the cases must be pursued expeditiously. I would encourage the Subcommittee to hold the administration's feet to the fire. However, if the administration does not move swiftly and does not listen to Congress, then perhaps it may be necessary to further consider what Pete Visclosky and Jack Quinn have offered as a solution.

I am on Mr. Regula's bill but I am hopeful that we don't need to move to quotas. I would ask that the rest of my statement be submitted for the record.

[The prepared statement follows:]

**Statement of Hon. Stephen E. Buyer, a Representative in Congress from the State of Indiana**

Mr. Chairman, Congressman Levin, Members of the Subcommittee. I first want to express my appreciation for holding this hearing today. I am sure you realize the importance of the steel industry, its workers and communities for many of us in Congress. I also appreciate your willingness to accommodate Members who wished to present testimony in person.

This Subcommittee, over the years, has taken steps to support American competitiveness in world markets. This Subcommittee has worked very hard to put into our trade laws steps that can be taken to support our industries and our workers when other countries do not play by the rules. I thank you for your hard work.

The steel industry has invested billions of dollars in modernizing itself and at the same time improving environmental compliance. It has learned the hard way of the benefit of cutting-edge technology. The industry has seen a 5.5% annual gain in productivity. American steelworkers are the most productive in the world.

I've met with steelworkers. I've toured the modern facilities that have made Indiana the number one producer of steel in the world. I've talked to workers whose fathers and grandfathers worked in the mills—generations who have contributed to America's growth into a world power.

I doubt there is one person in this room that disagrees on the objective—that is to ensure that free trade is fair trade. Nobody in this room supports illegal subsidies and illegal dumping of steel products, or any other products or commodities, from foreign sources into this country.

The disagreement arises over the methods and tactics that lead us to the objective. It is my honor to call Pete Visclosky and Jack Quinn my friends. Pete's district and my district border each other. We share Lake and Porter Counties. We've cooperated on many issues for the benefit of our constituents and Indiana. Pete and Jack have introduced legislation to impose quotas on steel products coming into this country. They have done this with the best of intentions and, I surmise, out of a level of frustration felt by all of us when our trading partners take advantage of the United States' open market, and the slow wheels of our bureaucracy.

But my view is that the legislative imposition of quotas is a solution of last resort. I would far prefer that this Administration, working with the Congress, and this Subcommittee in particular, enforce the laws already on the books and utilize the tools that this Subcommittee has given to the executive branch to do so.

Industry and labor can petition the government to take action. They have done so in the case of hot-rolled steel products and these cases are being pursued. I believe the Administration has operated in good faith to expedite these investigations, for which I applaud them.

The Administration could take unilateral action on dumping and unfairly subsidized products coming into the American market. I regret that the Administration has not taken this step and I have encouraged them to do so.

If we utilize our current trade laws, and prove that another country is unfairly trading, we bring credibility to our laws, to our determination to see them enforced, and to our policy of encouraging other countries to play by the rules. If we impose quotas without these findings, we lose the moral high ground.

I am also concerned that taking hasty action would bring retaliation from our trading partners. Take the case of Japan.

Japanese steel is not going to evaporate if the United States hastily imposes quotas. It might return to the United States in the form of automobiles, trucks and SUVs. The Japanese could make their market even more restrictive than it already is to American agricultural products. The price for a fully operating steel industry and full employment for its workers should not be hardship in the automotive market and its workers or bankruptcy for American farmers or other industries.

Nonetheless, we cannot foot drag. The Administration must give this situation its highest priority. These cases must be pursued expeditiously. I would encourage this Subcommittee to hold the Administration's feet to the fire. However, if the Administration does not move swiftly and forcefully to enforce our trade laws, it will be necessary for Congress to consider quotas.

Any tools that could be given to the Administration to strengthen the ability to enforce our trade laws would be helpful. To this end, I have cosponsored Mr. Regula's bill, H.R. 412, to address the injury standard that must be showed under Section 201. This legislation would help any industry in the future that might find itself in the same position the steel industry is now. I encourage the Subcommittee to take action on this measure.

Finally, there is a national security aspect to this problem that must be factored in the equation. The defense of our nation depends on steel. Our aircraft carriers, cruisers, tanks, HUMMVEES, are all made of steel. We cannot become dependent on foreign sources for this material so vital to our national defense. The United States is the only superpower in the world. We cannot project our force around the globe, which from time to time is necessary, without the ability to move men and equipment quickly. It is in our national interest to maintain a vigorous steel industry.

I hope the Subcommittee will be vigilant on this issue and take those steps that are necessary to see that our trade laws are enforced and strengthened. I thank the Subcommittee for the opportunity to testify.

Chairman CRANE. Without objection, so ordered. Thank you.

Now, Mr. Stupak.

**STATEMENT OF HON. BART STUPAK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. STUPAK. Well, thank you, Mr. Chairman and Ranking Member Levin and Members of the Trade Subcommittee for inviting me here to this critically important hearing. I appreciate the opportunity to share my views of this crisis as it is threatening communities in my district. I urge my colleagues on this Subcommittee and in Congress to take aggressive action to eliminate the illegal dumping by foreign steel producers.

Mr. Chairman and Members of this Subcommittee, I do not have steel manufacturers in my district. I have iron ore mines. Over the past 20 years, these mines have made very painful changes in their manufacturing process of iron ore pellets to become more efficient. Our community has watched in horror as the Reagan administration did nothing to prevent the illegal dumping during the eighties.

In 1980, we had over 4,500 people employed in the iron mines in northern Michigan. Today, we employ less than 2,200 people. Mr. Chairman, we cannot absorb any more losses in the mining industry. If we do not take action to prevent this illegal activity, there will be no domestic iron ore mines, no domestic steel industry. It can't get any smaller.

If we were to stop all illegal dumping of foreign steel today, there would still be a large oversupply of steel. I have heard reliable estimates that in the Minnesota and Michigan mines there will be around 8 million tons of oversupply. This means that there is a strong possibility that mines in my district may need to shut down for 4 weeks or 6 weeks later this year. I want to remind the Subcommittee that this will occur even if we stopped the illegal dumping right now—today, at 4 o'clock—because there is such a large volume of illegal dumped steel in this country that it is hurting my miners now.

The Clinton administration has been slow to recognize this concern. However, with some recent action, I am pleased to see that the administration has taken a somewhat more aggressive action. Still, the preliminary determinations on the antidumping from Japan and Brazil—as well as the agreement with Russia—are only a start—a good start, but it is a start. It does not, however, solve the problem.

While preliminary numbers seem to show a decline in imports, we must remain vigilant. Time and time again we have seen foreign producers make a mockery of our trade laws by playing cat and mouse with the Commerce Department and the U.S. Trade Representative. If the administration stops applying pressure, import levels will again begin to rise immediately. We must stop the illegal dumping here and now.

I am a cosponsor of the Regula, Visclosky, and Traficant bills. I, like all members of the steel caucus, want to work with this Subcommittee to enact meaningful legislation to ensure that we end the current crisis and prevent it from occurring in the future.

We should not fiddle while Rome burns. We should not fiddle while mines remain inactive. We must take strong and forceful action now. Our constituents, our communities, are desperate for our help. Mr. Chairman and Members of this Subcommittee, I urge you to hear their plea and I pledge to work with you and all Members to solve this crisis. Thank you.

[The prepared statement follows:]

**Statement of Hon. Bart Stupak, a Representative in Congress from the State of Michigan**

Thank you for inviting me to this critically important hearing. I appreciate the opportunity to share my views of a crisis that is threatening communities in my district. I urge my colleagues on the subcommittee and in the Congress to take aggressive action to eliminate the illegal dumping by foreign steel producers.

Mr. Chairman, I do not have steel manufacturers in my district, I have iron ore mines. Over the last twenty years, these mines have made painful changes in their manufacturing process to become more efficient. Our communities watched in horror as the Reagan Administration did nothing to prevent the illegal dumping during the 80's.

In 1980, over 4,500 people were employed the iron mines in Northern Michigan. Today they employ less than 2,200. Mr. Chairman, we cannot absorb more losses. If we do not take action to prevent this illegal activity, there will be no domestic iron ore mines, no domestic steel industry. It cannot get any smaller.

If we were to stop all illegally dumping of foreign steel today, there would still be a large oversupply of steel. I have heard reliable estimates in the Minnesota and Michigan mines there will be around 8 million tons of oversupply. This means that there is a strong possibility that mines in my district will need to shut down for 1 ‡ months later this year. I want to remind the subcommittee that this will occur even if the illegal dumping ceased today, because of the large volume of illegally dumped steel that exists in this country now.

The Clinton Administration was very slow to recognize this concern. However, I am pleased to see that the Administration has recently taken more aggressive action on this issue. The preliminary determinations on the anti-dumping from Japan and Brazil, as well as the agreement with Russia, are a good start. But they will not solve the problem.

While preliminary numbers seem to show a decline in imports, we must remain vigilant. Time and time again we have seen foreign producers make a mockery of our trade laws by playing cat and mouse with the Commerce Department and the US Trade Representative. If the Administration stops applying pressure, import levels will begin to rise immediately. We must stop the illegal dumping here and now.

I am a co-sponsor of the Regula, Visclosky and Trafficant bills. I, like all members of the Steel Caucus, want to work with this subcommittee to enact meaningful legislation to ensure that we end the current crisis and prevent it from occurring in the future.

We should not fiddle while Rome burns. We must take strong and forceful action now. Our constituents, our communities are desperate for our help. Mr. Chairman, I urge you to hear their plea and I pledge to work with you and all members to solve this crisis. Thank you.

Chairman HOUGHTON [presiding]. Thank you, Congressman Stupak.

Congressman Doyle from Pennsylvania.

**STATEMENT OF HON. MICHAEL F. DOYLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. DOYLE. Thank you very much, Mr. Chairman.

Mr. Chairman, Mr. Levin and Members of this Subcommittee, thank you very much for this opportunity to speak today. I will keep my remarks brief and ask that my written statement be submitted for the record.

I do want to thank you all for convening this hearing on this issue and, especially, I would like to thank my good friend, Bill Coyne, representing the city of Pittsburgh, who has done so much work to focus attention on this current steel crisis.

I am testifying here today because the current steel crisis is more than just another important issue. Those of us in Congress who represent steelmaking communities are deeply concerned. We are seeing an entire industry—what was a healthy, thriving industry—begin to hollow out under pressure from below-production cost imports. America's steel production capacity is quickly being warehoused at an alarming rate.

To my knowledge, not a single economic analyst has contested the fact that foreign steel producers are dumping their product in the United States at prices that are below the cost of production. This is not a question of traditional competitive economic pressures forcing inefficient producers out of business. The recent moves by the administration to address dumping by Japan, Brazil, and Russia implicitly acknowledge this fact.

Mr. Chairman, I am sorry to say it but it appears that the American steel industry and American steelworkers have somehow been caught up in someone else's economic theory. The theory has it that export-led economic growth and unhindered exports to the United States will allow the damaged economies of Asia and Russia to grow their way out of this crisis.

But, this theory has taken no account of the real-world consequences. The decision seems to have been made to just offer the afflicted countries permanently a major portion of America's heavy industry. Whatever theoretical economic policy we are laboring under cares nothing for the future—for the future of our steel industry, or for America's future in an unstable world where tanks and planes might be guided electronically but they will still be made of steel.

Moreover, this economic theory apparently calls for just ignoring flagrant violations of our trade laws by continuing to take no action to protect our domestic steel market or just incentivizing this dumping to continue.

Mr. Chairman, steel has seen tough times before. All of us from those areas remember the tough times and steel came back with tremendously higher labor productivity, new equipment and better management. But, the current crisis is different. We are forcing a good industry to go bad. We are going to permanently lose a good industry here, a strategic industry, that is important to our national defense with good jobs and a good product.

Mr. Chairman, I will just close by saying there is something wrong with a trade policy that allows 10,000 Americans to lose their jobs before we do something. We need to act decisively to end this crisis. We need an early warning mechanism to deal with future violators swiftly and decisively.

I support the Visclosky bill—I am a cosponsor of that bill. I have also cosponsored Mr. Regula's bill. I hope this Subcommittee will report those bills up. Thank you very much.

[The prepared statement follows:]

**Statement of Hon. Michael F. Doyle, a Representative in Congress from the State of Pennsylvania**

Mr. Chairman, Mr. Levin, and Members of the Subcommittee, thank you very much for this opportunity to speak today. I want to thank Chairman Crane for convening this hearing on this important issue. I'd also like to thank my good friend, my colleague representing the City of Pittsburgh, Bill Coyne, who has done so much work to focus attention on the current steel crisis.

I'm testifying here today because the current steel crisis is more than just another important issue. Those of us here in the Congress who represent steelmaking communities are deeply concerned. In our communities we're witnessing layoffs and plant closings spreading like wildfire. We're seeing an entire industry, what was a healthy, thriving industry, begin to "hollow out" under pressure from below-production-cost imports. The steel industry is one of the most critical strategic industries there is, and yet America's steel production capacity is quickly being warehoused at an alarming rate.

This is not a question of traditional competitive economic pressures forcing inefficient producers out of business. To my knowledge, not a single economic analyst has contested the fact that foreign steel producers are dumping their product in the U.S. at prices that are below their cost of production. The recent moves by the Administration to address dumping by Japan, Brazil, and Russia implicitly acknowledge this economic fact—that illegal steel dumping is occurring.

Mr. Chairman, this is an extraordinary situation. I'm sorry to say it, but the American steel industry and American steelworkers have somehow been caught up in someone else's economic theory. This theory has it that export-led economic growth, and unhindered exports to the U.S., will allow the damaged economies of Asia and Russia to grow their way out of their crisis. But this theory has taken no account of the real-world consequences—such as the loss of jobs and infrastructure in one of America's few remaining heavy industries.

Rather than submitting for consideration a comprehensive plan for relief for the affected countries, the decision seems to have been made to just offer them, permanently, a major portion of America's heavy industry. Whatever theoretical economic policy we're laboring under cares nothing for the future, for our future steel industry, or for America's future in an unstable world, where tanks and planes might be guided electronically but they'll still be made of steel. And this economic theory, whose apparent aim is to create a free and fair world market for everyone, this economic theory calls for just ignoring flagrant violations of trade law.

Mr. Chairman, one of the stated tasks of the Committee today is to examine whether the proposed steel legislation, the Visclosky, Traficant, Regula, and Aderholt bills—whether these bills are consistent with our obligations under the WTO. But how can the United States enforce, and support, a system of international trade law that other countries are ignoring? That's no way to build a free and fair international economic framework. Dumping of steel at below-production-cost is simply illegal. By continuing to take no action to protect our domestic steel market, we're just incentivizing this dumping to continue.

In our steel industry, 10,000 jobs have been lost nationwide. Hundreds of mills and plants have closed in the past year and a half. Steel has seen tough times before, as all of us here remember. In the 1980s, the American steel industry went through a serious and difficult restructuring. And steel came back, with tremendously higher labor productivity, new equipment, and better management. But the current crisis is different—a foreign economic crisis, and illegal and wrong foreign trade practices, are forcing a good industry to go bad. As I grew up in Pittsburgh, my father and grandfather were steelworkers; and these days, both steelworkers and clerical workers at the steel companies in my district, my constituents, my friends, and friends of my family, have lost their jobs. So I see the damage first-hand. It is wrong to stand by and witness the wrecking of the steel industry by illegal foreign business practices.

I'm urging you, my colleagues, some of you whose communities are farther removed from the steel crisis, please listen to our concerns and work to stop steel dumping before it's too late. We're going to permanently lose a good industry here, a strategic industry, important to our national defense, with good jobs and a good product. The idea that America can be a pure service economy is not true, it's always been an unproven economic theory—America makes things, America makes steel, and we're going to continue making steel. I urge the Committee to continue its investigation of this crisis, and I urge the Members to do everything in their power to resolve this situation so that a powerful sector of the American economy is not permanently knocked out for the sake of this temporary crisis.

Chairman HOUGHTON. Thank you very much.

Congressman Berry.

## STATEMENT OF HON. MARION BERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. BERRY. Thank you, Mr. Chairman, Mr. Levin. I appreciate the chance to speak with you today, although I am not here to give you a good report about what is happening in the districts that I represent.

Unfortunately, I am here to share with you the pain of a small community, the Blytheville area of Arkansas. I don't represent one of the traditional steel districts that you hear about. Actually, I represent a part of the country where farming is much more common. I grew up on a farm and so did a lot of the men and women who now work in the steel plants.

Before the steel industry came to the Blytheville area, there was a U.S. Air Force base located there. It was closed in the early nineties. If any of you have lived through the closing of a military base, you know how devastating it can be to a local economy and a community. These are hard-working folks who had the rug yanked by the Federal Government less than a decade ago. Jobs were lost and money just disappeared from the community.

I am proud to say that this town has rebounded in a remarkable way. The Nucor Steel Company came in and built a ministeel plant that created hundreds of high-paying jobs for the whole region. Passlode and Maverick and, since then, others have joined Nucor in either expanding or building new facilities in the area that has resulted in many good jobs.

These Nucor jobs were averaging about $60,000 a year. In the Arkansas Delta, that is a remarkable sum—the median family income for the district that I represent is only about $18,000 per year. That is low, I know, but think about this: the per capita income is less than $10,000. That is poverty.

The steel industry rescued many, many families from living at a subsistence level. The residents finally were getting properly rewarded for their hard work. These are farmers turned steelworkers. They know how to work long, hard hours and get the job done. This happens to be a good fit. The way it works in this company is that the more steel it has produced, the more money the employees take home. I can tell you that, until last year, these folks were making an unbelievable amount of steel and, for that part of this country, an unbelievable living for their families.

That was before last year. I would like to run through a couple of figures that really illustrate what this surge of imports has done to one small town in America. As I have said, much of the income of the steelworkers in Arkansas is directly related to the amount of steel that is produced. If American steel is not able to compete with dumped foreign steel, obviously there is going to be less steel produced at these factories.

The two main steel producers have about 1,200 employees and, as I have said, they average $60,000 a year. Other steel-related industries in the region employ about a thousand people and they average about $30,000 a year. All of these employees have seen their incomes go down by 30 percent as a result of the unfair trade practices of the foreign steelmakers and our government's inaction on their behalf.

A quick calculation shows that we have seen $30 million disappear from this community. I consider that this $30 million was stolen from the constituents of the 1st Congressional District of Arkansas by the foreign companies. This is not fair and it is not right.

I know that this is not a result of poor performance. The plants in Arkansas are some of the most efficient in the world. People there had every reason to believe that they were putting out the best product at the best price that it could be produced. Under normal economic circumstances, this is a guarantee of success. Normal circumstances don't include illegal action that our government permits to continue.

This dumped steel should alarm everyone in Washington. I have lost a lot of faith in our country's commitment to its citizens and that faith can only be restored by taking the strongest possible steps to end this dumping. I have met many times over the last several months with Representatives from the USTR on this issue and continue to hear the same thing—they are working on the problem. So far, the administration that has promised to work on the problem has done nothing for the people in the Blytheville area who has lost their jobs and continue to suffer because of financial crises overseas.

We have seen the reports. We know the numbers. We have been promised action. But, unfortunately, nothing has been done and steps have not been taken to fix the problem. What the steelworkers in the district that I represent and all over the country need are solid, immediate plans to end the flow of underpriced steel that is flooding our markets, not empty promises. We simply cannot solve the world's financial crises on the backs of the steelworkers of the United States of America.

Mr. Chairman, I know that some of these bills before this Subcommittee are rather aggressive in solving this crisis. Some have been labeled protectionist. I want to address that very briefly. I have always advocated free trade. I worked hard for the passage of fast track. I supported NAFTA and GATT in my previous position with the administration. I do not come before you recommending this legislation lightly.

My belief in free trade is rock solid but it is predicated on fairness. Given a level playingfield, our industry can compete with any in the world. But, I would challenge anyone to look at these export figures and tell me with a straight face that our antidumping laws have not been egregiously violated. Illegal actions deserve stern punishment.

It is my hope that this Subcommittee will look favorably on the various bills that have been introduced to address this crisis and act quickly to bring them to a vote. Only the most aggressive action by the United States will ensure that our trading partners do not continue their illegal actions which are harming our citizens and our communities. The time has long since passed to evaluate and commiserate. The time now is for action—strong and decisive action. That is what the constituents deserve. This is what I will work to achieve. And, again, I thank you, Mr. Chairman, for this opportunity.

[The prepared statement follows:]

**Statement of Hon. Marion Berry, a Representative in Congress from the State of Arkansas**

Thank you, Mr. Chairman and Mr. Levin (Ranking Dem).

I appreciate the chance to speak today, although I am not here to give you a good report about what's happening in the my District. Unfortunately, I am here to share with you the pain of a small community in the Blytheville area of Arkansas.

I don't represent one of the traditional steel districts that you hear about. Actually I represent a part of the country where farming is much more common. I grew up on a farm, and so did a lot of the men and women who now work in steel factories. Before the steel industry came to the Blytheville area, there was a U.S. Air Force base located there. It was closed in the early 90's. If any of you have lived through the closing of a military base, you know how devastating it can be to a local economy and the community. These are hard working folks who had the rug yanked out by the federal government less than a decade ago. Jobs were lost and money just disappeared from the community.

I'm proud to say that this town has rebounded in a remarkable way. The Nucor steel company came in and built a mini-mill steel plant that created hundreds of high paying jobs for the whole region. Since then, another Nucor plant has been built nearby, and numerous other steel jobs have emerged as a result. These Nucor jobs were averaging $60,000 per year. In the Arkansas Delta, that's a remarkable sum—the median family income for my Congressional District is only about $18,000 per year. That's low, I know, but think about this—the per capita income is less than $10,000. That's poverty. The steel industry rescued many, many families from living at a subsistence level. The residents finally were getting properly rewarded for their hard work. These are farm-folks, turned steel workers. They know how to work hard, long hours to get the job done. This happens to be a good fit. The way it works in this company is that the more steel that's produced, the more money the employees take home. Let me tell you: until last year these folks were making an unbelievable amount of steel, and for that part of the country, an unbelievable living for their families.

That was before last year. I'd like to run through a couple of figures that really illustrate what this surge of imports has done to one small town in America. As I have said, much of the income of the steel workers in Arkansas is directly related to the amount of steel that is produced. If American steel is not able to compete with dumped foreign steel, obviously there's going to be less steel produced at these factories. The two main steel producers have about 1200 employees, and as I've said they average $60,000 a year. Other steel related industries in the region employee another 1000 people and they average about $30,000 a year. All of these employees have seen their incomes go down by 30% as a result of the unfair trade practices of foreign steel makers—and our government's inaction on their behalf. A quick calculation shows that we have seen $30 million dollars disappear from this community. I consider this $30 million dollars stolen from my constituents by foreign companies. This is not fair, and it's not right.

I know that this is not a result of poor performance. These plants in Arkansas are some of the most efficient in the world. People there had every reason to believe that they were putting out the best product at the best price that it could be produced. Under normal economic circumstances, this is a guarantee of success. Normal circumstances don't include illegal action that our government permits to continue. This dumped steel should alarm everyone in Washington. I have lost a lot of faith in our country's commitment to its citizens and that faith can only be restored by taking the strongest possible steps to end this dumping. I have met many times over the last several months with representatives from USTR on this issue and continue to hear the same thing-that they are working on the problem. So far, the Administration's promise to "work on the problem" has done nothing for the people in the Blytheville area who have lost their jobs and continue to suffer because of financial crises overseas. We have seen reports. We know the numbers. We have been promised action. But unfortunately, nothing has been done and steps have not been taken to fix the problem. What the steel workers in my District and all over the country need are solid, immediate plans to end the flow of underpriced steel that is flooding our market, NOT empty promises. We cannot solve the world's financial crises on the backs of our steel workers.

Mr. Chairman I know that some of the bills before this committee are rather aggressive in solving this crisis. Some have labeled them protectionist. I want to address that briefly. I have always advocated free trade. I worked hard for the passage of Fast Track. I supported NAFTA and GATT and in my previous position with this Administration, I helped negotiate some of the GATT provisions for agriculture. So I do not come before you recommending this legislation lightly. My belief in free trade is rock solid—but it is predicated on fairness. Given a level playing field, our industries can compete with any in the world. But I would challenge anyone to look at these export figures and tell me with a straight face that our anti-dumping laws have not been egregiously violated. Illegal actions deserve stern punishment.

It is my hope that this Committee will look favorably on the various bills that have been introduced to address this crisis and act quickly to bring them to a vote. Only the most aggressive action by the United States will ensure that our trading partners do not continue their illegal actions which are harming our citizens and communities. The time has long since past to evaluate and commiserate. The time now is for action—strong and decisive action. This is what my constituents deserve, and this is what I will work to achieve.

Thank you again Mr. Chairman. I yield back and will answer any questions the Committee may have.

Chairman CRANE [presiding]. Thank you, Mr. Berry.

And, our final witness in the panel is Mr. Kucinich.

## STATEMENT OF HON. DENNIS J. KUCINICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. KUCINICH. Thank you, Mr. Chairman, Members of the Subcommittee.

We are here because the policy of the administration on international finance and trade is contributing to a crisis for American workers and industries. Much of the rest of the world is experiencing a severe recession, if not depression. Many of these countries have witnessed a dramatic devaluation of their currencies, which makes their products very cheap when sold in the United States.

Steel is a case in point. Even if the Department of Commerce and the International Trade Commission had not made preliminary determinations that foreign nations were illegally dumping steel in the United States, foreign steel would still underprice American steel because of the devalued currencies of those nations.

This is why section 201 and 301 trade cases are important but not adequate. Cheap, foreign steel will continue to underprice and take away market share from American steel companies and American steelworkers. As this process continues, it is reflected statistically in a growing trade deficit. The administration's policy response to the global economic crisis has been to encourage foreign producers to keep manufacturing for sale in the United States. In other words, the centerpiece of the administration's policy is to widen the U.S. trade deficit. This is contributing to layoffs in many U.S. industries and it has reached a crisis level in steel.

There is no question that the U.S. trade deficit is growing at a rapid pace. The goods and services trade deficit grew nearly 54 percent last year over the preceding year, according to figures compiled by the Economic Policy Institute, and reached a level of $169 billion, according to the U.S. Department of Commerce. Cheap, foreign steel is flooding the American market. Last year, a record amount of foreign steel came to the United States. In the third quarter, 54 percent of foreign steel was brought to the United States. More steel was brought than in the third quarter of the preceding year.

At the same time, American workers in industries affected by foreign imports are losing their jobs. We are here today because the steelworkers have been dramatically affected by the import of foreign steel made cheap by currency devaluation.

An estimated 10,000 American steelworkers have already lost their jobs. Steelworkers are not losing their jobs because the American steel industry is inefficient. In fact, American steel is the world's most efficient. The reason American steelworkers are losing their jobs is that the price of foreign steel is so much cheaper—due to the devaluation of the currencies of those countries.

Steelworkers are not the only workers losing their jobs to cheap imports. According to the Economic Policy Institute, 285,000 American workers lost their manufacturing jobs between March 1998 and January 1999. The inflow of foreign products made cheap by currency devaluation is having and will continue to have a profound, negative effect on the U.S. economy. The Financial Times wrote in an editorial on February 1 that the U.S. trade deficit is "unsustainable"—unsustainable because record levels of consumer debt combined with mounting American job loss and resulting loss of wages and benefits will make it impossible for Americans to continue to spend record amounts on foreign products.

Nothing the administration has done to date recognizes that only comprehensive action to stem the inflow of foreign steel made cheap by currency devaluation will, in effect, work to resolve this. On the contrary, members of the administration have counseled that America "stay the course" and continue importing cheap foreign imports at record levels.

When the administration announced an agreement with Russia on Monday, February 22—which shows that the administration can do something when it wants to—I am concerned that is the limit of what the administration response will be to directly curb the inflow of cheap foreign steel. Left at that, this response will be inadequate. Similar agreements are needed with Brazil and Japan and I am concerned the administration will be deterred from taking effective action because of the World Trade Organization. Of course, an agreement with Russia is not subject to the WTO because Russia is considered a "nonmarket economy." Brazil and Japan are full members of the WTO.

I want to address the objection that our remedy for the steel crisis conflicts with the World Trade Organization. I do not believe that the WTO is a legitimate reason for the administration or this Congress to fail to limit steel imports. When Congress passed the WTO Implementation Act in 1994 and gave the administration negotiating authority for the WTO in 1988 and again in 1994, Congress did not do so knowing that the cost would be the American steel industry.

I defy anyone to show me that any congressional committee discussed and accepted the demise of the steel industry as an acceptable and foreseeable cost of passing fast track and the WTO. It simply did not happen because Congress did not anticipate that the WTO would prohibit appropriate, quota-based limits on imported steel made cheap by currency devaluation. If you feel the WTO does not permit America to take effective steps to preserve the steel industry from the import surges caused by currency devaluation, then it is a clear signal that the Uruguay round Agreement was inadequate.

Why should that stop us? Congress has always and routinely refined and amended laws based on experience. In conclusion, we should treat the question of the WTO no differently. This Subcommittee hopefully will report and Congress should pass the Visclosky-Quinn-Kucinich-Ney steel import bill. If the WTO is deemed the problem, Congress should choose to preserve the steel industry and change the WTO Agreement just as it would any other inadequate, defective law.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**Statement of Hon. Dennis J. Kucinich, a Representative in Congress from the State of Ohio**

We are here because the policy of this Administration on international finance and trade is contributing to a crisis for American workers and industries.

Most of the rest of the world is experience a severe recession, if not depression. Many of these countries have witnessed a dramatic devaluation of their currencies, which makes their products very cheap when sold in the United States. Steel is a case in point. Even if the Department of Commerce and the International Trade Commission had not made preliminary determinations that foreign nations were illegally dumping steel in the U.S., foreign steel would still underprice American steel because of the devalued currencies of those nations. This is why Section 201 and 301 trade cases are important but not adequate. Cheap foreign steel will continue to underprice and take away market share from American steel companies and American steel workers. As this process continues, it is reflected statistically in a growing trade deficit. The Administration's policy response to the global economic crisis has been to encourage foreign producers to keep manufacturing for sale in the U.S. In other words, the centerpiece of the Administration's policy is to widen the U.S. trade deficit. That is contributing to lay-offs in many American industries, and it has reached a crisis level in steel.

There is no question that U.S. trade deficit is growing at a rapid pace. The goods and services trade deficit grew nearly 54 percent last year over the preceding year, according to figures compiled by the Economic Policy Institute, and reached a level of $169 billion, according to the U.S. Department of Commerce. Cheap foreign steel is flooding the American market. Last year, a record amount of foreign steel came to the U.S. In the third quarter, 56 percent more foreign steel was brought to the U.S. than in the third quarter of the preceding year.

At the same time, American workers in industries affected by the foreign imports are losing their jobs. We are here today because the steel workers have been dramatically affected by the import of foreign steel made cheap by currency devaluations. An estimated ten thousand American steel workers have already lost their jobs. Steel workers are *not* losing their jobs because the American steel industry is inefficient. In fact, the American steel industry is the world's most efficient. The reason American steel workers are losing their jobs is that the price of foreign steel, though more *in*efficient, is so much cheaper due to the devaluation of the currencies of those countries. Steel workers are not the only workers losing their jobs to cheap imports. According to Economic Policy Institute, 285,000 American workers lost their manufacturing jobs between March 1998 and January 1999.

The inflow of foreign products made cheap by currency devaluation is having and will continue to have a profound, negative effect on the U.S. economy. The *Financial Times* wrote in an editorial on February 1 that the U.S. trade deficit is "unsustainable." Unsustainable because the record levels of consumer debt, combined with mounting American job loss, and resulting loss of wages and benefits, will make it impossible for Americans to continue to spend record amounts on foreign products.

Nothing the Administration has done to date recognizes that only comprehensive action to stem the inflow of foreign steel made cheap by currency devaluation is necessary. On the contrary, in recent statements to Congressional committees, members of the Administration have counseled that America "stay the course" and continue importing cheap foreign imports at record levels. While the Administration announced an agreement with Russia on Monday, February 22, which shows what the Administration can do when it wants to, I am concerned that it is the limit of what the Administration will do to directly curb the inflow of cheap foreign steel. Left at that, the Administration response will be completely inadequate. Similar agreements are needed with Brazil and Japan, and I fear that the Administration will be deterred from taking effective action because of the World Trade Organization. Of course, an agreement with Russia is not subject to the WTO, because Russia is considered a "non-market economy." Brazil and Japan are full members of the WTO.

The Administration's policy response to the worldwide economic recession is unsustainable. The U.S. cannot continue as an "oasis of prosperity" while the rest of the world experiences economic depression of a magnitude in some countries that greatly overshadows our own Great Depression of the 1930's. The extent of the economic crisis around the worked is so great that even if the U.S. doubles its record trade deficit, it will not be enough to pull the rest of the world out of its troubles. But it will be enough to send thousands more Americans out of work and send the U.S. into a recession of our own.

I want to address the objection that our remedy for the steel crisis conflicts with the World Trade Organization. I do not believe that the WTO is a legitimate reason for the Administration or this Congress to fail to limit steel imports. When Congress passed the WTO implementation act in 1994 and gave the Administration negotiating authority for the WTO in 1988 and again in 1994, Congress did not do so knowing that the cost would be the American steel industry. I defy anyone to show me that any Congressional committee discussed and accepted the demise of the steel industry as an acceptable and foreseeable cost of passing Fast Track and the WTO. It simply did not happen, because Congress did not anticipate that the WTO would prohibit appropriate, quota-based limits on imported steel made cheap by currency devaluation. If you feel that the WTO does not permit America to take effective steps outlined in the Visclosky-Quinn-Kucinich-Ney bill to preserve the steel industry from the import surges caused by currency devaluation, then it is a clear signal that the Uruguay Round Agreement was inadequate. Why should that stop us? Congress always and routinely refines and amends laws based on experience. We should treat the question of the WTO no differently. This Committee should report and Congress should pass the Visclosky-Quinn-Kucinich-Ney steel import bill. If the WTO is deemed a problem, Congress should choose to preserve the steel industry and change the WTO agreement, just as it would any other inadequate, defective law.

Chairman CRANE. Thank you.

And now we shall commence questions. Ralph, could you take a seat at the end of that dias for a question from me, please?

Ralph, H.R. 412 deletes the word "substantial" from section 201 but does not include WTO replacement language, which requires that increased imports cannot be the cause of injury when factors other than increased imports are causing injury at the same time.

To me, it seems that, although the WTO does not use the word "substantial," it still imposes requirements that mean the same thing. Therefore, it appears that H.R. 412 may impose an easier standard than the WTO. Under this standard, imports can be blamed for injury caused by unrelated factors, which is not consistent with the WTO. How do you square your bill with the WTO? Do you believe that imports should be blamed for injury if other factors are causing the serious injury?

Mr. REGULA. Well, I think the bill very clearly changes the text by removing the word "substantial." It is generic so it would apply to any product that would substantially injure the U.S. economy. That test is more severe that required by WTO.

My contention would be that the removal of that word does not make H.R. 412 inconsistent with the standards that we are signed on to as a party to the GATT Agreement.

Chairman CRANE. So, in your estimation, you are not weakening any of the existing——

Mr. REGULA. No, I think H.R. 412 is consistent with the agreement that we have under international law. I think that the present 201 requirement is more severe than that required by virtue of our membership in the WTO and part of the GATT Agreement.

Chairman CRANE. Commerce has recently implemented a program where it releases steel trade statistics on an expedited basis and the information is released only 2 weeks later than it would be under H.R. 412. What do you think that Commerce Department might be lacking that the monitoring program provides and do you think that the Commerce program can be modified to meet those needs?

Mr. REGULA. I think it would be and I think that they are removing—in response to not only my legislation but Mr. Visclosky's and others'—to be more responsible, more responsive to the impact of imports and I believe that we have the mechanisms in today's world to monitor the inflow and the surges. That's a part of the problem, these surges.

And, therefore, that is the reason we have this requirement in the bill to provide a system that gives us real-time, quick information on surges because otherwise the excessive dumped imports are here before people know. For that matter, right now there is steel piled up in warehouses that goes back prior to the imposition of tariffs on Brazil and Japan.

Chairman CRANE. Thank you very much and next I would like—is Peter Visclosky still here?

Peter, if you could jump up there. If we pass your legislation, aren't we improving the condition of the steel industry on the backs of our downstream users who employ U.S. workers, our exporters and our consumers.

Mr. VISCLOSKY. Absolutely not, Mr. Chairman. The fact is, that hot roll today costs less per ton in real hard dollars than they did in 1990. As many of the panels suggested, as well as people on the dias earlier in the day, the integrated U.S. producers are world class and are cutthroat relative to the competition against one another.

Some of those integrated facilities are U.S. domestic companies. Some are wholly owned subsidiaries of foreign firms. That competition is real. Additionally in the United States of America, you also have very tough competition between those integrated firms, that in many instances along this table, are in States like Ohio, Pennsylvania, Michigan and Indiana, that are competing with firms in States like Arkansas, as Mr. Berry testified. Those steel prices for hot roll today wouldn't be less 9 years later in real dollars if that competition wasn't real. So we have got to get over this idea that this is going to be inflationary and we are going to hurt someone.

I would also point out that under the Visclosky-Quinn bill, you also still provide a level of imports that represent one out of every four tons of steel sold in the United States. So you still, on top of all of that very real hard competition have a quarter of that still represented by the export market that is fairly traded. Nobody here today that I heard complained about that other 25 percent of the steel coming in, 36 percent of which is bought by the steel companies themselves.

Chairman CRANE. H.R. 506 proposes a quota on U.S. steel imports. How much of a decrease would this be in the amount of steel available in the U.S. market? Would U.S. production be able to make up the difference in all product categories?

Mr. VISCLOSKY. Yes, sir. Because what we are simply asking is that the levels return to where they were when steel was fairly traded in July 1997. Figures indicate that capacity utilization today is down from where it was and that our domestic firms can meet that competition.

Chairman CRANE. There has been no increase in demand.

Mr. VISCLOSKY. Oh, we can meet an increase in demand. I can take you to five mills in northwest Indiana, and every Member on this panel can take you to mills in their congressional districts where there is underutilized capacity and also steel that is onsite in those plants that cannot be sold because of unfairly traded steel.

So as far as increased demand, we have inventories in all of our plants that we would love, the steelworkers would love that steel sold. We will make all the steel you need, we'll make all the steel the auto producers need, we'll make all the steel anybody in this country needs in these U.S. plants.

Chairman CRANE. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman. To all of you, this has been an unusually broad and impressive array. Most of you come from areas with steel production or related industries. I think one message we need to send forth is that the issues you raise relate vitally to steel, but also to other areas actually or potentially in this country, because most districts do not have much steel production in them, but they have production related to it or areas of activity where there have been or could be similar problems.

I think, Mr. Regula, your response to the Chairman was as important as Mr. Visclosky's. I think clearly our 201 standard is more stringent than allowed by the WTO. Also, I think whether your technique is the exact one or not, we need a much better monitoring system. There have been proposals for licensing, for example, which would clearly bring about a better information flow.

We have other panels. Maybe we should therefore go on so we finish. Yesterday we didn't finish or the day before until 8 here. I don't think we want to do that today. But let me just say one other thing to each of us.

I am not sure we can devise a system where foreign policy or foreign economic policy or defense considerations are made irrelevant to trade considerations. That may not be workable or wise, but the problem has been that those considerations often dominate and snuff out considerations of trade and economic impact in this country.

But one other thing. Even if there weren't a defense or security issue here or foreign policy issue, there are numerous people within our midst who would still say we should do nothing about this surge of steel imports. We need to talk through that issue because there are lots of people who would argue that any action against this kind of a surge will hurt much more than it will help. Then they automatically roll out the label that we know.

So we have this original barrier to get over, whether this kind of a predicament isn't worthy of action, which I think it is.

Mr. Buyer.

Mr. BUYER. I want to associate myself, Mr. Levin, with some of your comments. There is such synergy between our domestic policy, our trade policy, our national security policies, that we cannot treat them each in its own department. So when it's the responsibility of the President to lay out the national security interests of this Nation, he then lays out a national military strategy to accomplish those objectives, whether it is protecting our own trade routes or in the enforcement of our alliances and agreements around the world.

But if we are going to maintain the status of a world superpower, we have to ensure that when there is a vital industry that is important to achieve those objectives, we have to take some special caution in order to protect that industry. So take steel as the example. It is so vital to our defense and being able to have power projection capabilities around the world to rapidly respond to whatever crisis. So long as we maintain a two major regional conflict scenario, we have to be able to have force projection, whether it is by air or by sea, let alone when our soldiers hit the ground, be able to have the proper equipment to fight and win the Nation's wars. That is why I associate myself, Mr. Levin, with your comment.

Mr. LEVIN. Let me just respond quickly, because we have been through this for 15 or 16 years, where foreign policy considerations or national security considerations prevent our looking at the economic impact within the United States, even if that product, say machine tool or automobile or textiles, or whatever it is, doesn't have any direct defense connection.

I don't think we can have a system where defense foreign policy considerations are made irrelevant. But we must have a system where they don't automatically predominate and end the need for us to take action.

Mr. KUCINICH. Mr. Levin, I would like to state that we have to make sure our priorities are straight here. That is, that we can help the world as long as the United States is strong, which means our steel, automotive, and aerospace industries are strong. When we see trade adversely affecting our national defense and our national economy, I believe it is our job to, in the historic sense, to promote the common welfare and provide for the common defense, and correct our trade policy accordingly.

I think when we start using foreign policy considerations, where we are more worried about what is happening in other parts of the world than we are worried about what is happening with our own people here, we are going in the wrong direction and we are undermining support for ourselves and what we try to do in this Congress. The Congress loses credibility with the American people.

Mr. LEVIN. I think you are wise, you are right to look at this in the more global way, even if you and I might not come out the same place every time. What we have failed to do is to look at trade issues in a broader sense. We need to do that.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman. Strange. In the last year, there has been one 201 filing. That was on steel wire rod. There have been no 301s. Why is that? I mean this didn't happen yesterday. This has been coming. We have seen it coming. All of us who have been through situations like this totally identify with you. Why haven't we used the government?

Now you can say well, the last person out of the Oval Office is the Secretary of State and Secretary of the Treasury. They are looking at the macro issues and they never listened to the U.S. Trade Representative and the Department of Commerce, but they are there. Other people have used that. Maybe you can help me on the answer there.

Mr. REGULA. If I may, Mr. Houghton, I think part of the reason is that the test is so severe. That is what we are suggesting, that we make the test consistent with WTO, that by removing the word "substantial," and then I think you would find more filings because of course the burden of proof is substantial even under the language as I propose in the bill. But at least it makes it doable.

Mr. HOUGHTON. As far as the 301 is concerned, an individual union or a company cannot file this. It has to be filed by the administration. However, the case could be brought by an industry, a company, a union, and just the fact that you have put the pressure and submitted some sort of a statement or a brief, usually sends a shot across the bow of those people who are violating our trade laws.

Mr. REGULA. Well, I think that section 301 has been a time problem because by the time you get action, you may be bankrupt. In the meantime, people can't pay their mortgages.

Mr. HOUGHTON. I understand that. I think your changing wording is very good. I think that is great. But the point is that we don't have it now. We have had these other things and they haven't been used. Maybe you have got some other ideas.

Mr. VISCLOSKY. Mr. Houghton, the only thing I could suggest is that you have the companies as a panel later as well as the members of organized labor, and you might ask them that specific question because it is more or less addressed to them.

I also do think, however, we are all creatures of habit. As Mr. Regula suggested, we can talk about a shot over the bow, we can talk about a time delay, but where you are in a plant, you are on a specific line, and you are making a product. It is that product that you cannot now sell. I think, again, the weapon of choice in these issues has been tending to go after that specific target that has hurt you in that line, in that product, in that plant. I think that, historically, has been the way the industry, as well as labor, has approached the problem.

I would simply add onto that, I think that's why, and you and Mr. Levin earlier had talked about a global approach and a number of people on the panel, because one statistic that I would refer the Subcommittee to is the action against Japan, for example, was taken on hot roll. But for the first complete 7 months of 1998, if you look at structural steel from Japan, you already see that shifting in product line. Now you have a 35-percent increase in structural steel from Japan because you have gone after hot roll, which I guess in a way reconfirms your earlier point that you do have to look at this as a whole. But they are being hurt by products.

Mr. HOUGHTON. Yes. I guess the only, and then I'll be quiet here, but I guess the only thing that I am suggesting is that we have lots of different remedies. The problem is the administration, it's not just a Democratic administration, it's gone on for years, they don't listen very well. They are not sensitive because they are looking at sort of hands-across-the-sea global issues. But it's there and it's used. It may not be the most effective and it may not be timely. People may be in trouble if they wait too long, but it's there. I really think we ought to use absolutely everything that is available out there.

Thanks, Mr. Chairman.

Chairman CRANE. Mr. Coyne.

Mr. COYNE. Thank you, Mr. Chairman. I just want to follow up on what Mr. Houghton has raised. It is amazing that you don't see any of these filings of the 201. The recommendation of Mr. Visclosky is I think well put; why the aggrieved parties in the steel industry have been reluctant so far to file 201 filings. With representatives of the steelworkers and the companies coming up later on, I think that is going to be a very interesting question to put to those people. Thank you.

Chairman CRANE. Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman. My questions are generated by a visit that Alan Greenspan paid us a couple of weeks ago in which he mentioned in response to a question on this particular topic from somebody on our Committee, that it would be dangerous to move toward any legislation such as yours, Mr. Visclosky, and that because of the possibility of starting a trade war, and that possibly the better approach would be to provide additional adjustment assistance to the workers in the industry.

Now I know that the administration is following this advice. I guess I would just like to ask you what are they not doing that you would like to see them do?

Mr. VISCLOSKY. Ms. Dunn, I would be happy to submit to you, as well as the Chair and every Member of this Subcommittee, a detailed two-page memorandum that I did provide to the Secretary of Commerce yesterday, as well as to the Trade Ambassador, as to the very specific actions I think that they need to take.

I would, because you have raised it in relationship to my bill, along with Mr. Quinn and I think just about everybody at the table is a cosponsor of it, the fact that the Japanese exports to the United States significantly declined in December and January from

November levels, that is your evidence that this is absolutely a controlled market. Those decisions being made in Japan are being made in the same context that Mr. Greenspan raises his concern.

I would further suggest that the continent of Europe, the last time I looked, is much closer to Russia than it is to the United States of America. Somehow, none of that illegally traded steel has made its way into Europe. If Mr. Greenspan is so concerned about an international global meltdown, if we all are, he ought to go talk to the Europeans and straighten them out, and make sure that if they want to protect the globe from that meltdown, they should assume part of the responsibility too. It is a sad day in this country if we have to sit here and say we can't enforce specific statutes against specific products that are breaking our law because of potential retaliation or a trade war that would develop.

As far as trade adjustment, I must tell you, and I appreciate the good intentions, I appreciate the idea that we should improve these statutes. In the congressional district I represent, from 1977 to 1987, 38,000 people lost their jobs so that two steelworkers per hour could make a ton of steel, as Mr. Klink indicated earlier. That is a real fact. I do not know one of those 38,000 people that ever got a real job because of trade adjustment. Every hour this Subcommittee and every hour this administration spends on trade adjustment is an hour you are not spending getting that illegally traded steel out of our market.

I don't want to train somebody for a low paying, no health insurance, no pension job. I want this Subcommittee, I want this Congress, and I want this administration to stop that steel.

Ms. DUNN. Let me just quickly ask another question related to the same sort of thing to any Member on the panel. One of the messages the United States is trying to convey to countries who are now experiencing economic and financial crises over the last 1½ years is the importance of open markets to create stable economies. Wouldn't it be hypocritical for the United States to ask countries to take steps to open their markets while we take steps to close a sector of ours, and might it not lead into some vice versa situation over the next few years?

Mr. BUYER. May I respond to that?

Ms. DUNN. Certainly.

Mr. BUYER. This is an issue about illegal dumping, the violation of our present trade laws. That is why I believe that Mr. Visclosky's bill would be the bill of last resort, that is, quotas.

Now, in his level of frustration, he has said, "Steve, I have had it. We have to do it now." That is where I support Mr. Regula. But if I can't take it any more, maybe it is 1 week or days or months with the administration, then I am going to be right here with Mr. Visclosky. So I would say, Ms. Dunn, that is the issue.

If I can comment for a second on Mr. Houghton. Amo, I have to agree with you. The enforcement of laws in this country requires vigilance, not only by government, but also by victims. Our present system though is woefully lacking of vigilance on behalf of government, and relies upon victims to come forward and make their filings. That is a wrong system.

So the vigilance on behalf of government, whether it is the executive or the legislative, should lead the way, not a system that requires on the victims to beg of their government to enforce the laws.

Mr. REGULA. I would just comment to Congresswoman Dunn that we are not talking about closing the market. We are really talking about having a fair level field. We are saying that we want to have the same rules apply on imports that apply to us as our Nation exports. I think that is only fair.

I would hope this Subcommittee would look at the laws on illegal dumping and countervailing duties to see if they could not have a more rapid response, because it is approximately 8 months to 1 year before there is action taken. A lot can happen adversely to both an industry and to its work force in that period of time.

Chairman CRANE. Mr. Jefferson.

Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. Thank you, to each one of my colleagues who has taken the time and actually sat through and stayed to respond to some of the questions.

I really have only one question because I know that we do want to move on to the other panels, and I do not want to keep Members any longer than they have already been here. It relates to some of the colloquy that occurred right now to the questions asked by the gentlelady from Washington.

Mr. Visclosky, your bill would return the levels of import to where they were as of mid-1997—July 1997. Give me a sense, and maybe you all agree on this or maybe there is some difference. When would we feel that our foreign partners are responding favorably to the pressures we are applying short of legislation? The administration I guess believes that they can ask these countries to voluntarily curtail their exports to us, but at what point would we feel comfortable that, in fact, those countries are no longer intending to illegally dump their steel in our market? Is there a level? Or do we need to get back to the mid-1997 level before we feel comfortable that in fact they are now intending to comply with fair trade?

Mr. VISCLOSKY. Mr. Becerra, I would say that we have to get back to where we were in July 1997. It was not an accident that exports from Japan increased 141 percent, or that from Russia they increased 162 percent, or Korea, 102 percent. Or that as of January of this year, Indonesian exports are up 890 percent from that month's level.

I would also point out that in the legislation there is a 3-year limitation. I would hope, and I think all of us would, that we see real hard numbers. There is a proposal out to monitoring, so that we have an early warning system. I am a cosponsor of Mr. Regula's bill. That is a long-term problem. But it is almost 3. Since noon now, you have had two steelworkers lose their jobs today. We have to do something.

Mr. KLINK. Mr. Becerra, if I could just chime in. I think that we would know that when they stopped dumping their steel at less than the cost of production. That is really what has occurred here. We have to have that monitoring ability.

We were talking, and I have to agree with my dear friend Mr. Buyer. Imagine if we ran a country of laws, where a rape victim or a robbery victim had to go out, catch the criminal, and prove the case against them, that we didn't have a police department that would go out, or a Justice Department that would go out. That is really what we have with trade laws. The victims themselves have to go out and catch the culprits and then prove the case. Then you have got a prolonged period, whether it's section 201 or section 301, of year upon year. In the meantime, you have to be sitting there as a board of directors, as a CEO, chief executive officer, as a CFO, chief financial officer, of that corporation saying look, I have got payroll, I have got capital investment decisions to make, I have got market share that I have got to worry about. In the meantime, you are doing what it is that the Congress and the Department of Commerce and all the trade officials of this country should actually be doing for you.

We need to set that mechanism up so that we don't depend on the industries themselves or the labor unions to do that policing. That is the problem we find ourselves in.

Mr. BECERRA. Actually, Mr. Klink, if I could follow up with you on that, can we, and I don't know the answer to this, can we ascertain whether or not a country is exporting its steel below cost? Are we able to ascertain that?

Mr. KLINK. I think that it was very evident to the industries themselves, I think that we do have mechanisms in place where we know it. I felt personally, and I can't speak for all the Members of this panel, but I felt personally that it took the Department of Commerce a prolonged period of time. We knew well over 1 year ago. The steelworkers and the steel industry knew, but it still took the Department of Commerce until I think it was October or something, until they finally made a firm determination. I don't know why it has taken that long.

But I think that it is very evident to the industries themselves, they know when the steel is coming in, and if it is being sold at a price that costs less than the cost to produce it, they know instantly.

Mr. BECERRA. So we may not know the precise costs in Japan, but we can certainly determine when they are dumping and going beyond selling at their cost.

Mr. KLINK. Absolutely. Because they know first of all the technologies that these people have. They know what the salaries are. They know what it costs to transport that steel, whether it is hot roll or specialty steel, whatever it happens to be, from point A to point B, and if they are bringing it here. So all of those things can be figured it out. It should not really take a prolonged period of time for us to make that determination. We should have a mechanism where we can act a lot quicker. I think that is what some of these pieces of legislation are attempting to do.

Mr. BECERRA. We probably need to go beyond Mr. Visclosky's proposal. We have to be vigilant to make sure that from here on in, we are watching so that the next time we don't have to go after them in this way. Rather, we are ready to say to them act now before it gets any worse.

Mr. KLINK. And it's not, Mr. Becerra, it is not just steel. I mean steel is our case in point. It has propelled us to where we are giving it this kind of attention. But it could happen with any other industry.

Mr. REGULA. I think this makes a good point. That is, that I would hope the Subcommittee, as a result of this hearing, will take an overall look at our trade laws and policies in this Nation, because this problem is not going to just be restricted to steel. It could be any number of things. We are the market of choice because of the hard currency that other countries need. So I hope you will prospectively take a look at it.

I think the other comment I would make, and I think many of our panelists would make this, trade policy should not be driven solely by foreign policy and military policy. It is not fair to do those policies on the backs of American workers. So I think there needs to be a balance. That is the responsibility that this Subcommittee has.

Mr. BECERRA. Thank you, gentlemen.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Houghton has asked permission for one final question.

Mr. HOUGHTON. Yes. I would just like to ask Mr. Visclosky this. I don't know whether you feel we ought to try to be World Trade Organization compliant. I happen to think so, because if we don't, we unravel something which we have been working for a long time.

But in order to have your legislation acted on, as I understand it, and I'm sure you know more about this than I do, that you just can't submit a bill to have it passed in the House. You must have someone submit a 201 filing. That must then go to the ITC, International Trade Commission. That must, if there is injury proved, which I am sure there would be, then that must go to the President, and he can act on it. If he doesn't act on it, then you can have the legislation.

So I hope that process, if you really believe in this, is taking place.

Mr. VISCLOSKY. Mr. Houghton, a couple of things. One, a number of countries we are having a problem with are not members of the WTO. So for them, it is a moot issue.

Mr. Traficant testified earlier that he believes under article 21 of the GATT that as far as the necessity of a healthy domestic steel market for the national defense, that it would be exempted in any event.

Last, the only——

Mr. HOUGHTON. Yes, but Mr. Traficant also suggested that we put a total break on everything. I am not sure that is the great signal we want for the rest of the world.

Mr. VISCLOSKY. In a sense, the administration has done what Mr. Traficant suggested and what the House did in a resolution in October of last year in coordination, essentially, with the terms of the legislation we have discussed today as far as the agreement they have entered into with the Russians.

But the third point I would make is someone is also going to have to file a complaint. I am old enough to remember the black box that David Stockman had. If you were in that box, you were stuck. What I would like to see with this legislation passed by the House, in a sense is put everything in a box and not let anybody out until we solve the problem. If they knew they had 60 days, I think we are the best tool the administration could have at their disposal for fixing this problem now in a WTO compliant fashion.

Chairman CRANE. Well, let me express appreciation to all of our panelists, our Members, our colleagues, and appreciate your participation and endurance.

Now, I would like to let you exit and welcome Hon. Secretary of Commerce, our distinguished colleague from Chicago, Mr. Daley.

I have just been informed Mr. Secretary, that our other distinguished fellow Chicagoan has arrived. So, Charlene, if you would be so kind as to take a seat next to Bill. Then we shall proceed with Secretary Daley's testimony, and then yours. If you can try and keep the verbal testimony abbreviated about 5 minutes, any written statements will be made a part of the permanent record.

With that, will you proceed, Bill.

**STATEMENT OF HON. WILLIAM M. DALEY, SECRETARY, U.S. DEPARTMENT OF COMMERCE**

Mr. DALEY. Thank you very much, Mr. Chairman, and Members of the Subcommittee. I appreciate the opportunity to appear before you.

As you know, President Clinton and his entire administration shares the concerns of this Subcommittee. He is most dedicated to ensuring that America's steel industry, our steelworkers and their families are not hurt by unfair trade practices and import surges. The President has made this one of his top priorities, and all of us in the administration have been actively involved in putting together a swift and effective response.

Before I describe to you the substantial efforts made by the Commerce Department, I would like to announce some encouraging news. Just this morning the Commerce Department released the preliminary steel import statistics for January. Let's look at how January compares with November 1998, when steel imports reached record highs, and the last month before our critical circumstances determination began to have an impact.

Hot-rolled steel imports from Russia, Japan, and Brazil, the three countries subject to the dumping investigation, fell dramatically. Imports from Russia fell from over 600,000 metric tons in November, 1998, to less than 11,000 tons in January 1999. Hot-rolled imports from Japan also plummeted from over 400,000 tons in November, to less than 16,000 tons. Imports from Brazil fell from 64,000 tons to less than 16,000. These three countries combined, fell by 96 percent from the record levels of November. Worldwide imports of hot-rolled steel fell by 70 percent from November to January.

These figures show that worldwide imports of all steel products dropped by 34 percent compared with November 1998. Total steel imports from Japan and Russia plunged from more than 1.4 million tons to less than 425,000 tons, a drop of over 70 percent.

These numbers are encouraging. They show that tough enforcement of our trade laws does work. However, we recognize that 1998 was a record year for imports, and that 1 or 2 months of good data do not make a trend. Let me assure you, Mr. Chairman, that we will not relent in our determination to ensure that the United

States does not become the dumping ground for unfairly traded steel.

This administration has made fast and strong enforcement of the trade laws a key component of our steel action. First, we established a new policy on critical circumstances, which we applied for the first time in the hot-rolled steel investigation. This was, in our opinion, a key factor in the substantial decline of hot-rolled imports in December/January. Under this new policy, Commerce can issue determinations of critical circumstances prior to preliminary dumping determinations in order to respond to import surges.

In November, we made preliminary critical circumstances determination in that hot-rolled cases in Japan and Russia, almost 3 months before the preliminary determination was due. This put the importers on notice earlier than ever before, that they could be liable for retroactive dumping duties. On February 12, we issued preliminary determinations on hot-rolled steel from Japan and Brazil, finding dumping margins ranging from 25 to 71 percent, as well as subsidy margins for Brazil. We made a commitment to expedite these cases and have shifted resources within our department so we could provide relief to the industry and workers as soon as possible. The determinations were issued in an unprecedented 25 days early.

On Monday of this week, we reached two proposed agreements with Russia that will significantly reduce imports of Russian steel, and provide effective relief to the industry and workers. The first agreement would suspend the hot-rolled steel dumping investigation in favor of a three-part deal. First, there will be a 6-month moratorium on imports, which is intended to offset the recent surge. As a result, total 1999 Russian hot-rolled steel imports will be less than 345,000 metric tons, a reduction of almost 98 percent from the 1998 import levels of 3.8 million metric tons.

Second, starting in 2000, there will be an annual quota of hot-rolled steel of 750,000 metric tons. This is equivalent to the presurge noninjurious 1996 import levels, and represents a 78-percent reduction from 1998.

Finally, this agreement sets a minimum price for Russian steel, high enough to ensure that U.S. prices are not forced down. As required by law, we also issued the preliminary dumping determination on Russian hot-rolled steel, finding margins of 70 to over 200 percent.

The second agreement is a comprehensive agreement restricting imports of other Russian steel products to the United States back to 1997 levels. This agreement will provide the steel industry and workers with additional immediate relief from imports of other Russian steel products, covering 16 steel products other than hot-rolled steel, such as cold roll, galvanized sheet, wire rod, and pig iron. The comprehensive agreement will prevent surges in other products. In addition, it will deter circumvention of the hot-rolled agreement by preventing the Russians from shifting to other steel products to get around their quota. Together, the two agreements when combined with the 1997 steel plate agreement, will reduce overall imports of Russian steel by almost 68 percent.

Early last year in response to the Asian financial crisis, we at the Department of Commerce established an import monitoring system to watch for import surges and falling prices, particularly from import-sensitive industries such as steel. Building on this approach, the President's steel action plan, announced in January, put into place new guidelines for the release of preliminary import statistics to ensure that the industry and workers had accurate information as early as possible. The Commerce Department took the unprecedented step of publicly releasing preliminary steel import statistics almost 1 month before the release of their official statistics. The release this morning of steel import data makes the second time we have done this.

In addition, the Commerce Department is expediting the hot-rolled steel cases and issuing a new policy on critical circumstances. Last November, the Commerce Department issued strong new countervailing duty regulations that strengthen our ability to combat unfair subsidies. Overall, the Commerce Department is currently enforcing over 100 antidumping and countervailing duty orders on steel. We currently have 31 ongoing antidumping and countervailing duty investigations on steel products.

Mr. Chairman, the President and his entire administration remain deeply concerned about the recent plant closings and layoffs in the steel industry. We are all committed to continuing these efforts to ensure a long-term solution for our industry, the steelworkers of America, and their families. That is the end of my statement.

[The prepared statement follows:]

**Statement of Hon. William M. Daley, Secretary, U.S. Department of Commerce**

Thank you, Mr. Chairman. President Clinton shares the concerns raised by this Committee, and he is dedicated to ensuring that America's steel industry, our steel workers, and their families are not hurt by unfair trade practices and import surges. The President has made this one of his top priorities, and all of us in the Administration have been actively involved in developing a swift and effective response.

Before I describe for you the substantial efforts made by the Commerce Department, I would like to announce some encouraging news.

JANUARY'S PRELIMINARY STEEL IMPORT DATA

Just this morning, the Commerce Department released the preliminary steel import statistics for January. Let's look at how January compares with November 1998—when steel imports reached record highs, and the last month before our critical circumstances determination began to have an effect. Hot-rolled steel imports from Russia, Japan, and Brazil, the three countries subject to the dumping investigation, fell precipitously. Imports from Russia fell from over 600,000 metric tons in November 1998 to less than 11,000 tons in January 1999. Hot-rolled imports from Japan also plummeted, from over 400,000 tons in November to less than 16,000 tons. Imports from Brazil fell from more than 64,000 tons to less than 16,000 tons. The three countries combined fell by 96% from the record levels in November. Worldwide imports of hot-rolled steel fell by 70% from November to January.

The January figures show that worldwide imports of all steel products dropped by 34% compared with November 1998. Total steel imports from Japan and Russia plunged from more than 1.4 million tons to less than 425,000 tons—a drop of 70%.

ENFORCEMENT OF TRADE LAWS

These numbers are encouraging. They show that tough enforcement of the trade laws works. However, we recognize that 1998 was a record year for steel imports, and that one or two months of good data do not make a trend. Let me assure you that we will not relent in our determination to ensure that the United States does not become a dumping ground for unfairly traded steel.

This Administration has made fast and strong enforcement of the trade laws a key component of our steel action plan. First, we established a new policy on critical circumstances., which we applied for the first time in the hot-rolled steel investigations. This was a key factor in the decline of hotrolled steel imports in December and January. Under this new policy, Commerce can issue determinations of critical circumstances prior to the preliminary dumping determination in order to respond to import surges. In November, we made preliminary critical circumstances determinations in the hot-rolled steel cases on Japan and Russia, almost three months before the preliminary dumping determination was due. This put importers on notice—earlier than ever before—that they could be liable for retroactive dumping duties.

Then, on February 12, we issued preliminary determinations on hot-rolled steel from Japan and Brazil, finding dumping margins ranging from 25 to 71 percent, as well as subsidy margins for Brazil. We made a commitment to expedite these cases, and we shifted resources within the Department so that we could provide relief to our industry and workers as early as possible. These determinations were issued an unprecedented 25 days early.

## RUSSIAN STEEL AGREEMENTS

On Monday of this week, we reached two proposed agreements with Russia that will significantly reduce imports of Russian steel and provide effective relief to the steel industry and U.S. workers. The first agreement *would.suspend the hot-rolled steel dumping investigation* in favor of a threepart deal:

- First, there will be a six-month moratorium on imports, which is intended to offset the recent surge. As a result, total 1999 Russian hot-rolled steel imports will be less than 345,000 metric tons. This is a reduction of almost 90 percent from the 1998 import level of 3.8 million metric tons.
- Second, starting in 2000, there will be an annual quota on hot-rolled steel of 750,000 metric tons per year. This is equivalent to the presurge, non-injurious 1996 import levels. It represents a 78 percent reduction from 1998 levels.
- Finally, the suspension agreement sets a minimum price for Russian steel, high enough to ensure that U.S. prices are not forced down.

As required by law, we also issued the preliminary dumping determination on Russian hot-rolled steel finding margins ranging from 70 to over 200%.

The second agreement is a *comprehensive agreement* restricting exports of other Russian steel products to the United States to 1997 levels. This agreement will provide the steel industry and U.S. steelworkers with additional immediate relief from imports of other Russian steel products.

- It covers 16 steel products other than hot-rolled steel, such as coldrolled steel, galvanized sheet, and wire rod. It also covers pig iron.
- The comprehensive agreement will prevent surges in other steel products. In addition, it will deter circumvention of the hot-rolled suspension agreement by preventing the Russians from shifting to other steel products to get around the quota.

Together, the two agreements, when combined with the 1997 steel plate agreement, will reduce overall imports of Russian steel mill products by almost 68 percent in 1999 compared to l998 import levels.

## EARLY WARNING SYSTEM TO MONITOR IMPORT TRENDS

Early last year, in response to the Asian financial crisis, the Commerce Department established an import monitoring system to watch for import surges and falling prices, particularly for import-sensitive industries, such as steel.

Building on this approach, the President's steel action plan, announced in January, put into place new guidelines for the release of preliminary import statistics. To ensure that the U.S. steel industry and workers had accurate information as early as possible, the Commerce Department took the unprecedented step of publicly releasing preliminary steel import statistics almost a month before the release of the official trade statistics. The release this morning of steel import data, which I announced earlier, marks the second time we have done this.

## OTHER TRADE ENFORCEMENT EFFORTS

In addition to expediting the hot-rolled steel cases and issuing a new policy on critical circumstances, last November Commerce issued strong new countervailing duty regulations that strengthen our ability to combat unfair subsidies.

Overall, the Commerce Department is currently enforcing more than 100 antidumping and countervailing duty orders on steel products, and we are currently conducting 31 new steel investigations.

BILATERAL EFFORTS

We continue to press the countries accounting for the largest volume of imports to end unfair trading practices, particularly Japan, which accounts for the largest share of the recent import surge. The President put Japan on notice in his State of the Union address and in meetings with Prime Minister Obuchi that if Japan's exports in 1999 do not revert to their pre-crisis levels, the Administration stands ready to take further action. Ambassador Barshefsky and I have reiterated this message as well in our bilateral meetings. In addition, we have pressed Korea to end government involvement in the steel industry.

Finally, we have also issued stern warnings to other countries that may be tempted to sell more steel in the United States unfairly: we are monitoring imports closely and will enforce our trade laws vigorously.

CONCLUSION

Mr. Chairman, the President remains deeply concerned about the recent plant closings and layoffs in the steel industry. We are all committed to continue our efforts to ensure a long-term solution for our industry and the steelworkers of America and their families.

I would be happy to take any questions

Chairman CRANE. Thank you, Mr. Secretary.

Now, Madam Ambassador.

**STATEMENT OF HON. CHARLENE BARSHEFSKY, OFFICE OF THE U.S. TRADE REPRESENTATIVE**

Ms. BARSHEFSKY. Thank you, Mr. Chairman. Last year steel imports rose 33 percent or 9.4 million metric tons over the 1997 level. The import growth was concentrated in the April through November period, during which imports surged considerably. While U.S. demand for steel has been very strong, the import surge was driven by the sharp drop in demand in Asia, and subsequently in Russia, whose exports to Asia were displaced and imports to the European Union capped by quotas.

The excess foreign supply was rushed into the U.S. market at fire-sale prices. Commerce Department findings show that at least a significant portion of this increase resulted from dumping. Price suppression and over supply were evident in the U.S. market by fall of last year.

In a matter of months, imports threatened the stability of our domestic industry and the jobs of many of its employees. Jobs and families are at stake. This administration realizes that. We have listened and we have responded rapidly and forcefully. The President has personally committed, as he said in his State of the Union address, to ensure that our trading partners act fairly, and the policy we have adopted is working.

The steel report the President sent to Congress on January 7 is a comprehensive and forceful response. It includes four complementary trade policy actions. First, expedited enforcement of our laws to address dumping and subsidies. Second, bilateral initiatives with respect to the three countries which account for the bulk of the import surge. That is, Japan, Russia, and Korea.

Third, strong support for the safeguards law, and a willingness to ask for expedited ITC investigations of cases brought under that law. Last, the creation of an early warning system for steel import monitoring, and active review of additional targeted actions that need to be taken.

Let me say two things about this overall approach before I review our work on each of the elements. First is that it is producing results, meaningful results. Import volume is down considerably from November, reflecting a global reduction in exports to the United States of 34 percent. Japan's total steel exports to the United States are down 50 percent, Russia's down 93 percent, Brazil's down 70 percent.

The decline in total imports of hot-rolled sheet is even more dramatic. There has been an overall 70-percent reduction from November levels, with Japan's imports of hot-rolled sheet virtually stopping. They are down 96 percent. Russia's down 98 percent, Brazil's 77 percent.

U.S. capacity utilization on the other hand has risen slightly, from about 74.8 percent in December, to 77.2 percent over the same months. Although this still remains substantially below the rates of 1 year ago, this evidences at least some progress. The market share of imports is down from 36.6 percent in November, to 29 percent in December, and a further decline is anticipated for January. This again is an improvement.

But most important perhaps, our steel producers have cautiously begun to increase prices for hot- and cold-rolled steel products. Analysts predict that the increases will likely stick.

Second, the President's action plan operates within the framework of domestic law and the international commitments our country has made. Both of these are crucial. By working within our domestic laws, we ensure a fair and transparent process. By remaining true to our international commitments, we prevent a cycle of protection and retaliation which would harm working families and other sectors, notably steel-intensive manufacturing exports, farmers, and ranchers, the latter of whom who are also suffering as a result of the Asian financial crisis.

Let me briefly review our actions in the four areas covered by the President's plan. First, as Bill Daley has already noted, the vigorous and expeditious enforcement of the antidumping law by the Commerce Department. Expedited investigations have brought relief to U.S. carbon producers in record time with retroactive effect 90 days prior to the Commerce Department announcement of preliminary dumping margins.

Further cases are now underway. The U.S. steel industry and steelworkers have filed additional antidumping and countervailing duty petitions with respect to carbon cut-to-length steel plate. Eight countries are included in that.

Second, we have made steel a focus of bilateral initiatives, with the largest sources of import growth over the past year, Japan, Russia, and Korea. As to Japan, last year we informed Japan that we had expected its steel exports to revert to precrisis levels, and that if such a rollback did not occur in short order, the administration would self-initiate trade action to ensure a reduction of imports and prevent further injury to U.S. steel producers and workers.

We did not seek agreements from Japan. We simply told them what was needed and what the consequences would be of their failure to ensure results. We have built on statements by Japanese officials that exports are likely to decline. We believe we are beginning to see some impressive results.

We are, in addition, monitoring import trends closely for each major product category from Japan. We remain determined to act if full reductions are not achieved across the board. As to Russia, Secretary Daley announced on Monday a set of agreements which roll back imports to precrisis levels, and which will ensure stability and predictability for our industry.

Second, with respect to Korea, we are somewhat concerned about the January numbers that were announced today. I am sending my deputy, Richard Fisher, to Korea next week. He will discuss the steel situation with Korean officials. He will also be in Japan and discuss the steel situation further with Japanese officials.

In the meantime, with respect to Korea, as you may know, we have already been successful in achieving the closure of Hanbo steel, which is Korea's second largest steel producer. The company has stopped production of hot-rolled sheets. We have an agreement with Korea that the company was sold based on market principles. That sale is being managed at arms-length by Bankers Trust.

In addition, we are in active negotiation now with Korea with respect to POSCO, Korea's largest steel producer, and the world's second largest producer, for the expeditious, complete, and market-based privatization of POSCO.

The President has also reaffirmed his strong support for an effective section 201 safeguards provision. He has expressed his willingness to ask the ITC to expedite any steel investigations under this provision. U.S. industry and workers have already filed a petition for relief on steel wire rod under section 201 in December of this year, and the International Trade Commission is now investigating that petition.

Finally, as Secretary Daley has said, we have created an import monitoring system to offer an early warning of import trends and surges to industry and government. We will be looking carefully at import trends and dealing with countries on a bilateral basis to ensure that they do not fill any perceived gap in import supply occasioned by a downturn in imports as a result of case filings.

In summary, we believe we have been responsive to you, to the steel industry, and to steelworkers. We intend to provide relief from unfair trade, and to find longer term solutions to the issues at the root of the crisis. We must ensure that steel firms and steelworkers do not bear the full weight of the Asian financial crisis. At the same time, we remain committed to work within the framework of American law and international commitments, helping us to prevent a cycle of counterretaliation, which could harm working people and families in other sectors.

The crisis is certainly not over yet. We still see a glut of steel on the domestic market. Imports remain at very high levels in a number of product categories. But we will be vigilant in implementing our action plan, and we will continue to work closely with the Subcommittee, with the industry, and with the steelworkers to ensure that we are successful. Thank you.

[The prepared statement follows:]

**Statement of Hon. Charlene Barshefsky, Office of the U.S. Trade Representative**

Chairman Crane, Congressman Levin, Members of the Subcommittee, I appreciate the opportunity to discuss with you today the steel import surge, its impact on the U.S. market and industry, and the Administration's response.

## INTRODUCTION

Last year, as we all know, steel imports rose sharply and rapidly, threatening, within a matter of months, the stability of our domestic industry and the jobs of many of its employees. In the April through November period, imports ran some 50 percent over historic levels across the industry, and at much higher levels in several key product sectors.

This import surge occurred in the context of the larger Asian and Russian financial crises, as a result of weakened demand for steel in Asian and other markets. Fairness demands that the U.S. steel industry, its workers, and their families not be asked to carry the burden of the financial crisis alone. Neither can the crisis become an excuse for our trading partners to adopt predatory export policies in steel or any other sector. Thus President Clinton is personally committed, as he has said both here and abroad, and as he repeated in his State of the Union Address, to ensure that our trading partners act fairly, and will enforce our domestic trade laws to ensure this.

The Steel Report which the President sent to the Congress on January 7 provided a comprehensive and forceful set of actions to deal with the steel import surge and the associated unfair trade issues. This action plan is working and we are seeing the first signs of recovery. The Administration is determined to follow through until stability has been restored to the U.S. steel market. Our efforts to solve the steel crisis have been, and must remain, within the framework of our laws and our international commitments. First, we can and will lick this problem within this framework. Second, by sticking to the established rules, we can help ensure that the Asian crisis does not lead to a cycle of retaliation and protectionism which would badly damage our economy as a whole, and be especially dangerous to farmers, ranchers and manufacturing exporters who are already suffering due to weaker demand for our products abroad.

## THE PRESIDENT'S ACTION PLAN

The President's steel action plan was developed with the benefit of advice and suggestions from industry and labor. It can be found on the USTR web page at www.ustr.gov/reports/steel99.pdf. The report outlines in detail steel import trends, their economic impact, and our response. This action plan includes four trade-related elements:

- Vigorous and expeditious enforcement of laws to counter trade practices;
- Bilateral efforts to address unfair trade practices at their sources;
- Support for a strong safeguards law and for expeditious Section 201 investigations;
- Creation of an early warning system for steel import monitoring.

The initiatives are the foundation for a comprehensive resolution of the steel import crisis in a balanced manner which will not damage other U.S. industries and workers by exposing them to retaliation or supply shortages. These principles have been translated into specific actions which are beginning to provide meaningful relief. We are confident that continued vigorous implementation of the President's steel action plan will bring about the result we all desire: a stable and competitive U.S. steel market where U.S. and foreign producers can compete fairly. In the days, weeks and months ahead, we will follow through on progress being made and take additional targeted actions where market conditions and imports warrant, in a manner consistent with our nation's overall economic interest.

Let me now turn to a more detailed review of the import surge, the current market situation, the status of our efforts, and next steps.

## STEEL IMPORT TRENDS AND MARKET CONDITIONS

### *A. The 1998 Import Surge*

I will begin by reviewing the trends in our steel trade and market over the past year.

Last year, 1998, witnessed the largest level of steel imports, the largest and fastest import growth, and the largest import penetration in history. Based on recently released final import statistics for December, our 1998 steel imports were 37.7 million metric tons (MMT)—an increase of 33.3 percent, or 9.4 MMT over 1997. Steel import penetration rose from 23.8 percent in 1997 to 30.1 percent in 1998. This level exceeded U.S. domestic needs, causing a glut in the market and severe price suppression. Between 1997 and 1998 U.S. steel shipments fell 3.5 percent, from 96 to 92.7 MMT. Labor statistics show a 10,000 worker drop in steel employment, from 236,000 workers in January 1997 and 1998, to 226,000 in January 1999; employment levels had been steady from 1993 to 1997.

Three countries—Japan, Korea, and Russia—accounted for the great bulk—76.4 percent—of this import surge. To update the information from the President's January Steel Report, in 1998:

- *Japan* was the single largest source of steel imports at 6.1 MMT, up 163.4 percent or 3.8 MMT from 1997, accounting for 40.3 percent of the import growth;
- *Russia* was the second largest supplier at 4.8 MMT, up 58.9 percent or 1.8 MMT, accounting for 18.9 percent of the import growth; and
- *Korea* was the third largest source of the growth, with imports at 3.1 MMT, up 109.3 percent or 1.6 MMT, accounting for 17.3 percent of the import growth.

While these three countries accounted for the bulk of the steel import growth, imports from a number of other countries also rose substantially. In 1998, the United States imported steel from 68 countries (albeit in very small quantities from some). Steel imports from a dozen or so "second-tier" suppliers reached between 100,000 and 900,000 metric tons, and have potential to increase further. Notable import growth occurred from: the United Kingdom, Australia, Ukraine, South Africa, China, Indonesia, Taiwan, India, Luxembourg, Moldova, Romania, Latvia, and Kazakstan. In addition, the European Union as a whole remains the single largest source of U.S. steel imports, supplying 6.6 MMT to our market in 1998, although overall steel imports from the EU were 4 percent below 1997 levels.

By product, carbon flat rolled steel was the single largest source of the import surge, accounting for 46.5 percent of the overall import increase. However, sharp import increases occurred in a range of other products, including heavy structurals, steel piling, light shapes, reinforcing bars, line pipe, pressure tubing, etc.

In sum, we saw import and market disruption levels of unprecedented proportions in the U.S. steel market beginning in April of 1998. The first tentative signs of recovery are only now beginning to emerge.

### *B. First Signs of Recovery*

The December 1998 steel import data provided the first indication that market conditions may have bottomed out, and that recovery can be anticipated.

At 2.6 MMT, December imports reflected a substantial decline from the average monthly import levels of 3.5 MMT from April through November 1998 import surge period. Although the December import figure remained 13 percent above the 2.3 MMT 1997 monthly import average, it reflected a sharp turn-around.

The December decrease was concentrated in carbon flat rolled products from Japan and Russia, which are subject to the ongoing antidumping investigation, indicating that actions taken by the industry, labor, and the Administration are bearing fruit. When compared to November levels, December imports of these products declined 67 percent. Declines were sharpest from the three countries under investigation, with imports from Japan down 77 percent, from Russia down 90 percent, and from Brazil down 84 percent. Imports of this product from Japan and Russia have basically ceased. The 1998 U.S. import increase of this product was 4.4 MMT (from 5.7 MMT in 1997 to 10.1 MMT in 1998). In 1998 U.S. imports of this product from Russia and Japan totaled 5.9 MMT. Therefore, a substantial reduction of imports from these two countries will more than offset the growth which has occurred. Nevertheless, imports of carbon flat rolled steel from a range of countries are increasing, and are being closely watched by the interagency import monitoring team with a view to ensuring fair trade.

This type of short-term decline does not by any means resolve the entire steel problem. A glut of steel products is still evident in the U.S. market, and high import levels of other products persist. However, the December decline is a significant first step, and a clear indication that the steps outlined in the President's steel action plan are beginning to work.

Several other market indicators are also positive. Steel demand in the United States remains strong and new orders are reportedly improving. In late January, a number of companies announced price increases of 5 percent to 8 percent per net ton ($20 to $30) on hot-rolled, cold-rolled, and coated sheets for second quarter shipments. Analysts believe these increases will likely succeed, as prices for these products are already quite depressed (down an average of 21 percent since May 1998), and as the import supply is being reduced due to ongoing unfair trade cases.

In January, U.S. raw steel production rose 5.1 percent from December while the capacity utilization rate rose to 77.2 percent from 74.8 percent over the same months. The most recent data for capacity utilization for the week of February 20, 1999 show another improvement to 80.0 percent. Nevertheless, these rates are still low when compared to the operating rates of 90 percent in January 1998 and 86.3 percent in December 1997.

Reflecting the drop in imports, import penetration (imports as a percent of apparent consumption) fell to 29.0 percent in December from 36.6 percent in November. Still, this level is far higher than the 20.6 percent level recorded in December 1997.

## TRADE ACTION PLAN

These are some initial encouraging signs that the President's steel action plan is working. Continued forceful pursuit of the policies and actions announced, and active monitoring of import and market conditions with a view to additional, targeted action, where needed, will be key in reestablishing the health and stability of the U.S. steel market. Following is an update on the trade related aspects of the President's action plan.

### *A. Unfair Trade Laws*

The first and essential element of the steel action plan is vigorous and expeditious enforcement of the antidumping law and countervailing duty laws by the Commerce Department.

As you know, fully one third of some 300 antidumping and countervailing duty orders now being administered by the Department of Commerce address steel products. This remedy is well suited for the steel sector, in which the industry's cyclical nature and the high level of government intervention and support overseas have led to a high incidence of unfair trade. The industry is a strong proponent of this trade remedy, and has used it effectively to gain relief from unfairly traded and injurious imports.

That has been the case in this crisis. The Commerce Department's expedited investigations and the critical circumstances findings have resulted in relief for U.S. carbon flat rolled producers in record time, with retroactive effect to 90 days prior to the Commerce Department announcement of the preliminary dumping margins. Thus, in the case of Japan, the antidumping cash deposit and bonding requirements became effective only some six weeks from the joint industry and union filing of the dumping case. The trade laws have worked expeditiously to provide U.S. industry and workers with relief against unfair trade. Secretary Daley will elaborate on this element of the President's action plan.

The U.S. steel industry and workers filed additional dumping and countervailing duty petition on February 16th with respect to carbon cut-to-length steel plate imports from eight more countries which may have taken advantage of antidumping relief applied to products from Russia, Ukraine, China and South Africa.

In sum, the combined industry, labor, and Administration effort to pursue and implement actions to counter unfair trade are providing relief, in a manner fully consistent with U.S. international obligations.

### *B. Bilateral Action*

Another key element of the President's steel action plan provides for bilateral initiatives with countries which are the key sources of the steel import growth: Japan, Russia, and Korea. Substantial progress has been made on this front as well.

1. Japan—The largest source of steel import growth last year was Japan. As reflected in the President's Steel Report to the Congress, in January the Administration informed the Japanese Government that we expect steel imports from Japan to revert to pre-crisis levels. We also informed Japan that, if such a roll-back does not occur in short order, the Administration would self-initiate trade action to ensure a reduction of imports and to prevent further injury to U.S. steel producers and workers. Thus, the roll-back will be enforced, if necessary, through Administration trade action. Our intent is to act forcefully if normal trade patterns are not promptly restored.

Our interagency steel import team closely monitors and analyzes both Japanese monthly export data and U.S. monthly import data for all major steel categories. We are reviewing trends, levels, and U.S. market conditions, and in consultation with U.S. producers, we are assessing where trade action may be appropriate. Some of the trends are encouraging, but important concerns remain. Japan's exports of steel to the United States in December were 363,000 metric tons, and the preliminary export figure for January is 229,000 metric tons. This compares to the average monthly export rate of 680,000 tons from April through October 1998, and the peak of 908,000 tons in Japan's September exports to the United States. Japan's December steel exports of hot rolled sheet declined to a negligible level. Nevertheless, exports have not fully returned to pre-crisis levels. In particular, based on Japan's December export data, they remain substantially above traditional levels in several important product categories, such as structural shapes, and pipe and tube, as well as cut plate where a dumping case was filed on February 16.

At the same time, in our broader trade and economic relationship with Japan, we are pressing for the creation of domestic demand-led growth in Japan through fiscal stimulus, broad deregulation, financial reform, and meaningful market-opening measures. If fully implemented, these policies would create substantial opportunities for exporters and workers in America, other Pacific economies, and for Japanese workers and companies. Decisive action by the Government of Japan to implement such reforms are key to relieving global pressures which are at the root of the steel import crisis in the United States.

2. Russia—On February 22 Secretary Daley announced the initialing of a comprehensive set of steel agreements with Russia—a suspension agreement on the carbon flat rolled dumping case, and a broader agreement under the market disruption article of the 1992 U.S. bilateral trade agreement with Russia. These agreements would roll back and cap steel imports from Russia, the second largest source of our 1998 steel import surge.

The suspension agreement would ensure that: a) there will be a zero quota—no imports from Russia of flat rolled products covered by the investigation for a period of six months, and b) the annual quota which goes into effect at that time, 750,000 metric tons, is 78.4 percent below our 1998 imports of this products from Russia and 58.4 percent below our 1997 imports of this product from Russia. The quota basically rolls back imports from Russia to their 1996 level. In addition, there would be minimum price and strict monitoring provisions.

The second, broad, steel agreement with Russia would cover imports of all other steel products as well as pig iron. It contains quotas on sixteen products which account for all of our imports from Russia, and rolls imports back to 1997 levels or below, reducing them by 68 percent from the 1998 import level.

Both agreements will be subject to public comment, and all views will be heard and considered. The key objective here is to offset any unfair trade margins, and to help restore predictability and stability in the U.S. market. This comprehensive approach to the Russian issue is particularly appropriate because the Europan Union had already negotiated a similar agreement with the Russian government which may have caused diversion of Russian steel to the U.S. market, something U.S. industry was particularly concerned about. This comprehensive approach also envisages opportunities for regular dialogue between U.S. and Russian government and steel industry representatives which can be used to provide technical assistance in the transformation of the Russian steel sector to market-based principles, and to sound environmental and managerial practices. We welcome U.S. industry and labor involvement in this dialogue.

3. Korea—The third largest source of our steel import growth was South Korea. The President's Steel Report announced that our dialogue with Korea on steel trade and policy issues would be expanded and expedited. A Korean government and industry steel delegation visited Washington in late January and provided an update on government and industry efforts to restructure and privatize Korea's steel sector. The Administration, as well as U.S. steel industry and members of Congress, have had a longstanding concern with the Korean government's involvement in the steel sector through industrial policies which have favored steel and steel-using industries, and encouraged their growth and export-oriented capacity expansion, through incentives and directed lending. Hanbo Steel is the best-known example, but there are other examples as well.

In August of 1998 USTR exchanged letters with the Korean Ministry of Foreign Affairs and Trade which are aimed at ensuring that the sale of Hanbo Steel, which is in bankruptcy, is taking place through a market-driven, open, and transparent process in accordance with international practices. Hanbo's production of hot-rolled sheet has ceased pending its sale, Bankers Trust has been engaged to manage the sale.

In addition, the Korean government has offered general assurances that steel-related practices which have resulted in excess capacity in Korea and have been the cause of longstanding trade friction between our countries, have been abandoned. Accordingly, we have included in our steel discussion with Korea a set of objectives to ensure that real and substantive progress is made toward permanently getting the Korean government out of the steel business. Our broad objectives in these discussions include:

a) Having the Government of Korea address anticompetitive activity in the Korean steel sector and ensure open competition inside Korea and in international trade;

b) Expeditious, complete, and market-based privatization of Korea's largest steel producer, POSCO ;

c) Implementation of the Hanbo sale and operation of the company on arms-length terms outlined in our August exchange of letters with Korea, in a manner which will not engender government involvement (we sent a formal Report on this issues associated with Hanbo to Congress last December);and

d) Fair trade in steel products.

In our view, these are reasonable expectations. They are consistent with stated policies of the Korean government, and they must be implemented fully if we are to avoid continued trade friction in steel.

*B. Section 201 Safeguards*

A third key element in the President's steel action plan is strong support for an effective safeguards provision in U.S. trade law, including his willingness to urge the ITC to expedite any section 201 safeguards investigations concerning steel.

U.S. industry and workers filed a petition for relief on steel wire rod under Section 201 in December of last year. The International Trade Commission (ITC) is now conducting an inquiry to establish whether injury has occurred or is being threatened in this segment of the industry. If the ITC reaches an affirmative conclusion under its legal procedures, the President will have the option to decide whether relief is appropriate. If a remedy is appropriate, he will have wide discretion to fashion it in a manner which is appropriate for this industry.

Because of its scope and flexibility, Section 201 is an extremely important and valuable trade remedy tool. As with the unfair trade remedies, the decision on when and whether to invoke it lies foremost with U.S. industry and workers. The Administration has met with steel industry and labor representatives to review market and import trends and to review assess relief options. Additional meetings will be held in light of the publication today of the preliminary import statistics for January.

*C. Import Monitoring and Early Warning*

The fourth trade-related point in the President's steel action plan is the decision to release preliminary steel import data in order to create an early warning import monitoring system. Under this unprecedented new data release program, steel import statistics are made public almost a month sooner than the regular release schedule, some three weeks after the end of each month. Import trends are reviewed at senior levels of government and discussed with industry and labor representatives to assess their impact and options for import relief.

These import data releases have been invaluable in providing both the government and the industry with a real-time sense of import trends. Each month's data are carefully analyzed by USTR and Commerce Department experts and the interagency import monitoring team to review trends by country and by product category in terms of volume and per unit import value. These trends are reviewed in light of most current information on U.S. market and industry developments.

Our particular focus at this time is threefold: 1) to carefully monitor imports from Japan in light of the President's announcement that he expects imports from that country to revert to pre-crisis levels: 2) monitoring import trends for product categories that had been the subject of sharp import increases, to ascertain whether meaningful declines are underway; and 3) monitoring of imports from second-tier suppliers and the EU.

## LEGISLATIVE INITIATIVES

In summary, our action plan, and our trade laws are in place, and beginning to provide the relief needed and deserved by U.S. steel producers and workers. While some have proposed that the steel import issue be resolved through the legislated imposition of import quotas or even temporary import bans, we believe this may not be in our national interest, nor in the interest of our steel industry. While well intentioned, this type of action could create additional havoc in the U.S. market and undermine substantial progress we have made to date.

Unilateral imposition of quotas or import bans would ignore the fact that we already have effective trade remedy tools which are producing results. As I have discussed above, we have seen a substantial decline in imports in December; we have announced preliminary dumping and countervailing duties against unfair trade in record time; we have seen a substantial drop of imports from Japan; and, we have initialed a comprehensive set of agreements with Russia. Additional trade cases, both under the unfair trade laws and under the safeguards mechanism (section 201) are pending, and the Administrations has affirmed its support for their fair and expeditious review. Our action plan, and our trade laws are working and they are providing the relief needed and deserved by U.S. steel producers and workers. The crisis is by no means over, but we are seeing signs of recovery. Continued implementation of the President's action plan will ensure further progress. In particular, we are determined to carry on with our active import monitoring program with a view to ensuring that these positive trends continue, and that other countries do not increase their exports to undermine progress we have made.

Legislated imposition of trade remedies for steel outside of the established U.S. trade laws backfire by inviting trade retaliation by affected trading partners and causing damage to export-oriented U.S. industries and workers, some of which may already be adversely affected by reduced demand abroad. While trying to assist U.S. steel workers, quotas which are legislated outside of our trade laws could harm U.S. steel interests by prompting retaliation against export oriented US steel-using industries, such as autos and machinery.

Finally, legislated solutions which do not arise from the type of careful ITC analysis and interagency and industry consultation process can create severe distortions in the market which can add to, rather than resolve, economic problems. When not carefully considered, quotas can create shortages for user industries or result in excessive price-hikes. As our economy continues to grow, demand for steel products remains strong. Imposing quotas at this stage, when it looks like the market is beginning to stabilize could have the unintended effect of causing a panic in the market which could reverberate throughout the U.S. economy and undermine our nation's economic growth.

Other legislative proposals to improve U.S. trade laws are being reviewed by the Administration. For example, we are currently in the process of reviewing the proposals concerning Section 201. Section 201 is one of our most important trade laws and is critical for ensuring that our industries can make a positive adjustment to import surges when they occur. We fully support a strong, effective safeguards law which is consistent with our international obligations.

## CONCLUSION

In conclusion, let me reiterate that prompt restoration of a stable U.S. steel market remains a top U.S. trade priority. We believe the President's steel action plan has begun to produce meaningful progress toward that end. Vigorous and expedited enforcement of U.S. trade laws has resulted in substantial relief from unfair trade. Imports from Japan have been rolled back almost to the pre-crisis levels. A comprehensive agreement has been initialed with Russia which will substantially roll back imports and prevent new surges. Progress has been made in our dialogue with Korea, and additional results are anticipated shortly. Active import monitoring is underway based on the unprecedented early import data releases. And, the Administration has committed to do more as market and import trends warrant. Prices and capacity utilization are creeping up.

We are not ready to declare that the problem has been solved. We are fully aware of recessionary conditions and excess capacity abroad, and of the fact that the strong U.S. market will continue to act as a magnet, while the temptation to trade unfairly will persist. Nevertheless, we are pleased that actions taken to date have resulted in improvements, and we are committed to continue to vigorously enforce the President's comprehensive steel action plan. Working hand-in-hand with U.S. industry, labor, and Congress, we believe positive results will be achieved without jeopardizing broader U.S. economic interests.

Thank you for providing me with this opportunity to testify.

Chairman CRANE. Thank you.

Mr. Secretary, earlier this week the administration and Russia tentatively agreed to quantitative limits on a wide range of fairly traded Russian steel products, including products that Russia historically has not supplied to the U.S. market. By reducing supply, the limits could lead to price increases in the U.S. market, which will adversely affect domestic steel users.

I understand that the administration consulted closely with the U.S. steel producers during the negotiations with the Russians. To what extent did the administration also consult with steel users in this process?

Mr. DALEY. Mr. Chairman, we hear from steel users on occasion. We have heard from a number of them over the last number of months as the discussion of the steel crisis has grown. We consult with them on a fairly regular basis. They have not been heard strongly at this point. There is a public hearing on Tuesday on the agreement that was reached with the Russians, the comprehensive agreement. I would assume at that hearing, we will have an opportunity to listen to those steel users.

Chairman CRANE. Ambassador Barshefsky, what is the administration's view on the Regula bill, H.R. 412, on the Visclosky bill, H.R. 506, Traficant bill, H.R. 502? I am concerned that the Regula bill cherry picks. It deletes reference to "substantial" in the causation standard because it doesn't appear in the WTO language.

At the same time, the bill omits WTO language which says essentially the same thing, that increased imports cannot be the cause of injury when factors other than increased imports cause the injury at the same time.

Do you agree with that?

Ms. BARSHEFSKY. The administration has not yet taken a position on the Regula bill, but it would certainly have to be examined for consistency with WTO rules. We have been quite clear that we will not support trade legislation that is inconsistent with our international obligations.

I would note that the domestic steel wire rod producers have already filed a trade case under the current section 201. I would note further that the domestic carbon steel industry successfully brought a comprehensive section 201 case in the eighties, which is the same law as the law that we have now. So we will be examining the proposal by Mr. Regula, but at this juncture, at least the wire rod producers believe that section 201 as currently written, is sufficient.

Chairman CRANE. How about the Visclosky bill?

Ms. BARSHEFSKY. We have some significant concerns with respect to the Visclosky bill. First, we have effective tools to combat unfair trade practices. As Secretary Daley's and my testimony indicate, we believe we are achieving important results.

Second, our trade laws tend to be based on fair and transparent processes. They are not designed to favor one set of interests, producers or workers, at the expense of another set of interests, producers, or workers. It is very important that we not favor one constituency over another as we administer our laws.

Third, we do have a concern that legislative quotas can create severe distortions in the market. They can add to, rather than resolve economic problems, potentially creating shortages, potentially leading to excessive price hikes.

Fourth, the market is beginning, it is in its early stages, admittedly, but beginning to look as though it may stabilize. We don't want to disrupt that very important progress.

Last, action outside our trade laws exposes U.S. producers and workers to retaliation. The United States is the single largest exporting nation on Earth. We have much to lose if foreign countries adopt protectionist practices against our exports. We have much to lose if foreign countries implement mirror legislation parallel to legislation we might propose. So we believe we must proceed cautiously in this area.

We do believe we are making impressive progress on the steel issue. We plan to work with you, with the industry, with the steelworkers, as we have been doing very, very closely. Certainly we will be examining whether other actions are appropriate to take if this crisis does not soon abate. But we must also be very careful to protect overall our export interests, including in steel intensive sectors such as machinery, heavy electrical equipment, automobiles, as well as in our agricultural sector.

Chairman CRANE. Thank you. One final question to both of you. To what extent do our trading partners subsidize their steel industries? How can we pursue an agreement to lower the subsidies so as to better enable the U.S. steel industry to compete?

Ms. BARSHEFSKY. Well, of course for many years there has been a negotiation on a multilateral steel agreement, which would discipline steel subsidies, both as to carbon steel and as to specialty steel. Those negotiations have been running for many years, producing little result and problems identified early on in the negotiation have seemed to prove intractable over the years.

We still think an agreement that would sharply discipline global subsidies would be important, but the United States will not give up its rights under U.S. trade law in order to achieve that goal.

I think that, overall, global subsidization of steel has come down, particularly as countries realize money is not infinite. It is a finite resource, and there are many pressures on the public purse. But subsidization still does remain a significant issue with respect to steel.

Mr. DALEY. As I mentioned, Mr. Chairman, just one brief note. We did find in the case that was filed against Brazil subsidization, we take this issue very seriously. We are monitoring for subsidies around the world, our commercial service people and our import administration people are monitoring to make sure that as the Ambassador stated, subsidization, which was rather rampant a few years ago, continues to come down. In the case of Brazil, we did find subsidization.

Chairman CRANE. Thank you.

Mr. Levin.

Mr. LEVIN. Thank you. Well, I think the record is something like this, that in the last months, the administration did act. I think it acted more aggressively than was true under previous administrations or would have been true, and acted more aggressively than it probably would have in the first years of this administration.

But at the same time, there was a substantial lapse between when the problem arose and when action became effective. It wasn't that jobs were threatened, they were lost. Right? Ten thousand? At least 10,000 people lost their jobs. Companies were put under very severe pressure, and some into bankruptcy.

I think we have to ask ourselves about that response. Europe did not face the same kinds of pressures, though it did have some, being closer to Russia, for example. There was a dramatic impact here from the Asian crisis in steel and virtually none in Europe. I think we have to ask ourselves and I think our constituents, and I mean yours and ours here, want to know why.

Ambassador, when you say on the first page, "therefore we can and will lick this problem within this framework" and second, "by sticking to the established rules, we can help ensure that the Asian crisis does not lead to a cycle of retaliation and protectionism. I just think we want to be sure we are not frightened into inaction because some people call action protectionism.

So I want to start, and we have talked about this before, a discussion with you about the rules of competition here and our reaction.

Under what we have done on the antidumping rules, and Amo Houghton and I were proud to help lead the efforts to safeguard them in the WTO, but look, they raise certain problems. Right? We invoke them and countries can simply shift products. It took a number of months. We did not seem to have an effective trigger mechanism, effective monitoring system. So I think we have to ask ourselves whether our framework is adequate, whether the established rules respond.

So just if you would respond to that. In the last pages of your testimony, there is an indication that you are willing to look at some further legislation, some changes. You have instituted a few of them yourself. I wanted to ask you, Mr. Secretary, about my suggestion that we give you more resources.

But clearly there is something, there is a shortfall. There is something missing. There is something wrong. We can't, as problems shift from one product of steel to another or one country that decides to fill the gap to another, simply take 8 to 10 to 12 months and lose another 10,000 jobs or begin to lose another chunk of an important industry because other countries are taking advantage of not free trade, but our open market.

So if you would, just give us a preliminary response to that.

Ms. BARSHEFSKY. Let me say a few general things. First of all, as a general matter, the fact that imports are increasing does not necessarily mean they are unfairly traded. This administration, and I believe the Subcommittee have always understood——

Mr. HOUGHTON [presiding]. Madam Ambassador, I think we are all set now.

Ms. BARSHEFSKY. So I don't know where your tape ended, but first, the fact that imports increase is not necessarily an indication of unfairness, particularly given the growth rate of our economy relative to the growth rates of other world economies, and particularly given the fact that 40 percent of the world is in deep recession.

Second, once cases were filed, which presented an indication that imports were unfairly traded, Secretary Daley acted in extremely aggressive manner to ensure that the investigations would be expedited, but also more importantly, to ensure that his department could reach back and be able to impose penalty duties on imports that had entered even as early as 6 weeks after the case had been filed. This is almost unprecedented, and went a long way I think toward the kinds of downturn in import figures we see now.

Third, with the President's program, we have instituted a much more comprehensive monitoring scheme, including the early release of import data. I think we agree with you that our monitoring before this crisis had perhaps not been as carefully crafted as it should have been. The administration has taken steps to rectify that so that we can identify much earlier on problem areas, and attempt to deal with that on an expeditious bilateral basis, that obviously if the trade is unfair, it will be subject to treatment similar to the treatment to which the current crop of countries is subject.

So we do think that we now have in place an effective means of dealing with the problem. There is no question that the surge itself is of unprecedented nature. There is absolutely no question about that. But we believe we have attended to it in a way that is effective and that at the same time, does not risk a retaliatory spiral against our exports, including our exports of steel intensive products.

Mr. LEVIN. Mr. Secretary.

Mr. DALEY. I would just add a few comments to it, Congressman. I do think, I believe as the Ambassador stated, we have reacted very strongly and aggressively. I think we are having an impact, and it is a balance between overreacting too early and making sure that when you do act, you act in a concerted action, and we have done that.

On your comments about additional resources, that is an issue that I would like to pursue with you because we have seen a substantially increasing caseload. We are trying to expedite these cases. We have numerous investigations going on, probably more today than we have ever had. It is putting quite a strain on our resources, so we would like to follow up with you on that issue.

Mr. LEVIN. Thank you. My time is up.

Mr. HOUGHTON. OK. Well, I guess it is my turn next. Thanks, Sandy. I just forgot to repay the compliment. Sandy is a great advocate for fair trade, always has been, very articulate, and an enormous influence here, certainly with me.

I would like to thank you very much for being here. You are our friends at the administration. You always have been. You are right to the point. You have been very, very, very helpful. So I want to thank you for being here and sharing your wisdom with us.

I have a couple of questions. The first is, that you really sort of pick on the weak person. In other words, when you take a look at the shipments, the metric tons out of Russia versus Brazil and Korea and Japan, it is really not very much. I mean that Russia has gone from 150 approximately to about 45,000 metric tons, January to January. Whereas Japan and Korea not only are huge, but also they have gone up about 200,000 tons. So you have sort of a neat program with Russia. It says something to them. It says something to the others. You are going to have a 6-month moratorium, you are going to have a quota, you are going to set minimum prices for Russian steel, like that.

Why didn't you do that with the others? Now I realize that Russia is not part of the WTO, but it is a very specific tough hard message out there for Russia, but they are so small compared to the others. What about the big producers?

Mr. DALEY. Two reasons, Mr. Chairman. One, the Russians had asked for these discussions and they had asked for first of all, the comprehensive discussions, quite frankly, quite a while ago. Shortly after the cases were filed, they asked for discussions, negotiations on the hot-rolled cases sometime in late September. So they came forward. The other countries did not.

We have gotten notice from Brazil within the last week that they have an interest to discuss the case. We have not had any discussions with them yet. But the Russians did come forward.

In spite of the fact that their volume may be much less than the others, they were, in the opinion of industry and workers, were very much driving the price down rather substantially. It was the Russian steel that was playing a rather large part, and is shown by the margin range, close to 200 percent on some of their steel coming in. So those were the two reasons why we moved forward with both the suspension agreement and a comprehensive deal with the Russians.

Mr. HOUGHTON. Would you like to answer that or is that it?

Ms. BARSHEFSKY. No. I think Secretary Daley has answered the question.

Mr. HOUGHTON. All right. Good.

You know, the second point is you talk about a trade war. That is not good. Clearly we do not want to get into a match where we are just biting at each other's heels, because as we all know, that 95 percent of the world's customers are outside of the United States, and we want to get at them. Of course that is what you are trying to do with the fast track, the multilateral——

Mr. JEFFERSON. Mr. Chairman.

Mr. HOUGHTON. Yes.

Mr. JEFFERSON. Excuse me, please. Could you yield for just a moment? Those children who are leaving here from my district, they were here to see this hearing through. Apparently they are having to leave. But I wanted to recognize their presence and to say to them that we really are very pleased to have them here. Many of them are now into the hall.

So I thank you for yielding for a moment. I hope some of them heard what I had to say. I was going to recognize them when it came my turn, but apparently they are having to leave. So glad to have you here.

Mr. HOUGHTON. Yes. Thank you.

[Applause.]

Mr. JEFFERSON. Thank you, Mr. Houghton.

Mr. HOUGHTON. But you know, various suggestions have been made that always just sort of fringe on retaliatory actions by other countries. But really so what? Japan has not been particularly sensitive to our needs, year after year after year after year, the trade imbalance. Brazil, through Mercosur wants to freeze us out anyway. Obviously we don't want to get into a trade war, but is that a real danger with those two countries?

Ms. BARSHEFSKY. First, let me say we have had a persistent trade surplus with Brazil. I think the United States has to be cautious in the way in which we respond to situations such as this. We are able to be cautious in part because we have an effective program to deal with the crisis.

But we need to be cautious for a couple of reasons. One is that what we do is often a marker for what other countries believe they can or should do. Every change we make to our laws, we see now tends to be mirrored in foreign countries. We see this, for example, with respect to the dumping law. But foreign countries often don't have the due process protections and other forms of procedural rights that we grant foreigners here. That presents a significant problem for our exporters.

Second, as I said, 40 percent of the globe is in deep recession. Six major economies have suffered negative growth rates of 6 percent or more this past year. That means first of all, the large economies like the United States, Europe, and Japan, have to do what they can to help the economies in deep recession recover. If they don't recover, obviously, that is not only destabilizing for them, it also means they can't buy what we sell.

But apart from that, the United States, as the strongest economy in the world, does have something of a special obligation to help out where we can. We have done that, but as always, insist that any trade coming into this country be fairly conducted. The actions we have taken on steel I think underscore the point to our trading partners that we expect trade to be fairly conducted or we will take significant action.

That action, while some might call it protectionist, is not. That is taking action under our legitimate international rights, under our domestic laws, and we intend to adhere to that kind of action quite firmly. But the bottom line is that we do have to be cautious about the way in which we proceed. We cannot dismiss out of hand the notion that other countries will take retaliatory action or might impose mirror legislation. As I said, we are the world's single largest exporter and we have a broad range of interests, economic in particular, that we need to protect.

Mr. LEVIN. Would the gentleman yield?

Mr. HOUGHTON. Absolutely. Sure.

Mr. LEVIN. I think Mr. Coyne wants to ask a question. You know, some of us have been on this Subcommittee for what, 13 or 14 years. The term "trade war" has often been used to justify total inertness. I just hope that we will all be careful before we invoke it.

If I might say so, in this case, for the steel companies and steelworkers, there is a kind of an economic war that they are victims of. No one is suggesting a trade war. I mean Europe hasn't engendered a trade war by shutting out steel almost completely. So for us to insist that we are going to act against dumping, I mean everybody knew from the word go they were dumping it here. We knew they were dumping because they were in economic trouble. These weren't just imports that were coming in here. I mean they were dumping. Now we will have an earlier monitoring system.

Now I think we want to be careful, not cautious to the end of just taking so long to act on an issue that's so clear in terms of the impropriety of what they are doing. I mean we have to show a sense of injustice here, and balance it with the problems they have, but just not be taken for granted.

So I just wanted to say that, and the status quo, we have to live within it, but we need to change it in terms of this kind of a problem. So I hope while you are proud of what you have done, to be much more active than I think you might have been or your predecessors for sure, we have to honestly look at the problem, how are we going to avoid just the replication of this by shifting countries or shifting products or shifting arenas all together from steel someplace else.

So I hope you look upon your aggressiveness, and you have been aggressive, as something that sets a precedent and isn't something that we need to be ashamed of. Because I think you need to be proud that you invoke the law to move up, to move ahead when there would be an impact of duties. The duties have shown how right you were. Right? These are huge duties, aren't they? These are huge. It shows how abusive this practice was. Isn't that true, Mr. Secretary?

Mr. DALEY. Absolutely, Congressman. There is no doubt when you look at the margins, they are astronomical in the Russian situation.

Let me just say we are very proud of the work we do in import administration. We are extremely proud of enforcing our laws. We make it very clear. I have been honored for 2 years now to be secretary. I can't tell you how many counterparts I have met from around the world, everyone of them in some way, shape, or form complains about our, quite frankly, our dumping laws. We are not at all anything but proud of them. We know they are WTO-consistent. We think they serve a very legitimate purpose. At the same time, we are also extremely proud of the fact that we do have the most open market in the world, and the fact is, our economy is doing better than anyone's. This is all interrelated, but in no way, shape or form, Congressman, are we anything but proud of the fact that we are enforcing the laws that you pass. We do it with an aggressiveness that most of our friends around the world think is a little over done, to be frank with you.

Mr. LEVIN. Thank you.

Mr. HOUGHTON. Mr. Coyne.

Mr. COYNE. Thank you, Mr. Chairman. I wonder if you could let the Subcommittee know who some of the major buyers are of this import surge that we have experienced?

Mr. DALEY. To be very honest with you, Congressman, I do not have the information. The industry probably would be in a better position to tell you that, who is actually buying this. We know the importers, but they aren't necessarily the final users of this steel that comes in.

Mr. COYNE. Ambassador.

Ms. BARSHEFSKY. I would give the same response. I do think of course some industry members are in joint ventures and other arrangements with off-shore producers. There may be some imports into this country pursuant to those arrangements, but I am not privy to them and I don't know what the volumes might be.

Mr. COYNE. Well, do we have any indication that some of the very companies that are complaining about these imports and this dumped steel are indeed the purchasers of that steel?

Mr. DALEY. We have heard that from different sources, but we have no proof of that.

Mr. COYNE. You don't keep any statistics on that?

Mr. DALEY. No.

Mr. COYNE. You have nowhere to recommend that we get that information?

Mr. DALEY. As I say, Congressman, it would probably be best to ask the industry itself. We have records, and the Customs Department has the records of the importers, but they generally are not the end users of the steel. They are basically go-betweens.

Mr. COYNE. Has the steel industry itself filed any 201 actions?

Ms. BARSHEFSKY. The wire rod producers have filed. They filed in December. The International Trade Commission, which investigates section 201 cases, is now investigating that case. Our understanding is that the carbon steel producers in general have been looking at the question of a broad section 201 case, but I don't know that they have reached any decision to file one.

Mr. COYNE. Well in your judgment, do you think that the steelworkers or the steel companies, and by extension, the steelworkers, could be advantaged by more actions, 201 actions by the steel companies?

Ms. BARSHEFSKY. I would say that is really for the companies and the union to decide. Obviously factoring into the consideration whether to bring cases is their likelihood of success, as well as the range of relief that might be obtainable. That is typically a decision that a complaining party and its lawyers make jointly. I assume that that kind of an analysis is going on within the steel industry today.

Mr. COYNE. Thank you.

Chairman CRANE [presiding]. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman. I believe that you have been appropriately praised for the work you have done on various antidumping provisions today to stem this problem. But I have also heard in some of your testimony and in other testimony before you came here that there are other factors that played into this problem, that the antidumping laws aren't designed to have any effect on.

The question is whether with respect to structural overcapacity in the global steel industry, manufacturing industry or whether with respect to perhaps anticompetitive agreements, formal and informal, between steel producing nations, are causing, contributing to this problem. If so, the antidumping laws ought to affect those. Is there a need for other regimes in this regard? If so, what should they be? If you are looking at what Sandy said about looking down the road to a comprehensive way to deal with, perhaps stopping, this problem from occurring in the future.

Ms. BARSHEFSKY. It is a little bit hard to get your hands around legislating a solution, for example, to global overcapacity, whether in steel or in any other product. Certainly with respect to steel, there has been government-directed lending. Korea is an example of this with respect to Hanbo Steel, with respect to POSCO. This is a phenomenon that is a phenomenon in general of government-directed lending to noneconomic enterprises that IMF programs are designed to alter because this is nonproductive use of scarce fiscal resources by these countries.

Our push in Korea for the closing and privatization of Hanbo, our push for the privatization of POSCO and commitments by the

Government of Korea not to direct lending to those companies, is one part I think of a longer term solution. Korea is not the only country. I use that though as an example.

With respect to anticompetitive practices, this is also of some concern. There have long been allegations, as yet unproven, of formal or informal arrangements between European steel producers and their Japanese counterparts. It has long been observed that the United States takes about 10 times more steel from Japan than does Europe. People over the course of many years have questioned why is that.

I think this is an issue that the European Commission has from time to time looked at. I don't believe at this juncture they have found evidence of that. But we have always had a high degree of confidence in the European Community's competition authorities, who for many, many years have been quite aggressive on issues of this sort. Nonetheless, we have asked Europe to continue to look into these allegations because obviously, to the extent Europe takes more steel, the United States will take less.

Mr. JEFFERSON. Thank you.

Chairman CRANE. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman. I appreciate the opportunity to participate in this inquiry. A couple of quick questions. Thank you for your testimony today.

With regard to the suspension agreement with Russia, an agreement that will suspend the investigation of the unprecedented levels of dumped hot-rolled steel imports from Russia into the United States. My understanding, and I think this is everyone's understanding, is that the industry has been very clear to the administration that it strenuously objects to the suspension of these cases. Now, the Department of Commerce released preliminary dumping margins on hot-rolled Russian steel, ranging from 71 to 218 percent, and if finalized, these margins would effectively end imports of dumped Russian hot-rolled steel.

The suspension agreement is simply not as effective as U.S. trade laws, and arguably the so-called comprehensive agreement limiting Russian imports of other steel products can only be effective if it is part of a global solution, which it is not.

Now, given that Federal law requires a 30-day period during which the initial suspension agreement with Russia will be open for public comment, and that the law also requires that government take these comments into consideration before finalizing the agreement, I am curious to know if the industry and the workers continue to oppose this agreement, will the administration take these objections into active consideration and consider not entering into a suspension agreement with Russia?

Mr. DALEY. Congressman, we will take the comments of the industry and the workers into consideration, as we have. We do believe though, to be frank with you, that a 90 percent cut in steel imports from Russia is a very positive step. Also giving certainty into the future of exactly knowing what amount will be coming to this country from Russia is a very positive step. We have cut back the quotas, the amount of imports to 1996 levels, and at a price that we believe is a positive action, with also a 6-month moratorium.

So we feel very good about this agreement. We think it serves a strong purpose. That is, to stop this tremendous surge. But we will take into consideration during this 30-day period.

Mr. ENGLISH. Mr. Secretary, on a different issue. I have become more sensitive to the impact of currency devaluations on commodity sectors as a result of our steel crisis. I am deeply concerned about the fact that the dramatic devaluation of Asian currencies, particularly the Korean won, has enabled exporters of steel products from those countries in the Pacific rim to reduce their prices to extremely low levels.

The Department of Commerce has not been able to adjust its dumping calculations to take into account this devaluation. Let me ask, how does your department intend to address this issue in its final determination so as not to let Korean exporters in the case of stainless steel, to dump their products in the U.S. market with impunity.

Mr. DALEY. If I could, Congressman, get back to you with that answer, I would sure appreciate it.

Mr. ENGLISH. Certainly. And then one last quick question for Ambassador Barshefsky. I had understood your testimony a few minutes ago to be an offer to expedite 201 cases. I am curious if you would comment on why so far the administration has been unwilling to initiate section 201 actions in the case of steel. Would you care to comment on that? Is there a policy reason why you have been reluctant to use this tool?

Ms. BARSHEFSKY. Self-initiation of trade cases by this administration or any administration is something that is very, very rare indeed. We have indicated, and the President has indicated that to the extent Japanese import levels do not return soon to precrisis levels, the administration will self-initiate trade action against Japan.

But generally speaking, this administration, with previous administrations, favors the filing of trade cases by domestic industries which feel adversely impacted by imports. That is to say it is up to the industry to decide whether it is adversely impacted, and to put together an action.

Our steel industry, of course, is very practiced at this, has brought section 201 cases in the past, has been successful in those cases in the past. The wire rod producers, as I have said, have initiated their own case. Certainly our carbon steel producers in general are well-positioned to do that.

The President has indicated that if cases are filed, he will ask the International Trade Commission to expedite the investigation. I would note simply that the International Trade Commission is of course an independent regulatory body. Thus, the President can make a request of them, but of course cannot demand that they expedite. Nonetheless, he would urge them to expedite any such investigation, were such a case to be filed.

Mr. ENGLISH. Thank you for your testimony. I look forward to your response, Mr. Secretary.

Chairman CRANE. I want to express appreciation again to both of you for being here today, and giving of your time, and look forward to having constant ongoing communication with you. Any time that it is not solicited, but you think it is important, don't hesitate. You know where to get a hold of me.

Thank you both.

Ms. BARSHEFSKY. Thank you so much.

Chairman CRANE. And I would now like to invite our next panel, Curtis Barnette, chairman and chief executive officer of Bethlehem Steel, Robert W. Cardy, vice chairman, Specialty Steel Industry of North America, George Becker, international president, United Steelworkers of America, and Mark Glyptis, president of Independent Steelworkers Union.

And gentlemen, after you all get seated, will you please proceed in the order I called you? Mr. Barnette, Mr. Cardy, Mr. Becker, and Mr. Glyptis, and try and confine your oral presentation to as close to 5 minutes as possible. All written material will be made a part of the permanent record.

Mr. Barnette, you are first.

**STATEMENT OF CURTIS H. BARNETTE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BETHLEHEM STEEL CORP.**

Mr. BARNETTE. Mr. Chairman, thank you for the opportunity to discuss with you today the crisis in our industry. I come with the heaviest of hearts because truly this is a hearing that should never have been necessary to hold, because the American steel industry is an American success story.

During the eighties until the present time, we have reduced our capacity by some 30 percent, some 50 million tons. Our work force as a result of that, and as a result of modernization, has been reduced by nearly 60 percent, 300,000 jobs. We have spent approaching $60 billion, and we have doubled, and in many cases, tripled our productivity. We are the low cost, the high quality, the world class producer of steel in this marketplace. Make no mistake of that. Yet today we face a crisis in our industry. Why is that? What is it about our trade laws and the administration of them that causes us to be before you today?

Our trade policy, and in many of my remarks, Mr. Chairman, and Members of the Subcommittee, I can and must of course only speak for myself and for Bethlehem Steel, but our trade policy has been a very clear one. To have open markets, to have market-based trade, to have that trade based on national and international rules, and to cause those rules to be enforced when trade is unfair and injurious. Something is not working. For that reason, I would suggest, respectfully, in view of what is happening in steel and because of this massive foreign trade deficit that we have faced, that steel trade is at the crossroads. I would respectfully suggest that our international trade policy is at a crossroads. I would be pleased to comment more on that, and observe with respect to that.

As an industry in this present situation, we have taken three basic actions. First, legal actions, relying on our trade laws, antidumping and countervailing duty laws. Second, we have engaged with the very effective assistance of leading steel companies and the United Steelworkers in an educational campaign, Stand Up For Steel, Stand Up for America. It has been enormously successful. It is an educational effort to talk about this American success story and the injury we are facing because of the unfair trade that is taking place.

Third, we are working effectively with our government, State and local, and Federal, in order to bring about with their assistance, changes in our laws where appropriate and the effective and full enforcement of those laws where that is appropriate. We have made strong recommendations to the President and the administration, some 10 in number. They are covered in my statement. We strongly urge the Congress to look carefully at our trade laws and be sure, be sure that in no respect are we more restrictive in this enormously complex era that we are going through in trade, no more restrictive than certainly our international trade obligations require us to be. We have made some seven specific recommendations with respect to legislative direction.

Finally, my concluding remark would be that we are at a crossroads. If our laws are not effectively dealing with the injurious trade, and if those laws are not amended to cause us to have effective remedies at least such as the rest of the world, then surely the need for different courses of action has conclusively been established.

I appreciate very much the opportunity to appear before you, Mr. Chairman, and Members of the Subcommittee. My statement has been filed. I hope that can be made a part of the record.

[The prepared statement follows:]

**Statement of Curtis H. Barnette, Chairman and Chief Executive Officer, Bethlehem Steel Corp.**

This opportunity to appear before the Trade Subcommittee's very timely hearing on the steel import crisis is very much appreciated.

Last Fall, despite the immense pressures of completing the legislative business for the year, Congress demonstrated its concern and support for the American steel industry and its workers and stressed the need for strong and effective government action to help stop the surge of heavily dumped and subsidized foreign steel imports. The enacted budget reconciliation bill included a Congressional Resolution urging the Administration to take the necessary and appropriate actions to combat the unfairly traded imports flooding our markets. Congress has sent a clear and important message that the U.S. government should not allow dumped and subsidized foreign steel to undermine our industry and American jobs.

This statement will consist of four parts: an update on the steel import crisis, a summary of actions taken by the industry, a reaction to the Administration's January 1999 Report to the Congress, and an outline of legislative initiatives that need to be enacted. A separate statement for the record, submitted by the American Iron and Steel Institute, addresses the specific questions of what can be done to promote increased foreign consumption of excess steel capacity.

STEEL IMPORT CRISIS UPDATE

The American steel industry has gone through a painful restructuring since the 1980s—we have reduced inefficient capacity by 30%, reduced jobs by 60%, made massive capital investments of nearly 60 billion dollars, and more than doubled our productivity. We emerged as the world class steel industry. Our foreign competitors, however, did not make the painful decisions made by the American industry. There continues to be significant foreign overcapacity which has to land somewhere, and it has landed in the United States—the world's most open market. As we examine the data detailing the sharp increase in steel imports and its effect on our industry, it is essential to keep in mind the basic cause of the problem—uneconomic decisions by foreign producers leading to excess worldwide capacity that ultimately is unfairly traded in the United States and thereby undermines the American industry and its workers.

Record levels of unfairly traded imports in 1998 pose an unprecedented threat to all that our world-class American steel companies and employees have achieved in recent years. The impact of the steel import crisis in the United States has become even more severe in the first quarter of 1999.

Import volumes in 1998 reached unprecedented levels (see Attachment 1). The United States imported a record 18 million tons in the first half of 1998. Nevertheless, import levels in the second half were even higher. During the third quarter, a record 12.4 million tons of imports surged into the U.S. market, an increase of 56 percent over the same period last year. The July through November *imports were the five highest monthly totals for imports in U.S. history* (see Attachment 2). Although imports declined in December—reflecting the impact of the hot rolled sheet antidumping petitions—imports of steel mill products for 1998 set an all-time record for a single year of 41,519,000 net tons—a 33 percent increase over 1997, which itself was a record year.

There is only one accurate description for America—we have become the World's Steel Dumping Ground. While average U.S. import values have *declined* by almost $100 per ton in the past year, total import volume has *increased* by over 70 percent (see Attachment 3). On October 28, 1998, the Executive Director of the steel importers association admitted to the *Journal of Commerce* that "there's no place left to put the steel." The docks and warehouses are full. The inventories remain at record levels. Yet, unprecedented levels of unfair and disruptive steel imports *continue* to stream in from every corner of the globe.

Comparing 1998 with 1997's record import levels, finished steel imports are up 144 percent from key Asian producers (see Attachment 4), and up 72 percent from Russia and two other nations of the Commonwealth of Independent States (CIS), not including cut-to-length plate, which is subject to a suspension agreement (see Attachment 5). Other examples of 1998 import surges include Australia (up 117 percent) and South Africa (up 106 percent).

More than half of the total import surge in 1998 has been concentrated in hot-rolled carbon steel flat-rolled products (see Attachment 6), which explains why this is the product area covered by the initial trade cases filed earlier this year by U.S. steel companies and the USWA. A closer look at the data shows that flat-rolled imports have surged sharply since the first quarter of 1998 (see Attachment 7), and significantly higher import volumes and substantially lower average unit values are especially pronounced for imports of hot-rolled carbon steel flat products from Japan, Russia and Brazil (see Attachments 8–10).

It is important to emphasize, however, that this import surge is *not* limited to hot-rolled carbon products or to these three countries alone. With U.S. imports from *nearly 40* countries having exceeded their 1997 totals (see Attachment 11), steel import market share is rising in several key product lines (see Attachment 12), and import surges, both by country and by product, are occurring across-the-board.

In one dramatic example, U.S. imports of cut-to-length carbon steel plate from South Korea have skyrocketed since June (see Attachment 13), and more cut-to-length plate from Korea entered the United States in a *4-month* period, from August through November 1998, than in the previous *7 years* combined (see Attachment 14). And these are not the only examples. More plate in coil entered the U.S. from Japan in the last *3 months* than in the previous *10 years* combined (Attachment 15), and more cold rolled sheet entered the U.S. from Korea in the last *4 months* than in the previous *5 years* combined (Attachment 16).

This is a *supply-driven* crisis, in which an already enormous world steel overcapacity problem has been made much worse by *major structural economic failures in Asia and the CIS*. Today, we have over 300 million tons, or roughly one-third of total world steel capacity, desperate for new markets. This current crisis is deeply troubling, causing serious injury to American steel companies and employees, and it is unique in three respects:

- First, worldwide overcapacity and the failure of foreign producers to execute the difficult restructuring decisions made by the U.S. producers continues to undermine our industry and workers. The problems caused by this overcapacity have been exacerbated by the recent global macroeconomic developments, from extreme currency shifts to severe economic downturns abroad, which clearly are beyond the ability of U.S. producers and workers to control.
- Second, no one can recall a time when American steel prices fell as far as fast in a period of still relatively strong U.S. market demand. The stark truth is that dumped and subsidized imports are deriving most of the benefits of our own successful efforts to grow the demand for steel in the United States and North America.
- Third, and perhaps most troubling of all, the serious import injury this time is threatening to destroy an American success story of industrial revitalization, an industry that is once again the world leader in labor productivity and the application of state-of-the-art steelmaking technology. This time, unlike in the early-mid 1980s, major structural economic failures abroad are threatening the viability of a world-

class, highly competitive American steel industry—and with it, thousands of high skilled U.S. jobs.

Recent press reports and public news releases detail the effects of this accelerating national crisis. Unprecedented levels of unfairly traded and disruptive steel imports have caused a large and growing number of American steelworkers to experience layoffs, short work weeks or reduced pay incentives. And for American steel companies, these surging levels of imports, at prices far below the cost of production, have resulted in lower shipments, large production cuts, significant declines in capacity utilization, lost orders, severe price depression, and significant financial losses. Attachment 17 is a listing of recent plant closings, layoffs and capacity reductions as of February 10, 1999.

In addition, the adverse effects of this steel trade crisis are now spreading with equal intensity to key suppliers and to immediate downstream users, such as steel processors and fabricators. Steel companies and employees are taking private legal actions to address the crisis. However, public actions, including prompt, enhanced enforcement of trade laws and other effective actions by the Administration and the Congress, are needed now just to keep this crisis from getting even worse.

## Steel Industry Action Plan

In September, a three-part program was reviewed with the Senate and House Steel Caucuses that required both public and private sector responses.

1. *Trade Cases*—On September 30, 1998, twelve domestic producers and two unions filed trade cases against hot-rolled carbon steel products from Russia, Japan and Brazil.

a) On November 13th, all six members of the International Trade Commission voted affirmatively in the preliminary determination on the question of injury.

b) On November 23rd, the Department of Commerce announced an affirmative preliminary finding of "critical circumstances" on the Japanese and Russian cases. The Department's finding means that antidumping duties may attach to entries of merchandise made up to 90 days prior to the Department's preliminary determination of dumping. This finding was based in part on the fact that imports from Russian and Japan had increased by about 100 percent during the period examined and, with respect to Russia, there is a history of dumping findings on Russian hot rolled steel in third countries. With respect to Japan, based on the size of the alleged margins and other factors, the Department found that importers of Japanese steel knew or should have known that the imports were dumped and were likely to cause injury to the U.S. industry.

c) On February 12, 1999 (25 days ahead of the statutorily-mandated time schedule), the Commerce Department made preliminary antidumping determinations against Japan and Brazil. The Japanese margins ranged from 25 to 60 percent, and the Brazilian margins ranged from 50 to 71 percent. The Department also made preliminary countervailing duty findings against Brazil ranging from 6 to 9 percent. These findings confirm the extraordinary level of unfair trade that is causing such serious injury to our industry, and we appreciate the Department's expedited handling of these cases.

On February 22, 1999, the Department announced preliminary margins for Russia, and at this same time announced that it had reached a tentative suspension agreement with Russia on hot rolled products. It also announced that it had reached a more comprehensive steel export restraint agreement with Russia. The petitioners in this case have repeatedly stated their strong opposition to a negotiated settlement with Russia, and these negotiations have been conducted over our well-recognized objection. We are sympathetic to the importance of sustaining Russia's fragile market economy, but the burden of doing so must not fall disproportionately on one U.S. industry and its workers.

Based on our understanding of the terms of the proposed hot rolled product suspension agreement with Russia, we do not believe that the agreement, if entered into, will meet the statutory criteria of being in the public interest and preventing the suppression and undercutting of prices for steel produced in American plants by American workers, and we have advised the Department and the Administration that we will immediately take our case to the Federal courts, and we will request the Congress to hold prompt hearings. Going beyond the strict legal criteria, we believe such an agreement undermines the Administration's stated commitment to strong and effective enforcement of our unfair trade laws and deprives our industry and our workers of the effective remedy to which we are lawfully entitled.

Based on our understanding of the more comprehensive agreement with Russia, we do not believe that the agreement will achieve a reduction of imports of injurious and unfairly-traded Russian steel, and would have the effect of undermining other legal remedies.

d) On February 16, 1999, Bethlehem, four other domestic petitioners, and the USWA filed new antidumping petitions covering cut to length plate against the Czech Republic, France, India, Indonesia, Italy, Japan, Macedonia and South Korea. Countervailing duty petitions were also filed for six of these countries. There are two very significant aspects of these cases. First, the product involved is already the subject of eleven existing antidumping orders and four suspension agreements. It is a clear example of the phenomenon of international trading companies finding new sources of unfairly traded material to circumvent the effectiveness of our trade remedies and of the breadth of the world overcapacity problem. Second, the third largest American plate producer, Geneva Steel, is not a petitioner in these cases because it has already been forced into Chapter 11 Bankruptcy proceedings.

We and others are actively reviewing additional state and federal legal actions, including additional antidumping and countervailing duty cases and Section 201 "escape clause" petitions. Additional cases will be filed when appropriate.

2. *Public Awareness Campaign*—An informed public is essential as we request our government to take immediate actions to uphold our rights against these unfairly traded steel imports, and we believe we have made important progress in a joint industry-labor public awareness program. The USWA and America's leading steel companies have established a "Stand Up for Steel—Stand Up for America" Campaign that reaches out to America and is designed to involve all interested parties. Numerous rallies and other public events, have taken place with significant community participation. Countless messages and letters have been sent to leading newspapers and other media, and a vigorous print, radio and television campaign to tell the public about the steel crisis is being conducted. And we will continue these efforts—this multi-steel company and USWA Campaign—as a means to educate the public until the crisis is resolved and fair trade restored.

3. *Governmental*—Throughout the Fall we had a number of meetings with Cabinet level officers, including a meeting with the President and Vice President. We have recommended actions the Administration should take and they include:

1) Forceful and publicly known bilateral discussions with all countries who are engaging in unfair trade to direct them to stop.

2) Prompt and effective enforcement of trade cases brought by the industry.

3) Willingness to self-initiate, or consider self-initiating in consultation with the industry, as appropriate: AD, CVD, 201 and other cases.

4) Willingness to deal with Russia by imposing a tariff on Russian shipments, utilizing the 1990 USSR-US agreement on Trade Relations and other Presidential authority.

5) Willingness to deal with the Japanese Cartel under 301, by a WTO case or through the antitrust laws.

6) Utilize CVD regulations to provide strong CVD remedies.

7) Support for an effective steel import monitoring system.

8) Support for trade legislation that will strengthen our trade laws in a manner consistent with the WTO.

9) Have the highest qualified public servants in position or nominated to administer our trade laws.

10) Have forceful statements about the crisis in the American steel industry made by the President, Cabinet Members and others to the effect that rules will be enforced when trade is unfair and injurious.

## THE ADMINISTRATION STEEL PLAN

On January 7th, the Administration released its congressionally mandated report to the Congress on a comprehensive plan for responding to the increase in steel imports. The judgement from all quarters of industry and labor is that the plan falls short of what is required, and that has been forcefully communicated to the Administration. The plan is primarily a recitation of actions previously taken by the Administration. It contains four "new" items: a vague and unenforceable demand for Japanese export restraints; a "300 million dollar" NOL carry back extension which was not requested and is of no use to Bethlehem or any other company we have talked to; accelerated release of steel import data which is helpful but falls far short of "real time" data provided by an import permit system; and trade adjustment assistance enhancements that are bitterly opposed by the USWA.

Attachment 18 is a side-by-side analysis of the Administration's report as measured against the industry's requests enumerated in the previous section of this statement. One of the most serious deficiencies, from the industry's perspective, is the Administration's announced intention to seek a suspension agreement with Russia in the pending hot rolled sheet antidumping investigation. As noted above, we believe that such an agreement would seriously undermine the relief provided by law by permitting large quantities of unfairly-traded steel to be imported into the United States. We have advised the Administration that in the current circumstances such an agreement is inappropriate and unacceptable, and we will oppose it with every available resource.

We continue to work with the Administration to encourage more meaningful action, and we believe that the January 7 report should be viewed as a starting point rather than the final response to the steel import crisis.

TRADE LAW REFORM

In addition to what the Administration can and must do now under existing law to address the steel trade crisis, legislation is needed to cause our remedies against unfair trade to be more effective in these new economic conditions and to make sure those remedies continue to function effectively into the future.

Bethlehem and the steel industry have long supported a trade policy based upon open, fair, rule-based and market-based trade, coupled with effective trade laws enforced as appropriate to handle unfair trade. These trade laws need to be firmly enforced to prevent unfairly traded imports from injuring U.S. industries. The trade laws, however, also must be improved and enhanced to the fullest extent possible consistent with WTO.

It has been a full decade since the Congress last enacted an omnibus trade law reform bill, that was not related to the implementation of a trade agreement. In that decade, and especially in this most recent crisis period, we have learned—with deep regret, and having suffered material and serious injury, that the existing laws do not provide the timely and effective remedies intended by Congress and permitted by WTO rules, and required to continue open and market-based trading.

The steel industry has supported international agreements intended to open world trade. In particular, we supported the WTO agreements, which established new international rules for the trade remedies imposed from time to time by WTO Member governments. But we did so based on an understanding that the United States, with the world's largest open market, would have and enforce the strongest possible remedies consistent with the new rules. Congress intended that these laws provide remedies, and all too often they simply have not, and do not work.

We intend to propose appropriate and necessary fair trade law reforms in the 106th Congress. Our preliminary recommendations include the following seven areas, and additional technical amendments are needed in each one of these areas.

1. Section 201: Section 201 should be amended to reflect the standards in the WTO Safeguards Agreement, rather than the more restrictive standards currently in our law. There is no justification for the additional burden now imposed on U.S. industries seeking safeguard relief. In addition, in any case involving an "upstream" product that is both sold on the merchant market and "captively consumed" by domestic manufacturers who use it as feedstock, the statute should direct the ITC to measure the domestic industry's market share in a manner consistent with common commercial practices in the industry concerned.

2. ITC injury analysis in AD/CVD cases: This is an area of particular and unnecessary difficulty for industries seeking relief against dumped and subsidized imports. Congress intended, and WTO rules allow, that such imports face offsetting duties *whenever* the domestic industry is injured to *any* measurable degree by the imports. Where there is an unfair trade practice, whether selling at less-than-fair-value or a subsidized product, no amount of injury should be tolerated. Any detectable injury should be remedied. That is the original intent of the Congress—but it is not what happens today. An industry should not have to suffer as much injury as we are suffering now in order to get relief. Likewise, it should not be necessary to wait until there is current injury in order to find threat of injury. To list just three of the many needed amendments, Congress should act this year to clarify that: (1) there is no need to show actual losses or layoffs in order to find present injury; (2) in cases where injury is developing rapidly, the ITC must focus primarily on the most recent information; and (3) *any* causal link between imports and injury is sufficient for an affirmative determination—whether or not there is evidence of one or more individual factors such as underselling.

3. Antidumping calculations: Significant and unnecessary loopholes in the current law allow foreign exporters to avoid the law's full remedial effect by, for example, selling their goods through related parties in the United States. Amendments are needed to ensure that dumping margins are appropriately adjusted to prevent such manipulations. Congress should likewise amend the law to ensure that severe foreign currency depreciations do not put antidumping relief out of reach. We also be-

lieve that certain aspects of the current U.S. methodology for non-market economies need to be tightened and codified in the statute—especially as some of the larger non-market economies move toward membership in the WTO.

4. Countervailing duty calculations: The Commerce Department recently issued final countervailing duty regulations, and in doing so codified a number of balanced rules that can bolster the CVD remedy's effectiveness. Nevertheless, the Department failed to promulgate one very important rule that had been expressly sought by the Congress: a rule that changes in the ownership of subsidized factories, including privatizations, shall be treated as having *no effect* on the countervailability of previously received subsidies. This rule, along with a few other clarifications, should now be added to the statute.

5. Section 301: The effectiveness of section 301 as a market-opening tool has waned significantly, both because of the WTO agreements and because of the proliferation of new and harder-to-reach types of foreign trade barriers. Closed foreign markets are an important part of the overall trade crisis in the steel industry. We urge that Congress update section 301 with expanded authority for the President to address the new generation of private and joint public/private restraints on international trade. The USTR should have authority to act directly against foreign firms that participate in, or are the principal beneficiaries of, such restraints.

6. Import Monitoring: The current delays in providing steel import information to the industry have been partially addressed through the Administration's plan, but legislation is necessary to implement a steel import licensing system that will provide "real time" data. Congressman Regula and others have introduced legislation (H.R. 412) to implement such a system and we commend and support that effort.

7. WTO Dispute Settlement Review Commission: Unwarranted fear of future litigation in Geneva is emerging as a major problem in the administration of the U.S. trade laws. In large part, what is needed is simply a more resolute approach by the Federal agencies involved. However, Congress can help by establishing a blue-ribbon commission, comprised of federal judges, to review adverse WTO dispute settlement panel decisions. This proposal has been previously introduced by Senators Moynihan and Dole and publicly endorsed by the Clinton Administration. We believe its enactment would help to prevent U.S. officials from being intimidated, in carrying out the dictates of U.S. law, by the prospect of WTO litigation. We fully accept the new WTO rules and the jurisdiction of WTO panels to enforce those rules, but where panels stray outside those rules and invent new limitations on the use of U.S. trade remedies, some procedure must be in place to facilitate an appropriate Congressional response.

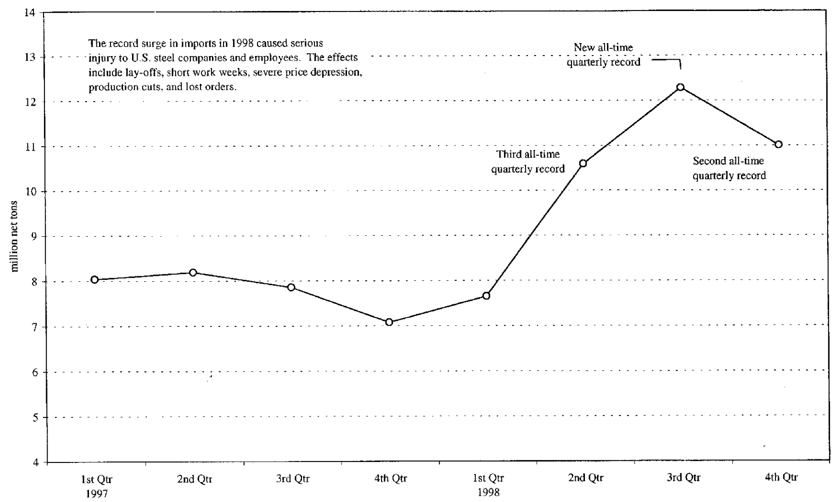
These seven fair trade law reforms are a starting point to make more effective our existing trade law remedies. We will have additional suggestions as we move forward.

In addition to H.R. 412, a number of other bills have already been introduced in the 106th Congress to address the steel crisis. They include H.R. 506, a bill to reduce import volumes to pre–1997 levels (which now has 160 bipartisan sponsors), H.R. 502, a bill to impose a 3-month ban on imports from four countries, and H.R. 327, a bill to provide for the assessment of additional retroactive antidumping duties. We appreciate and thank the sponsors and co-sponsors of these bills and others for their efforts to achieve a prompt, meaningful and comprehensive response to the steel import crisis.

The situation described in this statement places our industry, and perhaps our nation, at a trade policy crossroads. We believe that a comprehensive and effective response can be based on WTO-consistent principles, but that course requires an Administration willing to fully utilize the remedies available to it under current law, and a Congress willing to make WTO-consistent changes in our laws where they have been proven to be deficient. If we fail to be able to respond effectively within WTO rules, however, the need and requirement for an effective solution will surely have been established and may require a different course of action. The challenge is clear and real. Prompt, comprehensive and effective action to address the steel import crisis is absolutely essential if we are to continue our present trade policy.

Attachment 1

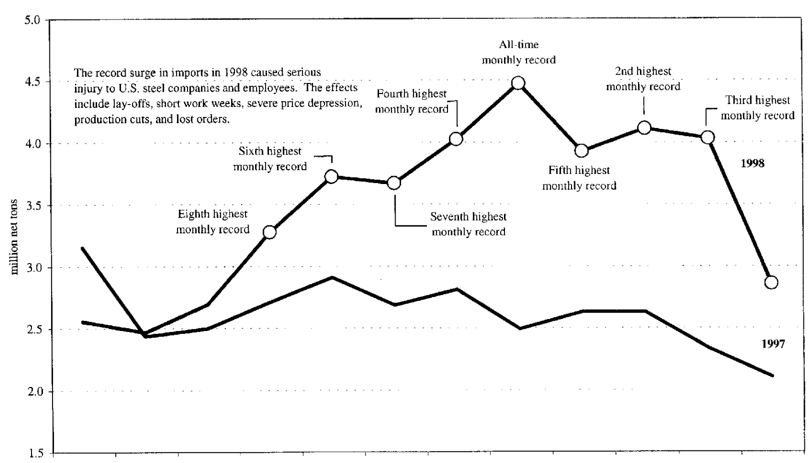
Record Levels of Unfairly Traded Imports From Russia, Asia and Other Countries Pose an Unprecedented Threat to the Competetiveness Gains Achieved by U.S. Steel Companies and Their Employees




Source: U.S. Department of Commerce

Attachment 2

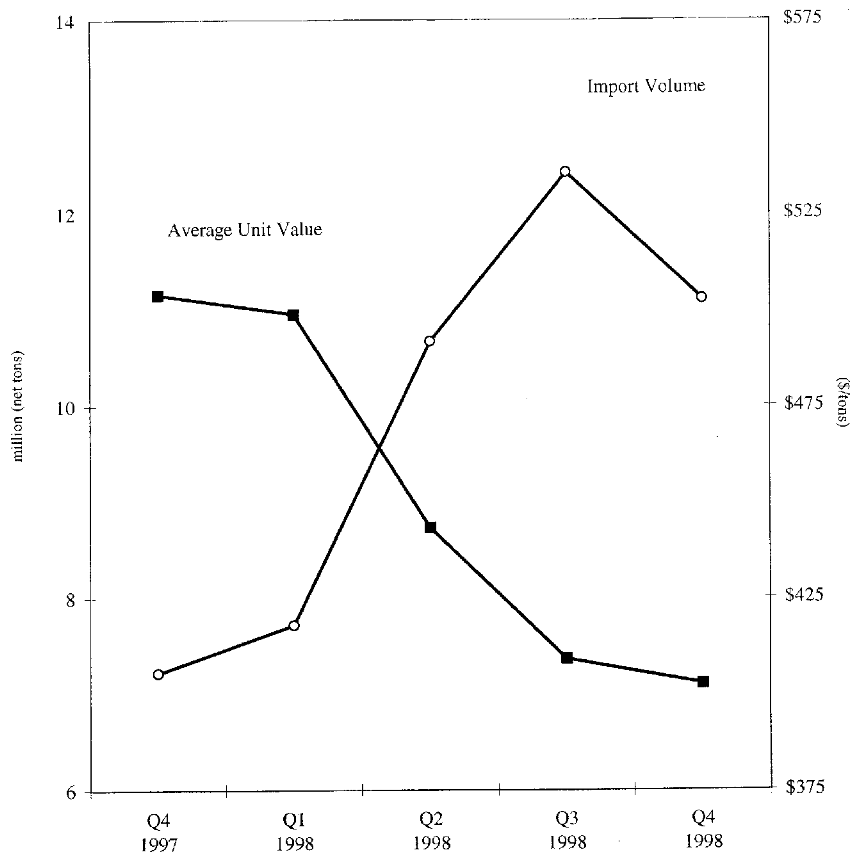
Record Levels of Unfairly Traded Imports From Russia, Asia and Other Countries Pose an Unprecedented Threat to the Competitiveness Gains Achieved by U.S. Steel Companies and Their Employees




Source: Department of Commerce

Attachment 3

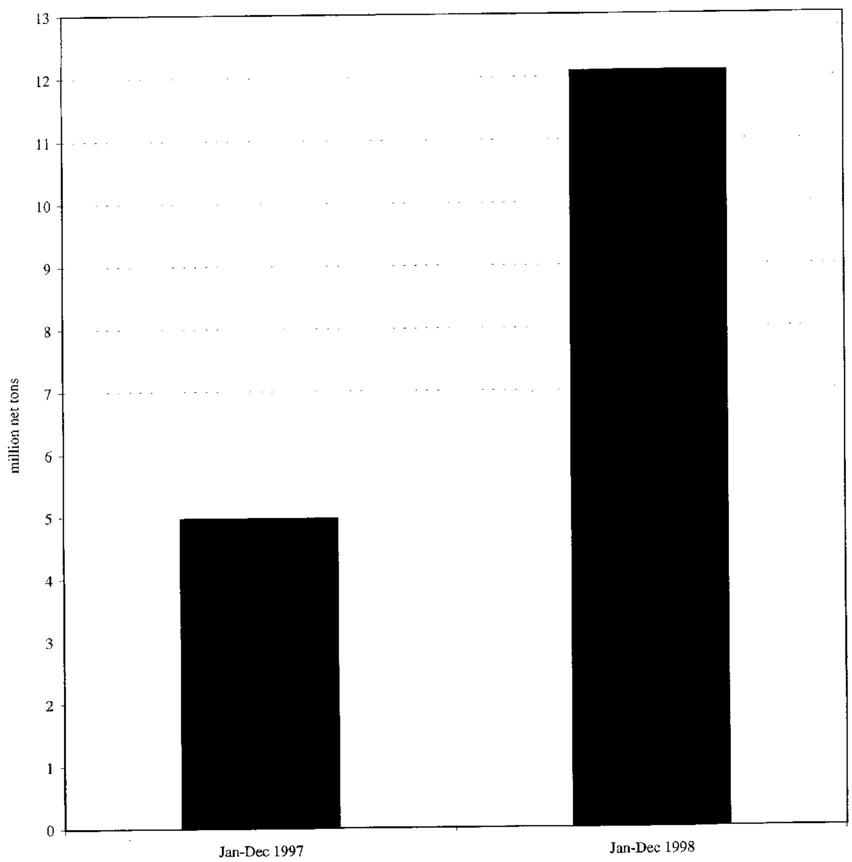
Over the Past Year Average Import Values Have Declined
Almost $100 Per Ton For Total Steel Imports
While Import Volume Has Increased 54 Percent
(Over 70 Percent through Q3 98)




Source: U.S. Department of Commerce

Attachment 4

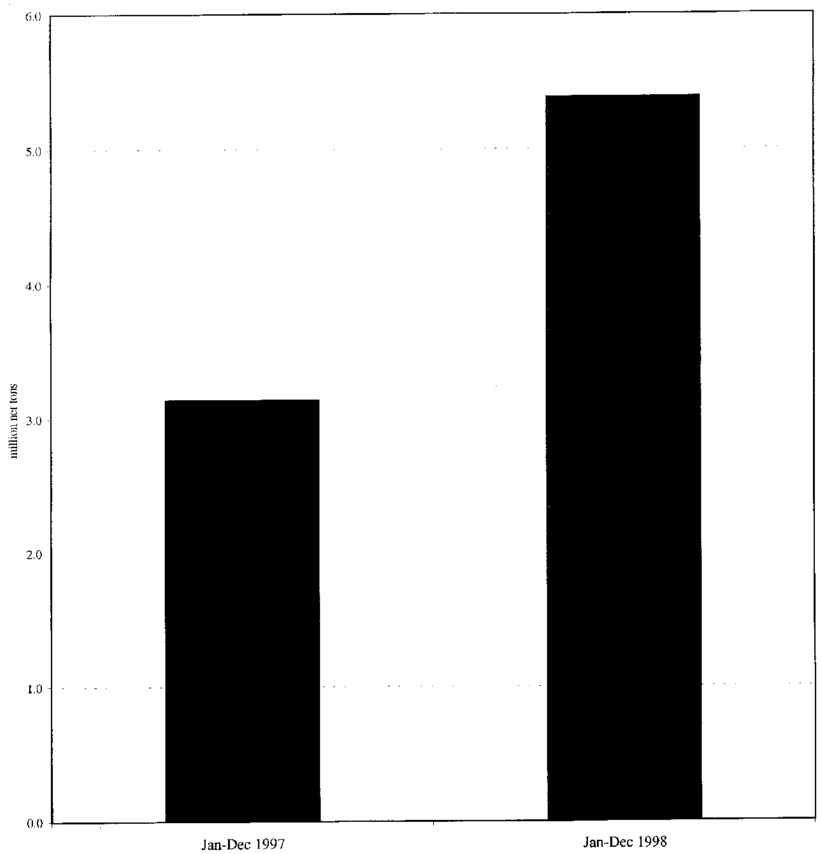
U.S. Imports of Finished Steel Mill Products
From Asian Steel Producing Countries,
Already at Very High Levels in 1997,
Increased an Additional 144 Percent in 1998




Source: U.S. Department of Commerce
Note: Asian steel producing countries include China, Japan, Korea, Taiwan, India, Indonesia, Malaysia and Thailand.

Attachment 5

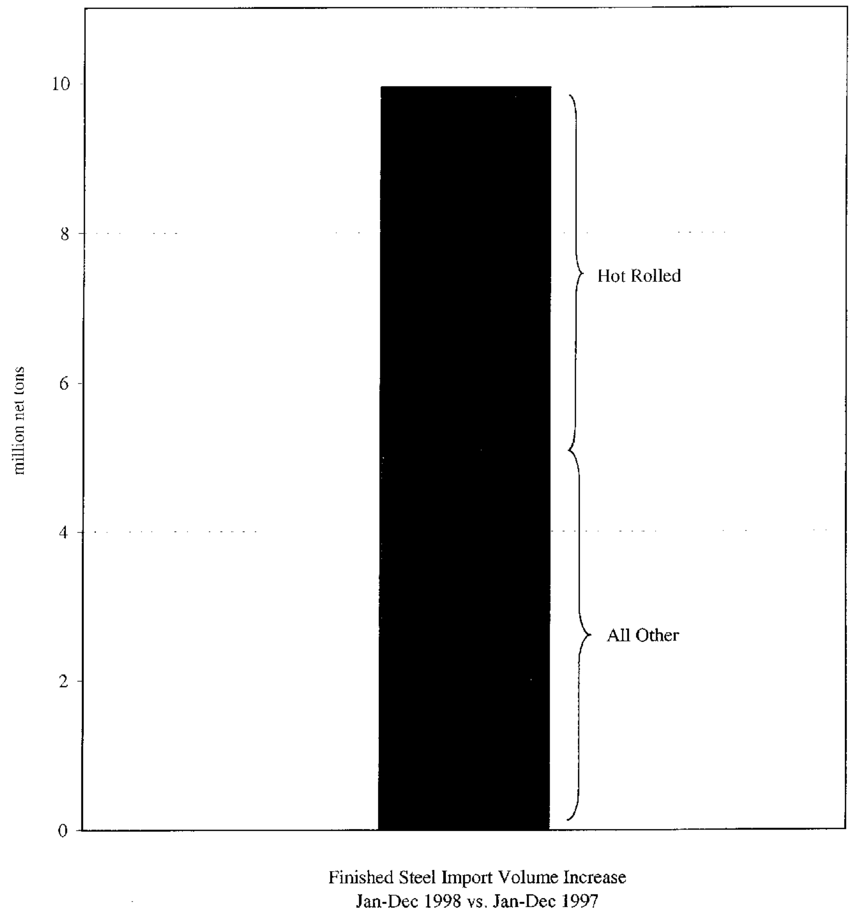
U.S. Imports of Finished Steel Mill Products From CIS Countries Not Subject to Suspension Agreements, Already at Record Levels in 1997, Increased an Additional 72 Percent in 1998




Source: U.S. Department of Commerce
Note: Data on CIS excludes carbon cut-to-length steel plate which became subject to a suspension agreement in 1997.
CIS countries include Russia, Ukraine and Kazakhstan.

Attachment 6

Almost Half of the Finished Steel Import Surge in 1998
Was Concentrated in Hot-Rolled
Carbon Steel Flat-Products
(million net tons)

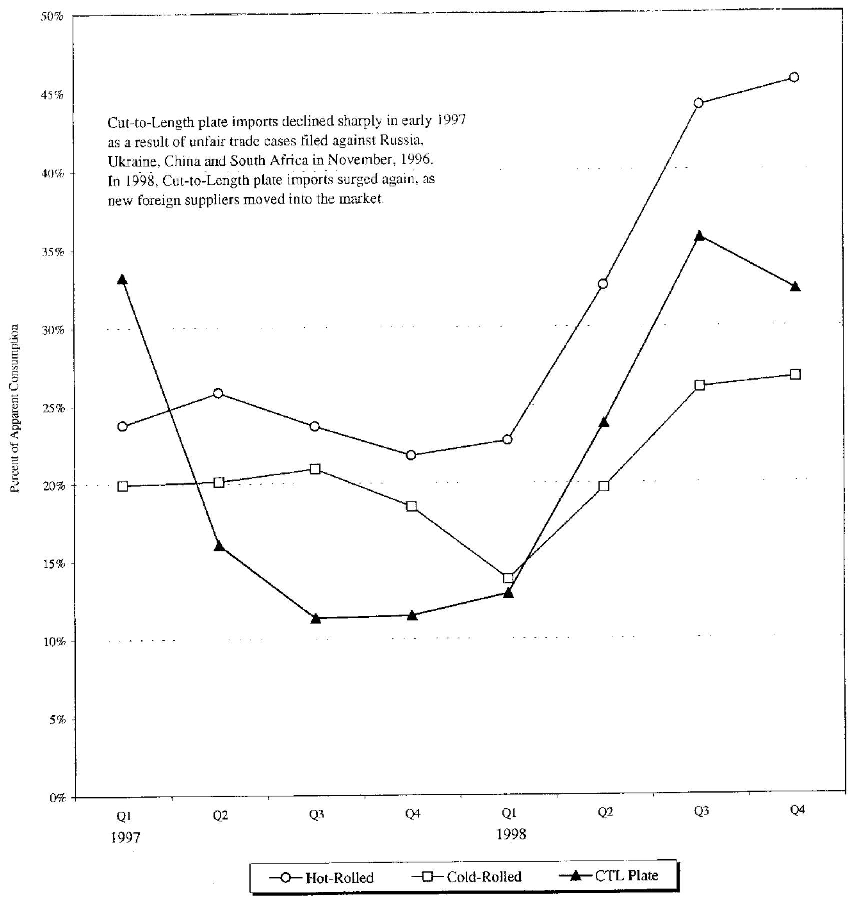



Source: U.S. Department of Commerce
Note: Hot-rolled carbon steel flat products includes hot-rolled sheet and strip and plate in coil.

Attachment 7

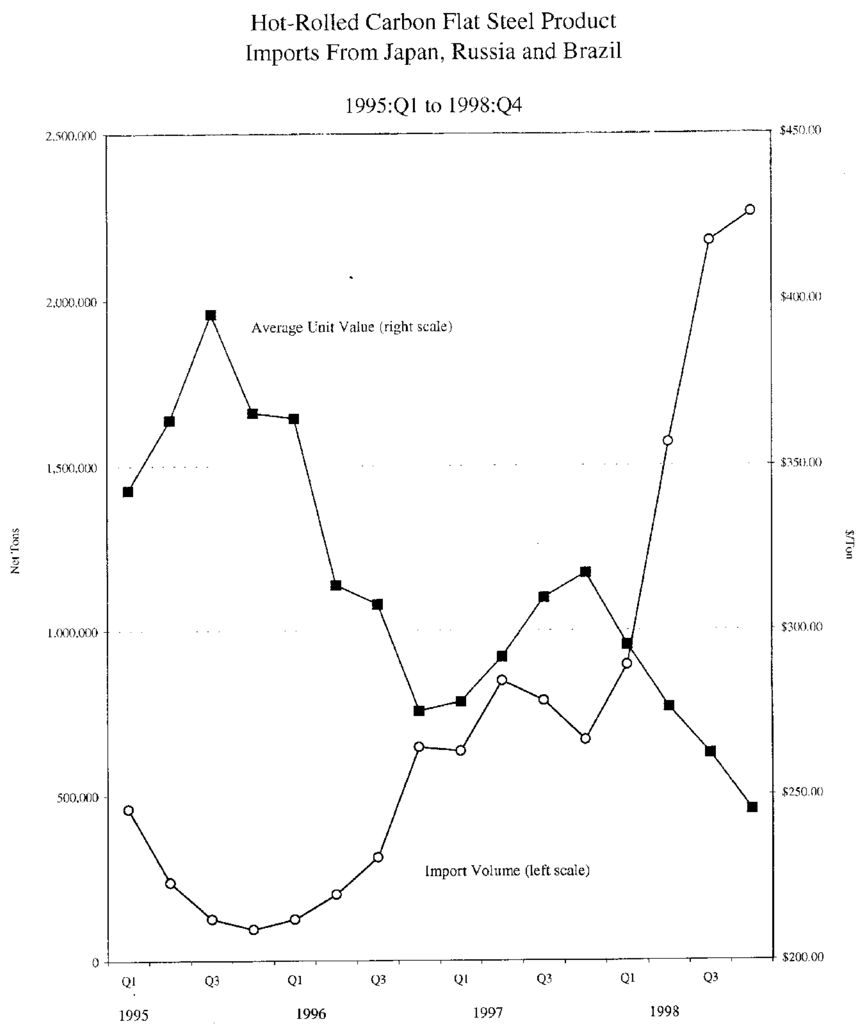
Flat-Rolled Imports Have Surged Sharply
Since the First Quarter of 1998

Import Market Share 1997: Q1 to 1998: Q4




Source: U.S. Department of Commerce and AISI.
Note: Hot-Rolled includes plate-in-coil.

Attachment 8

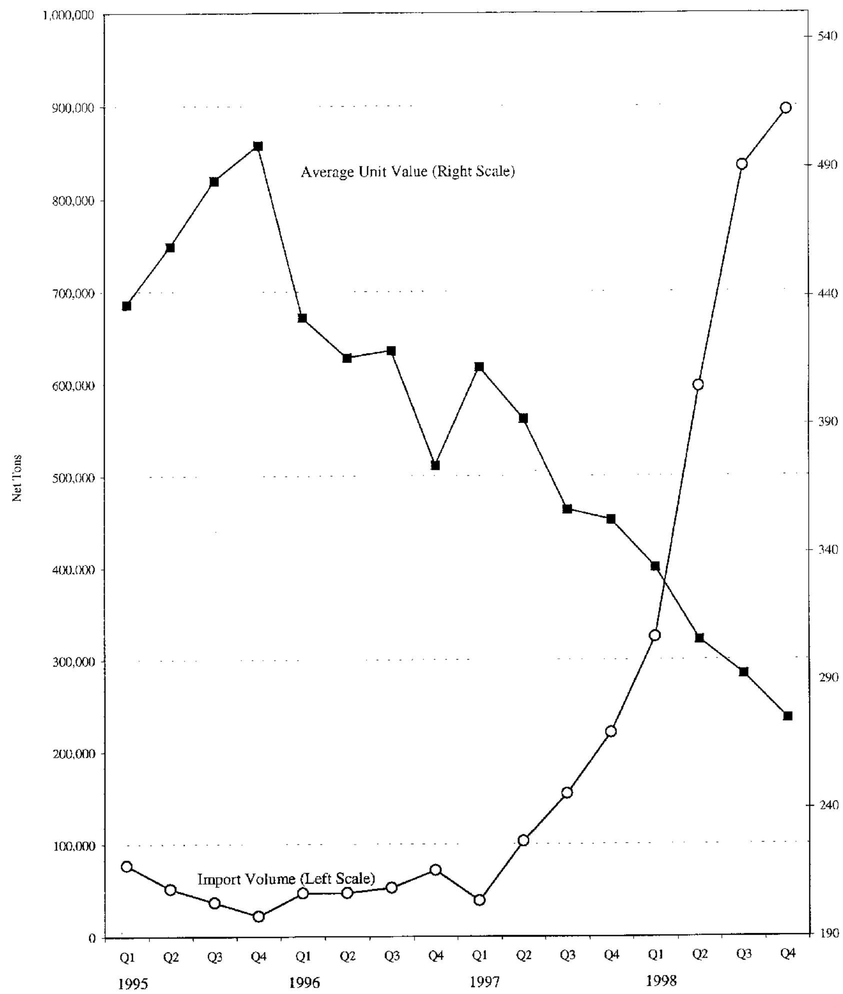



Source: U.S. Department of Commerce.
Note: Hot-rolled carbon flat steel products include hot-rolled sheet and plate-in-coil.

Attachment 9

Hot-Rolled Carbon Steel Flat Product
Imports from Japan

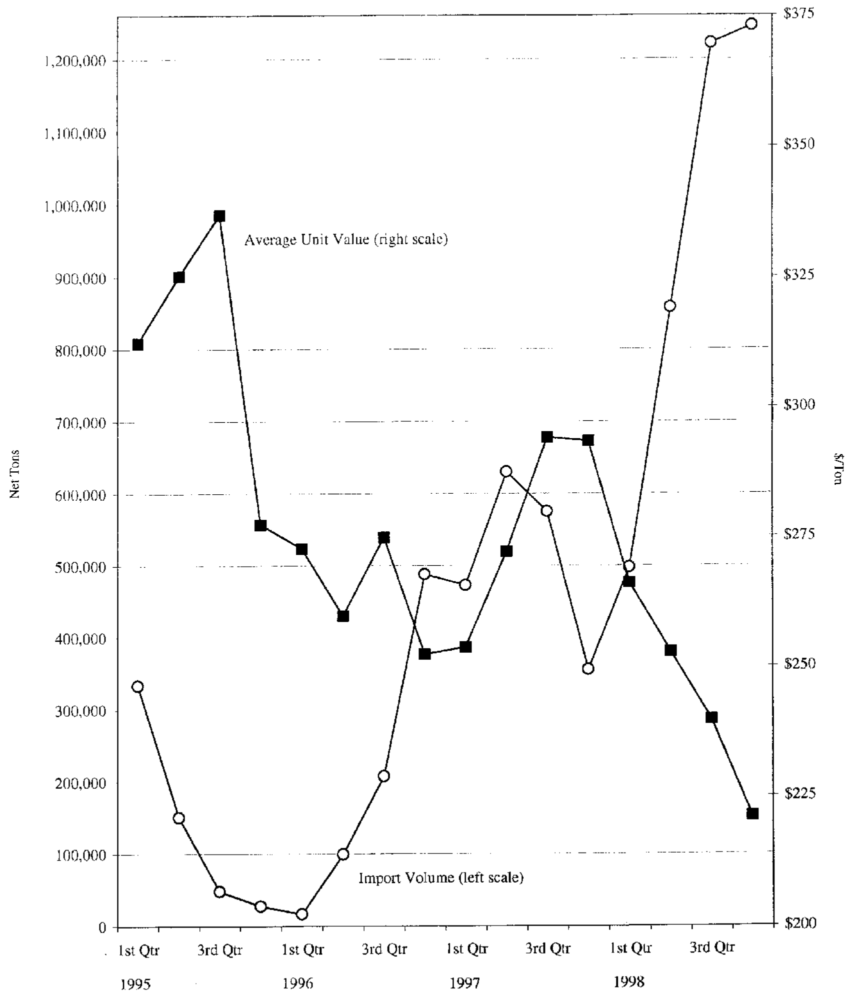
1995:Q1 to 1998:Q4




Source: U.S. Department of Commerce.
Note: Hot-rolled carbon steel flat products includes hot-rolled sheet and plate in coil.

Attachment 10

Hot-Rolled Carbon Steel Flat Product
Imports from Russia
1995:Q1 to 1998 Q4




Source: U.S. Department of Commerce
Note: Hot-rolled carbon flat steel products include hot-rolled sheet and plate in coil.

Attachment 11

## Foreign Suppliers That
## Surpassed 1997 Totals in 1998

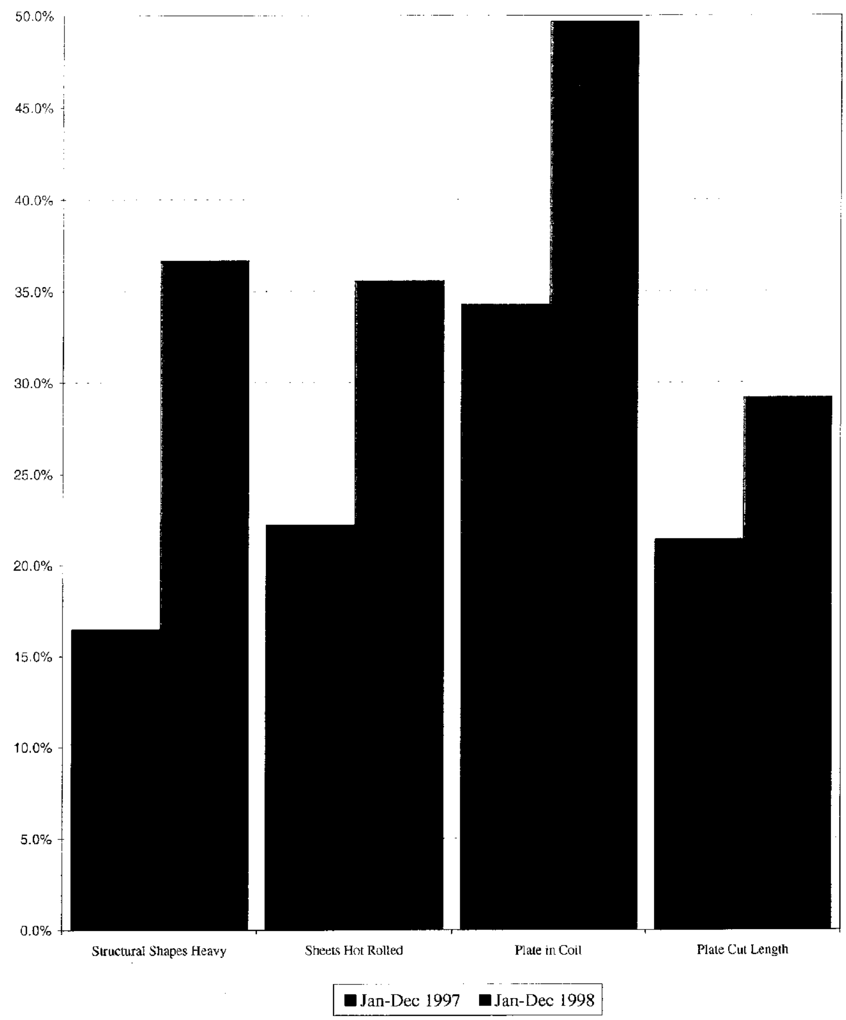
| COUNTRY | Year 1998 | Year 1997 | Difference |
|---|---|---|---|
| Japan | 6,727,518 | 2,554,473 | 4,173,045 |
| Russia | 5,273,589 | 3,319,000 | 1,954,589 |
| Canada | 4,913,714 | 4,775,166 | 138,548 |
| Korea | 3,429,837 | 1,638,373 | 1,791,464 |
| France | 1,091,659 | 1,072,750 | 18,909 |
| UK | 961,977 | 663,605 | 298,372 |
| Australia | 951,086 | 439,399 | 511,687 |
| Ukraine | 882,321 | 580,501 | 301,820 |
| Netherlands | 801,497 | 767,320 | 34,177 |
| South Africa | 649,115 | 314,577 | 334,538 |
| China | 632,274 | 476,916 | 155,358 |
| Spain | 598,208 | 580,139 | 18,069 |
| Indonesia | 542,071 | 91,484 | 450,587 |
| Venezuela | 509,680 | 441,681 | 67,999 |
| Taiwan | 491,956 | 188,956 | 303,000 |
| India | 376,742 | 194,472 | 182,270 |
| Moldova | 314,061 | 117,070 | 196,991 |
| Luxembourg | 313,169 | 174,357 | 138,812 |
| Romania | 239,737 | 157,694 | 82,043 |
| Finland | 207,513 | 174,151 | 33,362 |
| Latvia | 175,960 | 112,326 | 63,634 |
| Argentina | 161,809 | 152,934 | 8,875 |
| Poland | 153,255 | 150,385 | 2,870 |
| Kazakhstan | 149,266 | 22,588 | 126,678 |
| Thailand | 140,142 | 64,678 | 75,464 |
| Austria | 133,718 | 121,347 | 12,371 |
| Egypt | 67,690 | 50,904 | 16,786 |
| Lithuania | 62,931 | 1,560 | 61,371 |

| COUNTRY | Year 1998 | Year 1997 | Difference |
|---|---|---|---|
| Macedonia | 61,601 | 43,386 | 18,215 |
| Malaysia | 52,350 | 29,053 | 23,297 |
| Switzerland | 47,227 | 28,535 | 18,692 |
| Portugal | 37,322 | 12,602 | 24,720 |
| Chile | 36,112 | 21,094 | 15,018 |
| Hungary | 34,108 | 17,650 | 16,458 |
| Norway | 28,656 | 21,105 | 7,551 |
| Belarus | 19,887 | 927 | 18,960 |
| Colombia | 18,419 | 14,749 | 3,670 |
| Philippines | 16,844 | 9,766 | 7,078 |
| Croatia | 11,242 | 3,536 | 7,706 |
| UAE | 10,709 | 2,812 | 7,897 |
| Cyprus | 9,269 | | 9,269 |
| Guatemala | 7,108 | 5,183 | 1,925 |
| Ireland | 3,855 | 375 | 3,480 |
| Dominican Rep | 2,606 | 1,812 | 794 |
| Honduras | 2,276 | 1,946 | 330 |
| Pakistan | 2,271 | 174 | 2,097 |
| Cayman Islands | 2,218 | | 2,218 |
| Algeria | 1,697 | | 1,697 |
| Peru | 555 | 27 | 528 |
| Hong Kong | 368 | 111 | 257 |
| Costa Rica | 190 | 164 | 26 |
| Gabon | 10 | | 10 |
| Antigua | 7 | | 7 |
| Falkland Islands | 5 | | 5 |
| Montserrat | 4 | | 4 |
| Haiti | 2 | | 2 |

Source: U.S. Department of Commerce

Attachment 12

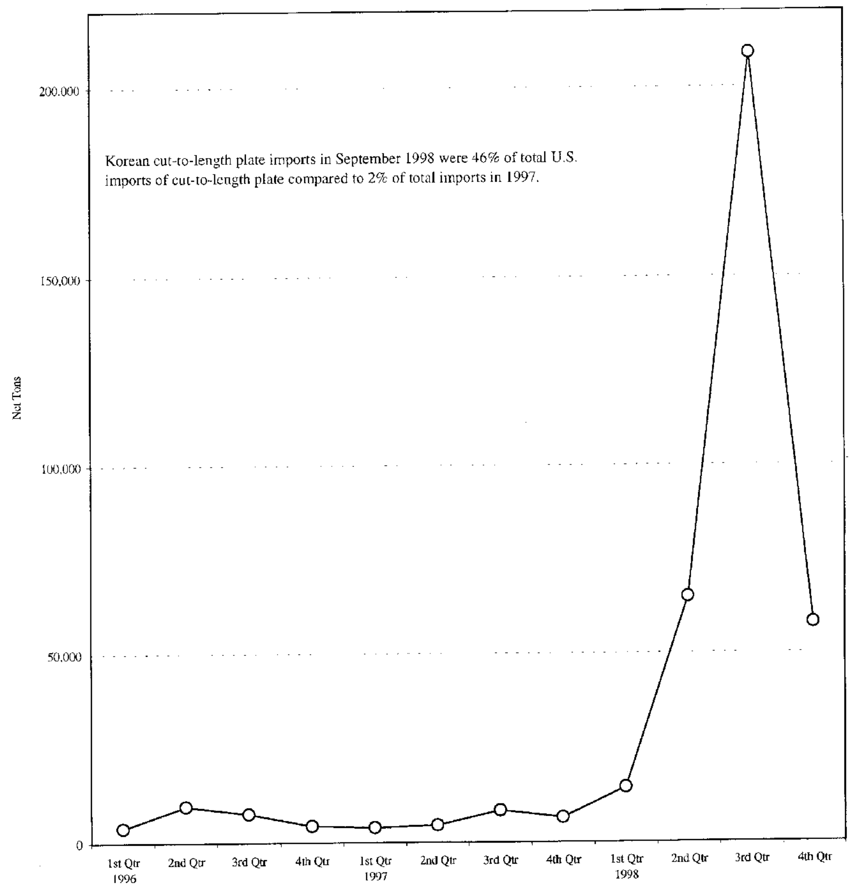
**Steel Import Market Share in 1998 Rose Significantly in Several Key Product Lines (Shown Below are Four Examples)**




Source: U.S. Department of Commerce, AISI.

Attachment 13

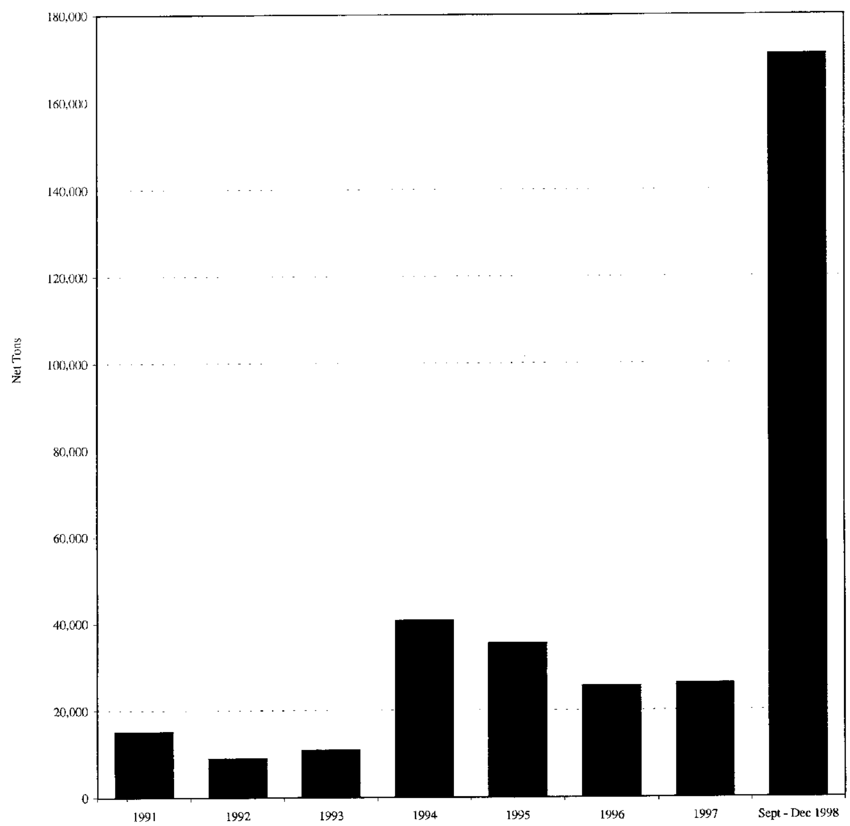
U.S. Imports of Cut-To-Length Carbon Plate from Korea Surged Sharply Beginning in the Second Quarter of 1998 and Still Remain Significantly Higher Than 1997




Source: U.S. Department of Commerce

Attachment 14

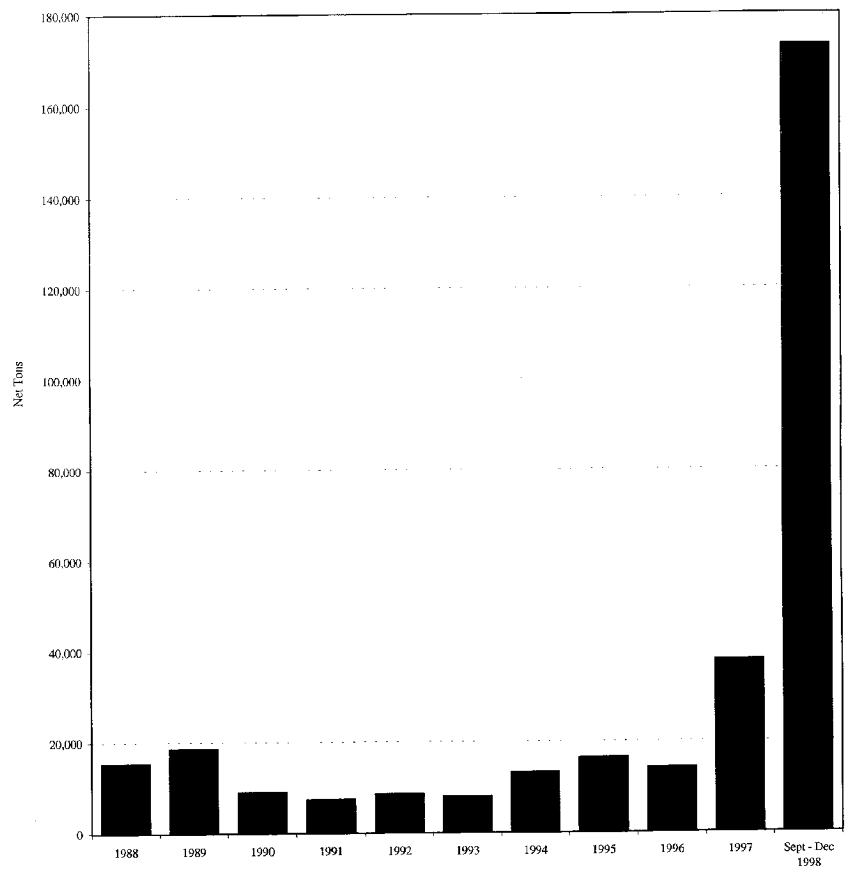
More Cut-To-Length Plate Entered the United States
from Korea in the Last Four Months
(September through December 1998)
Than in the Previous Seven Years Combined
(1991 to 1997)




Source: U.S. Department of Commerce

Attachment 15

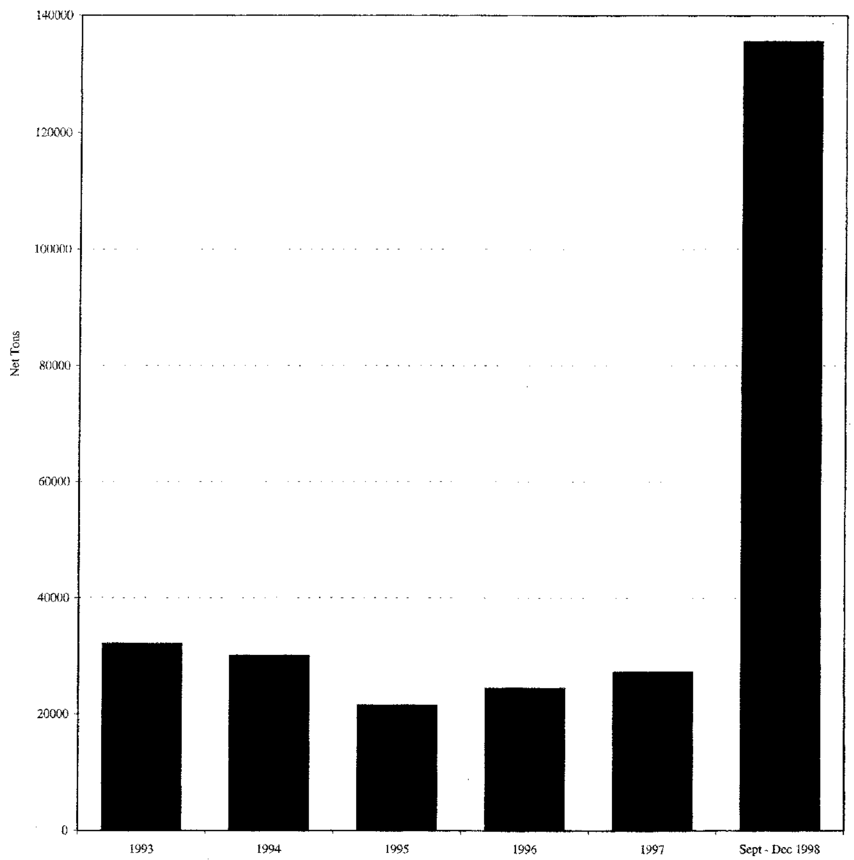
More Plate in Coil Entered the United States from Japan in the Last Four Months (September through December 1998) Than in the Previous Ten Years Combined (1988 to 1997)




Source: U.S. Department of Commerce

Attachment 16

More Cold Rolled Sheet Entered the United States from Korea in the Last Four Months (September through December 1998) Than in the Previous Five Years Combined (1993 to 1997)




Source: U.S. Department of Commerce

## Attachment 17

RECENT PLANT CLOSINGS, LAYOFFS AND CAPACITY REDUCTIONS

(as of February 22, 1999)

| Date | Company | Product Affected | Event |
|---|---|---|---|
| 1998 ....... | California Steel Industries. | All ............ | Petitioner California Steel Industries has lost 15 to 20 percent of its sales volume so far this year.[1] Consequently, it has had to reduce production operations by an equivalent percentage.[2] |

RECENT PLANT CLOSINGS, LAYOFFS AND CAPACITY REDUCTIONS—Continued

(as of February 22, 1999)

| Date | Company | Product Affected | Event |
|---|---|---|---|
| 1998 ....... | LTV ................ | All ............ | Petitioner LTV has curtailed blast-furnace operations by 13 percent.[3] That translates into 300,000 tons of lost production in the fourth quarter of this year.[4] |
| 1998 ........ | Steel Dynamics. | All ............ | Petitioner Steel Dynamics started up a second caster in June, but is operating it at significantly less than its capacity.[5] Overall, Steel Dynamics is now operating at 75 percent of capacity even through it is one of the most efficient mills in the world.[6] |
| 1998 ....... | Gulf States Steel. | Hot Strip .. | Petitioner Gulf States Steel has shut down its hot-strip mill for one week, and plans henceforth to be operating the mill only four days a week.[7] |
| 9/10/98 ... | Gulf States Steel. | All ............ | Gulf States Steel announces that it will lay off eight percent of its work force, and eliminate overtime for the remainder of its employees.[8] |
| 9/98 ......... | U.S. Steel ....... | All ............ | Petitioner U.S. Steel has reduced operations, and laid off 100 workers at its Mon Valley Works near Pittsburgh in connection with a 12 percent reduction in output at that facility.[9] Additional layoffs at that facility are expected in the "near future." [10] |
| 9/22/98 ... | U.S. Steel ....... | All ............ | U.S. Steel President Paul Wilhelm announces that the company has decided to keep out of operation indefinitely a blast furnace at its Gary, Indiana works with a capacity of 1 million tons.[11] |
| 9/28/98 ... | Geneva Steel Co.. | All ............ | Petitioner Geneva Steel Co. announces that it will cut planned fourth quarter production by nearly 20 percent and lay off 350 workers.[12] This follows Geneva's lay off of 270 workers earlier this year.[13] Its corporate credit rating was downgraded because it missed an interest payment. |
| 9/7/98 ..... | Nucor ............. | All ............ | Flat-Rolled Nucor announces that it cut production at its Hickman, Arkansas mill by more than 40 percent (*i.e.*, by more than 800,000 tons) because of market turmoil in the wake of the flood of cheap imports.[14] Since then, Nucor announced that it was cutting back production at all of its flat-rolled facilities in the face of the import onslaught.[15] Nucor announced that the effect of the cuts was "10–15% reduction in sheet output, mostly HR coils." [16] |
| 9/29/98 ... | Acme Metals, Inc.. | All ............ | Acme Metals, Inc. ("Acme"), files for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code. Acme is a classic example of a U.S. producer that invested heavily in the expectation that strong demand would enable it to realize at least an adequate return on their business. In late 1996, it brought onstream a $370 million new slab caster designed to take advantage of its high-quality blast furnace operations, while linking it to low-cost, mini-mill style casting and rolling equipment. Acme attributed its downfall "in large part to heavy volumes of cheap imports. . . ." [17] |
| 10/98 ...... | Steel Dynamics. | All ............ | While Steel Dynamics does not plan to layoff workers, their compensation will be cut by 20 percent.[18] |
| 9–10/98 .. | Gallatin Steel | All ............ | Petitioner Gallatin Steel is one of the industry's new mini-mills. In September and October, it reduced its production levels to 50 percent of capacity.[19] |

RECENT PLANT CLOSINGS, LAYOFFS AND CAPACITY REDUCTIONS—Continued

(as of February 22, 1999)

| Date | Company | Product Affected | Event |
|---|---|---|---|
| 10/98 ...... | IPSCO Steel Inc. | Plate, Hot Rolled Sheet. | Petitioner IPSCO Steel Inc., which only recently ramped up production at its new mill in Iowa (which makes both plate products and hot-rolled sheet), has scaled back operations from seven to five days a week.[20] |
| 10/98 ...... | Weirton .......... | All ............ | According to Weirton Steel President Richard Riederer, employees of Weirton Steel are experiencing reductions in their take home pay ranging from 20 to 50 percent.[21] |
| 10/19/98 | National Steel | All ............ | Petitioner National Steel has announced the idling of a blast furnace producing 1.1 million tons of iron at its Great Lakes Division.[22] As a result, the steelmaking capacity at that unit will be reduced by 25 to 30 percent.[23] |
| 10/23/98 | Weirton .......... | All ............ | Weirton announces that it is laying off 300 workers—nearly 10 percent of its workforce—"due primarily to a loss of orders and the continued surge of steel imports, primarily those being illegally dumped into the United States."[24] |
| 10/28/98 | Wheeling-Pittsburgh. | .................. | Company announces 18 voluntary layoffs at its Martins Ferry plant. |
| 10/30/98 | LTV ................ | .................. | LTV announces a one-week shutdown of the Direct Hot Charge Complex at its Cleveland plant. 320 workers will be laid off or reassigned to lower paying jobs during the shutdown, scheduled to begin Oct. 31.[25] |
| 11/04/98 | U.S.Steel ........ | All ............ | U.S. Steel announces that it will cut back operations at its steelworks in Fairless Hills, Pa. by about 70 percent. The company will shut down indefinitely its 80-inch pickling line, cold reduction sheet mill, sheet annealing line and sheet temper mill. Several hundred of the 850 workers at the plant will be laid off. President Paul Wilhelm remarks, "The actions we're being forced to take at the Fairless plant are a direct result of the record tonnages of illegally dumped foreign steel reaching this country."[26] |
| 11/09/98 | LTV ................ | Cold-rolled | LTV announces that it will permanently close cold-roll finishing operations at the No 2 Finishing Department at its Cleveland Works. Approximately 320 jobs are eliminated. The company cites dumped imports as one reason for the unit's closure.[27] |
| 11/19/98 | Bethlehem ...... | Sheet ........ | Bethlehem Steel announces that about 500 workers at its two Washington County, Pa. plants will be laid off for two weeks, starting Nov. 23, due to "record levels of imported steel." The steelmaker also announces a two-week shutdown at its Massillon, Ohio plant.[28] |
| 11/20/98 | Bethlehem ...... | All ............ | Bethlehem Steel issues press release detailing the impact of dumped steel on the company's operations. Announced production cutbacks include a planned one-week shut down of the Burns Harbor, Ind. hot strip mill as well as a mill in Steelton, Pa. beginning Nov. 23, shift cutbacks at Sparrows Point, and the idling of plate facilities in Coatsville, Pa. from Dec. 24 to Jan. 2.[29] The Coatsville shutdown requires that the company lay off 1,000 workers.[30] |
| 12/1/98 ... | Laclede ........... | .................. | Laclede Steel Co. files for bankruptcy, attributing losses primarily to a surge in imports.[31] |

RECENT PLANT CLOSINGS, LAYOFFS AND CAPACITY REDUCTIONS—Continued

(as of February 22, 1999)

| Date | Company | Product Affected | Event |
|---|---|---|---|
| 12/3/98 ... | Weirton .......... | All ............ | Weirton announces that it will temporarily idle a blast furnace starting Dec. 15, causing the short-term layoff of about 415 workers.[32] |
| 12/31/98 | Geneva ........... | .................. | A Standard & Poor's report speculates that Geneva will likely file for bankruptcy. While the company does not confirm the report, a spokesman states that it is in discussion with creditors, after missing January's interest payment on its 9.5-percent senior notes.[33] |
| 1/7/99 ..... | Bethlehem ...... | Stainless, cold-rolled. | Bethlehem announces that, due to "unprecedented levels of unfairly traded imports," it will close two plants located in Washington, Pa., and Massilon, Ohio, and consequently eliminate 340 jobs at the Washington mill and 200 in Massilon. The plants contained stainless sheet and strip operations, as well as cold-rolled and finishing facilities.[34] On January 27, after a final effort to locate buyers for the Massilon mill, the company declares that the mill will be closed within a week.[35] |
| 1/14/99 ... | Gulf States Steel. | Flat-Rolled | Moody's speculates that Gulf States Steel, a small integrated flat rolled mill in Alabama, will file for bankruptcy "in the near future."[36] |
| 2/1/99 ..... | Geneva ........... | All ............ | Geneva Steel of Vineyard, Utah files for Chapter 11, citing "a dramatic surge in steel imports" as the cause of its financial distress. The company, which employs roughly 2,400 workers in Utah, is the third U.S. steel manufacturer to declare bankruptcy since September 1998. |

[1] Tr. at 54 (Testimony of Jim DeClusin, Executive Vice President, CSI, Inc.).
[2] Tr. at 54 (Testimony of Jim DeClusin, Executive Vice President, CSI, Inc.).
[3] Tr. at 63 (Testimony of J. Vail).
[4] Tr. at 63 (Testimony of J. Vail).
[5] Tr. at 24 (Testimony of Keith Busse, President, Steel Dynamics, Inc.).
[6] Tr. at 24 (Testimony of Keith Busse, President, Steel Dynamics, Inc.).
[7] Tr. at 57 (Testimony of John Lefler, President and CEO, Gulf States Steel Co., Inc.).
[8] Tr. at 57 (Testimony of John Lefler, President and CEO, Gulf States Steel Co., Inc.).
[9] "Layoffs at USX cited in talk of trade meeting," *American Metal Market* (Sept. 1, 1998); "Imports keep Gary Furnace idle," *American Metal Market* at 1, 12 (Sept. 23, 1998) ("Gary Furnace Idle").
[10] Tr. at 63–64 (Testimony of J. Vail).
[11] *See* "Gary Furnace Idle" at 1.
[12] "Geneva joins list of production cuts citing import woes," *American Metal Market* at 1 (Sept. 29, 1998).
[13] "Geneva joins list of production cuts citing import woes," *American Metal Market* at 1 (Sept. 29, 1998).
[14] "Low prices force Nucor to cut production," *Metal Bulletin* at 33 (Sept. 7, 1998).
[15] "Nucor cuts sheet production by 15%," *Metal Bulletin* at 37 (Sept. 28, 1998).
[16] "Nucor cuts sheet production by 15%," *Metal Bulletin* at 37 (Sept. 28, 1998).
[17] *See* "Acme blames cheap imports for bankruptcy," *Metal Bulletin* at 15 (Oct. 1, 1998).
[18] Tr. at 24 (Testimony of Keith Busse, President, Steel Dynamics, Inc.).
[19] Tr. at 56 (Testimony of John Holditch, President, Gallatin Steel Co.).
[20] "American producers cut output as stocks mount and imports surge," *Metal Bulletin* at 19 (Oct. 8, 1998).
[21] Tr. at 60 (Testimony of Richard Riederer, President, Weirton Steel Corp.).
[22] "National set to join ranks of cutbacks," *American Metal Market* at 1 (Oct. 19, 1998).
[23] "National set to join ranks of cutbacks," *American Metal Market* at 1 (Oct. 19, 1998).
[24] Weirton Press Release, October 23, 1998.
[25] "Steel company will shut down part of Cleveland plant next week," *AP State and Local Wire* (Oct. 30, 1998).
[26] "U.S. Steel, citing imports, to idle most Fairless lines," *AP State and Local Wire* (Nov. 5, 1998).
[27] "LTV axes Cleveland unit; 320 jobs to go," *American Metal Market* at 1 (Nov. 11, 1998).
[28] "Imports bring 500 more steel layoffs," *Pittsburgh Post-Gazette* (Nov. 19, 1998).
[29] "In Response to Inquiries," Press Release, Bethlehem Steel Corporation (Nov. 20, 1998).
[30] "Bethlehem shaves output, idles staff," *American Metal Market* (Nov. 25, 1998).
[31] "Laclede Steel and Two Units in Chapter 11," *The New York Times* (Dec. 1, 1998).
[32] "Weirton to idle blast furnace," *American Metal Market* (Dec. 4, 1998).
[33] "Geneva comment called 'speculation'," *American Metal Market* (Jan. 5, 1998).
[34] "Bethlehem closes two plants," *American Metal Market* (Jan. 7, 1999).
[35] "Bethlehem moves to shut Massilon," *American Metal Market* (Jan. 28, 1999)
[36] "Gulf States named as candidate for bankruptcy," *Metal Bulletin* at 18 (Jan. 14, 1999).

**Attachment 18**

Comparison of Administration Steel Plan and Industry Requests

| Industry Requests | January 7, 1999 Administration Plan |
| --- | --- |
| Bilateral Discussions: Forceful and publicly known bilateral discussion with all offending countries. | Bilateral discussions with some countries engaging in unfair trade have occurred. However, these discussions have not resulted in clear and enforceable commitments to stop unfair trade. Further, such bilateral discussions have not occurred with all countries engaging in unfair trade. The Administration states that it has "told the Japanese government that we expect Japan's exports to return to appropriate pre-crisis levels." This U.S. government request has been rejected by the Government of Japan. |
| Prompt and effective enforcement of trade cases: (1) critical circumstances; (2) no suspension agreement. | The Administration has expedited current cases. It also has made a critical circumstances finding. However, the Administration suggests that it will seek a suspension agreement in the Russia case, which is directly contrary to the industry's stated position. |
| Willingness to self-initiate AD, CVD, 201, and other cases. | The Administration makes no specific commitments regarding self-initiation of cases, under the antidumping, countervailing duty, Section 201 or other trade laws except with respect to Japan, where the Administration will consider self-initiation if Japan does not reduce exports. To be successful in current circumstances, full Administration support will be necessary along with a commitment to specific relief. |
| Willingness to deal with injurious Russian trade by imposing a tariff on Russian shipments: (1) 1990-USSR-US Agreement on Trade Relations because of market disruption—1990 Agreement; and (2) 19USC 2135—authority for President to impose a duty of up to 40–45% of value. | The Administration ignores the industry requests to address the Russia steel crisis through existing authority under the existing bilateral agreement and under Section 125(c). The Administration indicates, however, that despite industry opposition, it may seek a suspension agreement with Russia in the pending hot-rolled case. |
| Japan's Cartel: Willingness to deal with Japan's cartel activities. | While the Administration "remains concerned about allegations by U.S. producers," it ignores completely the industry's requests to act against Japan's cartel through § 301, WTO or antitrust laws. |
| CVD Regulations: Utilize CVD regulations to provide strong CVD remedies. | The Administration issued CVD regulations in November consistent with the Commerce Department draft regulations which did not add any further weakening provisions. |
| Import Monitoring System: Establishment of an effective import monitoring system. | The Administration proposes to accelerate the issuance of import data, however, only when the Administration deems that there are extraordinary circumstances. The Administration does not establish a system like Canada's, nor does it state that it will seek any legislative changes necessary to establish such a system. |
| Trade Legislation: Support for trade legislation to strengthen trade laws. | The Administration ignores completely the industry's request for support for legislation to enhance the trade laws and even fails to state its support for WTO-consistent 201. |
| Effective Enforcement of Trade Laws: Have the highest qualified public servants in position or nominated to administer our trade laws. | The Administration does not address this request. |

Comparison of Administration Steel Plan and Industry Requests—Continued

| Industry Requests | January 7, 1999 Administration Plan |
|---|---|
| Presidential Statements: Forceful statements from the President regarding the steel crisis. | There have been statements of concern, but the plan does not recognize that the crisis is caused by more than a few major exporters. |
| Tax Policy: No request | The Administration proposes, without having consulted the industry, extending the tax law net operating loss carry back for steel from 2 to 5 years. This proposal will not benefit any U.S. steel company which is currently being injured by the unfairly traded imports. Further, it creates the false impression that the industry is being subsidized by the government. |
| Trade Adjustment Assistance Program: No request. | The Administration plans to appoint a White House official to coordinate adjustment assistance for workers who lost their jobs due to unfairly traded imports. This proposal is premised on the industry losing jobs. The industry, however, is proud of its highly-skilled, capable workers and adjustment assistance is not an appropriate response to the import crisis. |
| World Economic Reform: Global economic reform, while critically important, is not a steel-specific issue. | The Administration is working toward restoring global economic growth and ensuring market-based reform. The industry supports such efforts, however they do not address the immediate steel import crisis. |

Chairman CRANE. Mr. Cardy.

**STATEMENT OF ROBERT W. CARDY, VICE CHAIRMAN, SPECIALTY STEEL INDUSTRY OF NORTH AMERICA; AND CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER, CARPENTER TECHNOLOGY CORP., READING, PENNSYLVANIA**

Mr. CARDY. Good afternoon. My name is Bob Cardy. I am chairman, president, and chief executive officer of Carpenter Technology Corp., based in Reading, Pennsylvania since 1889.

I am appearing before you today in my capacity as the vice chairman of the Specialty Steel Industry of North America. SSINA is a Washington, DC-based trade association, representing 15 companies that employ over 25,000 workers. Specialty steels are high-technology, high-value, stainless and other special alloy products sold by the pound rather than by the ton. While shipments of specialty steel account for only about 2 percent of all steel produced in North America, annual revenues of approximately $8 billion account for about 14 percent of the total value of all steel shipped.

Our industry has long been recognized as extremely modern and efficient, and second to none in the world. We have a strong history of continuous investment in plant and equipment. We are a world-competitive industry facing an import problem based solely on unfair trade. We cannot afford to in essence continue to subsidize our customers who are benefiting from predatory import pricing, unless of course, the end objective is the further decimation of the domestic steel industry.

Three years ago, SSINA did a study in which we examined the anticipated growth in worldwide stainless capacity. We projected that by mid1998, new capacity would come on stream around the world at twice the size of the U.S. stainless market. At the same time, we sought a multilateral specialty steel agreement to reduce subsidies and encourage fair trading. But our efforts were rebuffed by foreign interests. To no one's surprise, with no MSSA in place, much of the new capacity that came online was built with foreign government subsidies. Even though market demand for stainless steel has been and remains strong, we knew there was simply no way that world markets could ever absorb the new capacity, and prices were going to be depressed.

Then came the Asian crisis, and the issue of exporting deflation to the United States. Prices today are off about 30 to 40 percent compared to just 3 years ago. Stainless steel producers recently have filed 34 trade cases against 45 producers in 14 countries on four different product lines. We are finally beginning to see some improvement in some of the stainless prices as a result of those trade cases. However, real relief under our trade laws can take from two to 3 years from the time that exports rise to the filing of the cases, to the determinations by the Commerce Department and the ITC, to the issuance of the dumping orders, and finally, to the working down of the inventories that have accumulated during this process. The additional duties collected don't even come back to the damaged companies.

Where do we go from here? The evidence is clear. Foreign manufacturers are willing to do anything to sell at any price to make a sale. Modern and efficient industries like ours must aggressively attack these unfair trade practices in order to preserve our markets. We are actively considering additional cases.

The Commerce Department should recognize the devastating effect of the Asian financial crisis on the U.S. marketplace. In the past year, we have seen imports of certain stainless steel products from Korea surge over 50 percent. At the same time, the Korean won lost more than 60 percent of its value. Yet the Commerce Department has refused to take this dramatic currency devaluation into account when making its preliminary dumping determinations. In fact, Korean stainless steel producers have continued dumping their products into the United States with impunity. Commerce should recognize the effect of drastic exchange rate changes in administering the dumping laws.

SSINA respectfully urges Congress to work with us and the administration to develop a comprehensive policy to address these issues. Pressure these foreign governments to discourage obvious unfair trade practices, and support H.R. 412, the Trade Fairness Act of 1999, which would improve the timeliness of import information and make relief under section 201 more readily available.

We also support legislation to pay the dumping duties over to the injured U.S. industries. And finally, improve the trade laws to provide more effective relief to the injured industries. We must address the significant delay that occurs between the time a sector of industry begins to experience the impact of unfairly priced imports and the actual granting of relief under the trade laws. It takes too long, too much damage results.

We appreciate your help in assuring that competitive, efficient industries such as ours are given the opportunity to compete in a marketplace free of cutthroat practices which violate both U.S. laws and the international rules of the World Trade Organization.

Thank you, Mr. Chairman, for holding this timely meeting.

[The prepared statement follows:]

**Statement of Robert W. Cardy, Vice Chairman, Specialty Steel Industry of North America; and Chairman, President, and Chief Executive Officer, Carpenter Technology Corp., Reading, Pennsylvania**

Good afternoon. My name is Bob Cardy, Chairman, CEO and President of Carpenter Technology Corporation. I am appearing before you today in my capacity as the Vice Chairman of the Specialty Steel Industry of North America.

SSINA is a Washington, D.C.-based trade association representing 15 companies which employ over 25,000 workers. Specialty steels are high technology, high-value stainless and other special alloy products sold by the pound rather than the ton. While shipments of specialty steel account for only about 2 percent of all steel produced in North America, annual revenues of approximately $8 billion account for about 14 percent of the total value of all steel shipped.

Our industry has long been recognized as extremely modern and efficient and second to none in the world. We have a strong history of continuous investment in plant and equipment.

We are a world-competitive industry facing an import problem based solely on unfair trade. We cannot afford to, in essence, continue to subsidize our customers who are benefitting from predatory import pricing. Our basic responsibility to our shareholders and employees requires that we file dumping and countervailing duty suits to seek restoration of fair pricing in the U.S. marketplace. We greatly appreciate the opportunity to talk about our situation today.

Three years ago, SSINA did a study in which we examined anticipated growth in worldwide stainless capacity. At that time, we projected that by mid–1998, new capacity would come on stream around the world at twice the size of the U.S. stainless market. At the same time we sought a Multilateral Specialty Steel Agreement (MSSA) to reduce subsidies and encourage fair trading, but our efforts were rebuffed by foreign interests.

To no one's surprise, with no MSSA in place much of the new capacity that came on line was built with foreign government subsidies. Even though market demand for stainless steel has been and remains strong, we knew that there was simply no way that world markets could ever absorb the new capacity—and prices were going to be depressed.

While we knew that global capacity was increasing dramatically, we could not predict the second contributing factor to the current crisis—disastrous economic developments in Asia which began in mid–1997. You know the story: the currencies of the Asian "tigers" were severely weakened, their consumers panicked and refused to buy, and their steel mills, desperate for hard currency, began the sale of the decade—with no thought of profitability or even costs of production.

As a result of excess capacity funded by government subsidies and the unpredicted effect of the Asian crisis, the price crunch was much more severe than we anticipated. Prices today are off about 30 to 40 percent compared to just three years ago.

To counter the surge of unfairly traded specialty steels entering the country, we knew it would be necessary to begin the long, arduous and expensive task of filing antidumping and countervailing duty trade cases. Over the last 35 years, SSINA has all too regularly found it necessary to challenge the unfair international trading practices of our trading partners around the world. In the past 18 months, stainless steel producers have filed 34 trade cases against more than 45 producers in 14 countries on four different product lines. A summary is attached to my statement. It has been a difficult process. But, we are finally beginning to see some improvement in some stainless prices as a result of our trade cases. Bear in mind that it takes about a year and a half from the decision to launch cases to final decisions by the Department of Commerce and the ITC.

So where do we go from here? The evidence is clear—foreign manufacturers are willing to do anything and sell at any price to make a sale. Modern and efficient industries like ours must aggressively attack these unfair trade practices in order to preserve our markets. We will continue to closely monitor imports. We will continue to actively pursue the trade cases already filed to their successful conclusion. We will fight to preserve existing cases as the "sunset" review process moves through the Commerce Department and the International Trade Commission. And, we are actively considering additional cases on specialty steel products and producers.

The Administration is beginning to recognize the severity of the steel import situation, as highlighted when the Secretary of Commerce personally announced the antidumping margins in the stainless steel wire rod cases last summer. The message Secretary Daley delivered was directed squarely at foreign producers of all products—dumping cannot be the answer to the economic crisis in Asia or elsewhere. Our companies and employees should not be the scapegoats for other nations' economic mismanagement.

The Commerce Department should recognize the devastating effect of the Asian financial crisis on the U.S. marketplace. In the past year, we have seen imports of certain stainless steel products from Korea surge over 50 percent. At the same time, the Korean won lost more than 60 percent of its value. Yet, for reasons that puzzle me, the Commerce Department has refused to take this dramatic currency devaluation into account when making its preliminary dumping determinations against Korea. In fact, Korean stainless steel producers have continued dumping their products into the U.S. market with impunity. Both Secretary Daley and Undersecretary Aaron have stated numerous times that they will enforce U.S. trade laws to the fullest extent, yet if foreign exporters are allowed to take advantage of a weak currency to dump product into the United States, they will be beyond the reach of our dumping law—clearly not what Congress intended. The Commerce Department should recognize the effect of drastic exchange rate changes in administering the dumping law.

We simply will not allow our efficient, technologically-superior U.S. specialty steel industry and the valued jobs of our dedicated workforce to be destroyed by illegal foreign trade practices. I urge you to join us in protecting the sanctity of our trade laws and to oppose at every opportunity any attempt to weaken them.

SSINA joins with other steel trade associations in urging the Congress to work with us and the Administration to develop a comprehensive policy to address these issues. We urge that the following steps be taken:

- Administration pressure on foreign governments to discourage unfair trade practices such as dumping and subsidization;
- Expeditious handling of trade cases on specialty steel products;
- Ways and Means Committee support for H.R. 412, the "Trade Fairness Act of 1999," and legislation to pay the dumping duties over to injured U.S. industries; and
- Legislation to improve the trade laws to provide more effective relief to injured industries.

We are working with our colleagues in the steel industry and other industries to develop specific legislative proposals. These will be provided to you shortly.

The specialty steel industry is on full alert in monitoring specialty steel imports and reported foreign efforts to circumvent U.S. trade laws. We appreciate your help in assuring that competitive, efficient industries such as ours are given the opportunity to compete in a marketplace free of cutthroat practices which violate both U.S. laws and the international rules of the WTO. Thank you, Mr. Chairman, for holding this timely hearing.

## ATTACHMENT

Stainless Steel Producers and Unions—Status of Unfair Trade Cases by Major Product Line Filed in 1997 and 1998

| | |
|---|---|
| Product | Stainless Steel Rod |
| Date Filed | July 30, 1997 |
| Named Countries | Italy, Germany, Japan, Korea, Spain, Sweden, Taiwan |
| Status | The case concluded with the issuance of final antidumping and countervailing duty (CVD) orders by the Commerce Department on 9/15/98. The duties range up to 34%, with penalties extending back to 3/5/98. The International Trade Commission (ITC) voted on final injury determination on 9/1/98. Excluding Germany, ITC concluded that imports from six of the seven named countries caused injury to producers. |
| Next Step | On 10/15/98, appeals were filed with Court of International Trade. Successful appeals would result in a significant increase in the antidumping duties levied on imports from Korea and the assessment of antidumping duties on imports from Germany. The industry will vigorously pursue the appeals process with the hope of a decision by year-end 1999. |
| Product | Stainless Steel Round Wire |
| Date Filed | March 27, 1998 |
| Named Countries | Canada, India, Japan, Korea, Spain, Taiwan |

Stainless Steel Producers and Unions—Status of Unfair Trade Cases by Major Product Line Filed in 1997 and 1998—Continued

| | |
|---|---|
| Status | On 6/4/98, ITC preliminarily determined that imports from the named countries are injuring the domestic industry. In 11/13/98, Commerce set preliminary antidumping duties ranging up to 36% on imports from the subject countries. |
| Case Concludes | The ITC and Commerce will conclude their investigations and final antidumping duty orders will be announced in early April 1999. |
| Product | Stainless Steel Plate In Coils |
| Date Filed | March 31, 1998 |
| Named Countries | Belgium, Canada, Italy, South Korea, South Africa, Taiwan |
| Status | On 5/15/98, the ITC voted preliminarily that imports from the named countries are injuring the domestic industry. On 9/1/98, Commerce issued preliminary CVD determinations against Korea, Italy, Belgium, and South Africa ranging up to 15%. On 10/27/98, Commerce announced preliminary antidumping duties ranging up to 68% on imports from the six named countries. Subsequently, on 12/3/98, Commerce published a revised preliminary determination on imports from Taiwan and took the extremely unusual step of finding that Taiwanese producer Ta Chen Stainless Pipe and its U.S. subsidiary, Ta Chen International, engaged in "middleman dumping" of coiled stainless steel plate produced by Yieh United Steel Corp. |
| Case Concludes | Commerce will issue final dumping and CVD determinations on March 22, 1999; the ITC will issue its final report by May 7, 1999. |
| Product | Stainless Steel Sheet and Strip in Coils |
| Date Filed | June 10, 1998 |
| Named Countries | France, Germany, Italy, Japan, Mexico, South Korea, Taiwan, United Kingdom |
| Status | On 7/24/98, the ITC voted preliminarily that imports from the named countries are injuring the domestic industry. On 10/30/98, U.S. producers requested that Commerce apply the "critical circumstances" provision of U.S. trade laws to combat recent import surges. An affirmative finding would impose antidumping duties retroactively to 9/18/98. On 11/10/98, Commerce announced preliminary CVD rates ranging up to 29% against France, Italy and South Korea. On 12/18/98, Commerce announced preliminary antidumping duty margins ranging up to 59%; and decided favorably on "critical circumstances" as to Germany, Japan (Nippon Metals, Nippon Yakin, and Nisshin only) and Korea (Taihan Electric Wire Co. only). "Critical circumstances" were not found for Italy and Taiwan. |
| Case Concludes | Commerce will issue its final dumping and CVD determinations on May 20, 1999; the ITC will issue its final report by July 5. |

Chairman CRANE. Thank you.
Mr. Becker.

## STATEMENT OF GEORGE BECKER, INTERNATIONAL PRESIDENT, UNITED STEELWORKERS OF AMERICA

Mr. BECKER. Thank you, Mr. Chairman. Without a clear linkage to the global solution to the crisis of American steel, the Steelworkers Union cannot support the recently concluded agreements with Russia. The Steelworkers would be prepared to support a suspension agreement and comprehensive steel agreement, provided they were part of a global solution. In the absence of such a linkage, there is no justification for entering into a suspension agreement with Russia, particularly in light of the Commerce Department's finding that Russia engaged in an egregious level of dumping of hot-rolled steel. The crisis facing the American steel industry cannot be dealt with on a country-by-country or product-by-product basis.

It took over 15 months of suffering before the flow of one steel product from three countries was restricted. It is also far too easy for the dumped steel to be moved from one country to another, and from one type of product to another. For example, a year ago there was a suspension agreement with Russia, the Ukraine, China, and South Africa to cut the link on carbon steel plate. These countries virtually dropped out of the market. Just last week, however, the Steelworkers and the industry had to file trade cases against eight new countries that have now moved into the market and dumped, and subsidized steel plate.

There is also no protection against the foreign producers such as those in South America from purchasing Russian semifinished steel products and finishing them, and then dumping the finished products into our market. These agreements with Russia must either be linked to an administration-initiated and supported 201 action on all steel products, which would result in global, quantitative restraints, minimum prices, and adequate enforcement mechanism and a moratorium on further shipments until the inventory of dumped steel has been cleared. Or two, become part of H.R. 506, this is the Visclosky quota bill, and Senate bill 395, which is Senator Rockefeller's bill, which would roll back all steel imports to the precrisis levels.

The comprehensive steel agreement, while flawed as described above, does have the virtue of clearly demonstrating that the administration can if it wishes use its authority to limit the flood of foreign steel into this country. We call on the administration to demonstrate the same resolve, broaden their focus, and address the problem in its entirety. We call upon this Subcommittee to move the quota bill, H.R. 506.

Mr. Chairman, I would add though that the Steelworkers Union and its members are losing confidence and trust in this process. We played by the rules for 15 months while processing the trade cases. We lost over 10,000 steelworkers. Three companies have been bankrupt. Then finally winning the cases to Japan, Brazil, and Russia, only to find that the government tells Russia that they will not be held accountable for the illegal dumped steel.

Today I find that the government is initiating the same kind of action with Brazil on a suspension agreement. I would question is Japan next. I think it is essential that we move to solve this problem. These countries control that the rollback in steel, the quantitative amounts of steel that showed up in January, this is controlled just like it was controlled when they dumped huge levels into the market, the huge surges. They have rolled them back. They can ship it just as easily to another country and they can increase it. They can ship product lines. We need to solve this before we virtually lose the steel industry that we know in America today.

Thank you very much.

[The prepared statement follows:]

**Statement of George Becker, International President, United Steelworkers of America**

I. THE STEEL CRISIS

Mr. Chairman and distinguished members of the Ways and Means Subcommittee on Trade, thank you for inviting me to appear before you today to discuss what is truly a crisis in the American steel industry and for steelworkers all across the country.

Today, the jobs and future of steelworkers all across America are being threatened by a flood of foreign steel, much of which has been illegally dumped into our market. Already, over 10,000 steelworkers' jobs in basic steel, iron ore mining, and coke production have been lost. Thousands more have seen their work hours and their paychecks cut as their employers have adjusted to the grim reality of empty order books and lost customers. The list of companies where steelworkers have lost their jobs or had their work hours and paychecks cut grows longer every day. Gulf States Steel in Gadsden, Alabama; Geneva Works in Provo, Utah; Bethlehem Steel's Lukens Division plants in Houston and Washington, Pennsylvania, and their Sparrow's Point plant in Baltimore, Maryland; WCI, Inc., in Warren, Ohio; USX's Fairless Works in Bucks County, Pennsylvania; North Star Steel in Texas, and LTV's Cleveland Works in Ohio. The list goes on and on. Several steel companies have already been forced into bankruptcy as a result of the current crisis, including Geneva, Laclede, and Acme.

Perhaps worst of all, the crisis we are in today was both predictable and preventable. We are in a crisis today because for over a year, our policymakers ignored our warnings as foreign producers dumped millions of tons of steel into the U.S. market.

When the Asian currencies collapsed in late 1997 and early 1998, we warned that if decisive action was not taken that foreign-made steel would be dumped into the American market. We warned that the International Monetary Fund's (IMF) insistence upon export-based solutions to the economic problems facing nations in Asia, eastern Europe, Latin America, and Russia would be a prescription for disaster for our own manufacturing industries. We warned that the longer action was delayed, the more damage would be done, and the more difficult this problem would be to solve. Our warnings fell on deaf ears.

Unfortunately, our predictions have now been realized.

1998 was a disastrous year for the steel industry and our steelworkers. Last year, the U.S. imported a record 41 million tons of steel. That's an increase of one-third over the volume of imports the preceding year of 1997. From July through November last year, each month's steel import figures were the highest monthly totals in history. In fact, our total volume of steel imports in 1998 was nearly half of the total volume of shipments by the entire U.S. steel industry.

Almost a year ago, in March 1998, the U.S. steel industry was operating at 93 percent of capacity. Today, in February 1999, the industry is operating at only 74 percent of capacity despite a strong U.S. economy and a correspondingly strong demand for steel. This decline in domestic capacity has occurred simultaneously with the huge flood of steel imports, which has arrived on American shores since the summer of 1997. While the volume of imported steel has surged, average import values fell by almost $100 per ton last year.

II. THE HUMAN IMPACT

Mr. Chairman, there is a human face behind all of these cold statistics about import levels, unused capacity, and import values.

Steelworkers work hard for a living. They work in some of the hottest, noisiest, and most dangerous work places anywhere and yet they take great pride in what they do. Many come from families where their fathers, grandfathers, and even great grandfathers worked in this industry. They are the people who have helped to build America. They have made the steel that has built our skyscrapers and our bridges and they are the same people who have made the steel used to defend America throughout its history. They are proud people. They have repeatedly shown their willingness to compete in the world market, but they cannot compete if the rules of international trade are not fair or if our trade laws are being violated with no sanctions.

Many of us have bitter and painful memories of the last steel crisis in the late 1970s and early 1980s when over 350,000 steelworkers lost their jobs. Four hundred forty-seven (447) steel making facilities were shut down. Twenty-five steel producers went into bankruptcy.

While many found other jobs, many more never worked again. The economic and social costs of that crisis were staggering. Many steelworkers lost homes, automobiles, health insurance, and maybe worst of all, lost hope. There were increased incidents of substance abuse, mental health problems, marital problems, and even suicides. Communities in large steel-producing states, such as Pennsylvania, Ohio, and Indiana, saw a large portion of their tax base disappear as steelworkers went from being taxpayers to being recipients of unemployment insurance, food stamps, and welfare payments from federal, state, and local governments.

Just look at the steel industry in Pennsylvania in 1980 and where it is today in 1999. In the Mon Valley near Pittsburgh in 1980, 6,500 steelworkers were employed at the USX Homestead mill. Another 700 were employed at the Carrie Furnace. The Duquesne Works employed about 2,200. National Tube had approximately 5,000 steelworkers on the job. Today, in 1999, all of those plants have closed and all of those jobs are gone. The remaining steel mills in Pennsylvania and across the country have significantly scaled back their work forces, in many instances by more than half.

In the iron ore mining industry in northeastern Minnesota, employment fell from 16,000 jobs in 1980 to 1,500 in 1982. In fact, northeastern Minnesota saw its gross domestic product plunge by 50 percent as 28,000 people left the region during the 1980s. This same scenario was repeated in scores of other steel communities in Pennsylvania, Ohio, New York, Indiana, and Illinois.

We simply cannot go through this same experience again. If we do not act decisively in the present crisis, there will be no American steel industry in the 21st century.

When steelworkers lose their jobs, the consequences go far beyond just the steel industry. Unemployed steelworkers cannot afford to buy homes, cars, appliances, or much of anything else. Businesses, which depend upon steelworkers bringing home a paycheck find that their business is also hurt when steelworkers lose their jobs. Likewise, state and local governments that depend upon the income tax revenue from steelworkers' earnings and sales tax revenues from their purchases find that the revenues, which they need to finance fire protection, law enforcement, education, highways, and more for the benefit of the entire community, decline when steelworkers lose their jobs.

When a steelworker permanently loses his or her job, that's usually another name, or several family members' names, added to the list of some 42 million Americans who have no health insurance in the richest country in the world.

Two decades ago, the experts said that the American steel industry had become bloated, inefficient, and noncompetitive with foreign-made steel from countries like Japan, Korea, and Germany. After cutting 350,000 jobs and after investing over $50 billion in modern electric furnaces, continuous casters, and other modern steel making technologies, the American steel industry was reborn.

American steelworkers have become the most productive steelworkers in the world. Since 1980, productivity has increased by 169 percent, or 5.5 percent each year. In fact, the productivity of steelworkers has increased far faster than that of other workers in other industries. While the price of an automobile has increased by 50 percent since 1980, the consumer price index has increased by 97 percent since 1980, and a ticket to a baseball game has increased by 200 percent, a ton of American-made steel costs no more today than it did in 1980. By any measure, this has truly been one of the greatest comeback stories of all time.

While some downstream users and consumers of steel products may not share our alarm about the collapse of steel prices, this cannot be a healthy economic development in the long run. While a ton of American-made steel costs no more today than it did 19 years ago, and in spite of the recent collapse in steel prices, auto makers, appliance makers, and other downstream users have not cut the prices of their products for consumers. They are not passing on their cost savings to consumers.

The hard reality of economics is that many domestic steel producers will not survive if they cannot earn a reasonable profit. No business can operate indefinitely by losing money. When those companies go out of business, the industry becomes more concentrated and such concentrations inevitably lead to higher prices in the long run. Such higher prices will not be beneficial to consumers of steel products.

Make no mistake about it, the domestic steel industry is not in a crisis today because it is unproductive, inefficient, or overpriced. It is not in a crisis because it provides its workers with decent pay and benefits. It is in a crisis because of illegal dumping, ineffective trade laws, and because our government has not embraced a policy of preserving this nation's industrial manufacturing base.

## III. THE ADMINISTRATION'S RESPONSE

On January 7, 1999, the Clinton Administration announced what it called "A Comprehensive Plan for Responding to the Increase in Steel Imports." As I said in my January 8 letter to the President, "Unfortunately, this plan is neither comprehensive nor terribly responsive." The four key points in the Administration's plan were: 1.) a vague and unenforceable demand for export restraints by Japan; 2.) the accelerated release of import data; 3.) a new $300 million tax credit for the steel industry; and 4.) trade adjustment assistance for displaced steelworkers.

Let me be clear: threats against Japanese exports are meaningless unless such threats are enforceable. While the accelerated release of steel import data is helpful, unless further steps are taken, this only ensures that we will be getting bad news about steel dumping and import surges sooner rather than later. Three hundred million dollars ($300 million) of tax relief for the steel industry and more money for trade adjustment assistance will do nothing to save the market for American steel companies and save the jobs of steelworkers here at home. In fact, in the absence of further effective measures, these proposals represent a surrender of our markets, the surrender of steelworkers' jobs, and a further step toward the dismantling of our domestic industrial manufacturing base.

On a more positive note, the United Steelworkers of America is pleased with the February 12, 1999 preliminary decision by the Commerce Department in the anti-dumping and countervailing duty investigations on hot-rolled steel from Japan and Brazil. In the case of Japan, anti-dumping margins ranged from 25 percent to 67 percent. For Brazil, margins ranged from 50 percent to 71 percent. The International Trade Commission (ITC) will make a determination on the issue of injury to the industry. Clearly, these preliminary anti-dumping margins confirm what the Steelworkers union and the industry have alleged; illegally dumped steel is destroying our domestic steel industry and taking the jobs of American steelworkers.

Steel and the steel industry are vital to protecting America's national security interests. I would remind you that it is American-made steel that is built into the aircraft carriers and Navy ships built by steelworkers at Newport News Shipbuilding Company in Newport News, Virginia. What would have happened in 1941 if America had no steel industry and was instead dependent upon Japan or Germany for its steel? Can we afford to permit this industry to fail and to become reliant upon foreign steel producers from Russia, China, Korea, and elsewhere for such a vital product?

## IV. THE CONGRESSIONAL RESPONSE

Several bills have been introduced in the 106th Congress to address the plight of steelworkers and the steel industry. These bills have attracted broad bipartisan support.

H.R. 327 by Representative Aderholt, provides for the assessment of anti-dumping duties on entries of steel products made prior to the effective date of any anti-dumping order issued in the current investigation.

The Chairman of the House Steel Caucus, Representative Regula, has introduced H.R. 412, the "Trade Fairness Act of 1999." This bill would amend the injury test for a safeguard action by eliminating the current requirement in the trade law that imports be a "substantial" cause of injury to a U.S. industry in order for the International Trade Commission (ITC) to recommend relief to the President. Additionally, H.R. 412 would establish a steel import permit and monitoring program so that the U.S. Government can obtain and analyze import data more promptly. A similar bill, S. 261, by Senator Specter, has been introduced in the Senate.

Representative Traficant has introduced H.R. 502, the "Fair Steel Trade Act," to impose a three-month ban on imports of steel and steel products from Japan, Russia, South Korea, and Brazil.

All of these bills highlight the distress that the steel industry faces and propose actions which would be helpful. One bill in particular, however, deserves strong bipartisan support.

H.R. 506, the "Stop Illegal Steel Trade Act of 1999," by Representatives Visclosky, Ney, Kucinich, and Quinn, would require the President to take action, including the imposition of temporary import quotas, tariff surcharges, or negotiated voluntary export restraint agreements, or other measures, so that the volume of steel products coming into the U.S. does not exceed the average volume of monthly steel imports during the 36-months preceding July, 1997 when the current crisis began.

To date, over 164 House members have become cosponsors of H.R. 506. Also, a similar measure, S. 395, has been introduced in the Senate by Senators Rockefeller and Specter.

It is our view that H.R. 506 provides the most effective opportunity for bringing a quick end to the current steel crisis. We are hopeful that the threat of implementing this legislation will help to curtail the continuing surge in foreign steel imports into the U.S. Drastic circumstances call for a drastic response. H.R. 506 will give the steel industry and steelworkers time to get back on their feet and will give our government time to negotiate a worldwide agreement on steel imports into the U.S. The bill would expire three years after enactment.

## V. THE INADEQUACY OF THE WORLD TRADE ORGANIZATION (WTO)

Mr. Chairman, many critics, including those in the Administration and here in Congress, have argued that some or all of these proposed bills violate U.S. commitments to the World Trade Organization (WTO) or other international trade agreements. The Europeans have also filed an action before a WTO tribunal seeking to bar the application of the 1916 Anti-Dumping Act. If the Europeans' view of our anti-dumping law is upheld, it will mean that when the U.S. entered into the WTO global trade arrangement, we unwittingly wiped long-standing legislation off our own statute books and willingly agreed to wear handcuffs that prevent our addressing massive, industry-threatening trade law violations. Certainly, this could not have been Congress' intent in originally approving U.S. participation in the WTO.

If, as we are constantly being told by our critics, our commitment to the WTO prevents us from effectively addressing the crisis caused by illegally-dumped foreign steel in the U.S. market, then it is time for Congress and this Administration to reconsider that commitment at the earliest possible opportunity.

Ironically, while the Administration has insisted that they cannot take more forceful action without running afoul of the WTO, it is the Administration's own proposal for $300 million in tax credits for the American steel industry that is now being challenged by our trading partners as an illegal government subsidy under the WTO. Apparently, it is the view of some of our trading partners that there is literally nothing that the President or Congress can do, or should do, to stop this catastrophe for steelworkers and the steel industry. Such a view is preposterous.

None of our trading partners would allow such a vital industry in their own country to be destroyed in the name adherence to the WTO or any other international trade agreement. Indeed, our trading partners have erected many barriers to the import of American-made products into their markets in order to protect their own domestic industries.

December 8, 1999 will mark the fifth anniversary of the Uruguay Round Agreements Act and U.S. participation in the World Trade Organization. The Act mandates a review by the Administration and Congress of the effects of the WTO on domestic interests and the costs, as well as the benefits, to the United States of its past participation. Most importantly, Congress must consider the matter of this nation's continued participation in the WTO. Should Congress conclude that continued participation in the WTO is not in the national interest, it can, under the law, require the withdrawal from the WTO by enacting a joint resolution this year. What's more, if Congress does not act, we must remain in the WTO until the next opportunity for review and withdrawal, which does not occur again until December 2004.

These issues of our sovereignty and the enforcement of our laws to prevent or stop irreversible economic injury to vital industries must be carefully examined if Congress is to make a sound decision about our continued participation in the WTO.

## VI. THE NAFTA DISASTER

Mr. Chairman, it would be bad enough if the only recent crisis we faced was from foreign steel being illegally dumped in our market. Other events, however, have magnified the impact of the current crisis for steelworkers.

The implementation of the North American Free Trade Agreement (NAFTA) has been an unmitigated disaster for steelworkers and working people all across the United States as well as workers in Canada and Mexico. By our government's own admission, over 8,000 steelworkers have lost their jobs and been certified as eligible for NAFTA trade adjustment assistance. Nationwide, nearly half a million workers have lost their jobs because of NAFTA.

NAFTA has transformed the U.S.' $1.7 billion trade surplus with Mexico in 1993 into a nearly $15 billion trade deficit last year in 1998. During the five years from 1993 to 1998, other developed countries—such as those in the European Union—have maintained their trade surpluses with Mexico, even during the 1995 devaluation of the peso. Likewise, the U.S. trade deficit with Canada for 1998 was over $18 billion.

The so-called "free trade" system that NAFTA established across North America has given predatory corporations a license to hunt for the cheapest labor and the lowest environmental and safety standards on the continent. To make matters worse, the twisted logic of NAFTA encourages even socially responsible corporations to join this hunt in order to remain competitive.

No working person in Canada, Mexico, or the U.S., should be forced to trade hard-earned economic security for the "opportunity" to work harder and longer for less. And no community anywhere should have to accept lower health and safety standards and environmental protection standards to keep some of its citizens working. But it is precisely this kind of blackmail which has ravaged workers in all three countries.

As a result of NAFTA, thousands of companies have moved their U.S. operations to Mexico. They include many familiar and prominent names: RCA television sets, Oshkosh overalls, American Standard plumbing fixtures, TrueTemper hardware products, Fruit of the Loom t-shirts and underwear, Farah pants, Woolrich coats, Smith-Corona typewriters, Goodyear tires, and the list goes on and on.

NAFTA has failed workers and not just here in the U.S. It has also failed in Mexico where workers have seen their wages drop by at least 27 percent since NAFTA was implemented. And it's failed in Canada, which has lost more than 137,000 highly paid industrial and manufacturing jobs.

## VII. THE LOSS OF OUR MANUFACTURING INDUSTRIAL BASE

The current steel crisis, the inadequacy of the WTO, and the negative effects of NAFTA are all symptoms of a profound long-term problem facing America: the loss of our industrial manufacturing base.

While most economic observers have noted the overall strong performance of the U.S. economy, these observers often overlook a very different story of what is happening in manufacturing. According to the Bureau of Labor Statistics (BLS), from December 1997 to December 1998, our nation lost 237,000 manufacturing jobs.

Why does this matter? Because many of these lost manufacturing jobs are the kind of jobs that pay decent living wages which can support a family and which allow families to buy homes, cars, clothing, and the necessities of life. They are also the kind of jobs that provide workers and their families with health insurance and pensions so that workers need not fear living out their older retirement years in poverty. The loss of manufacturing jobs also guarantees that the continuing and widening disparities in incomes between the highest income earners in America and those at the lower end will only continue to get wider in the future.

The Commerce Department recently announced that the trade deficit for 1998 hit a record $168.6 billion, and may go even higher this year. I was dismayed to read that Mr. Robert J. Shapiro, the Undersecretary of Commerce for Economics and Statistics stated, "We believe the trade deficit represents the strength of the U.S. economy compared to the weakness abroad." I strongly disagree with Mr. Shapiro's assessment. This $168 billion trade deficit represents lost industries and lost jobs for America's workers. The Economic Policy Institute has estimated that a $100 to $200 billion increase in the trade deficit would mean the loss of 700,000 to 1.5 million jobs in manufacturing and other industries producing tradable goods.

The issue before us is not whether there's going to be a global economy. The global economy is a reality. The real issue is what kind of global economy are we going to have?

Is it going to be a global economy that truly lifts the wages and living standards of all workers, or is it going to be a global economy that only works for the benefit of those with great capital, wealth, and political power? Is it going to be a global economy that accelerates the destruction of our environment and natural resources for the benefit of a few, or is it going to be a global economy that protects our natural resources for everyone? These are fundamental questions which we as a nation must address.

A recent Wall Street Journal/NBC News Poll indicated that 58 percent of the public thinks that foreign trade has been bad for the U.S. economy because cheap imports have taken U.S. jobs. The American public has spoken up repeatedly in favor of fair trade. Yet our policymakers seem to have a tin ear when it comes to this issue. If we don't move to stop violations of our trade laws and if we don't ensure that trade agreements will be mutually beneficial for all Americans, then there will continue to be this deep antipathy about trade.

Mr. Chairman, steelworkers believe in America and the American dream. Steelworkers have made the steel that has built America and defended this nation throughout its history. We are not asking our government for any special favor here. We are asking the President and this Congress to stand up for us just as we have stood up time and time again for our country. Please do not wait too long to act or there will be no steelworkers and no steel industry to stand up for.

Thank you.

Chairman CRANE. Thank you, Mr. Becker.
Mr. Glyptis.

**STATEMENT OF MARK GLYPTIS, PRESIDENT, INDEPENDENT STEELWORKERS UNION, WEIRTON, WEST VIRGINIA**

Mr. GLYPTIS. Thank you for the opportunity to appear here today. As a brief introduction, I am president of the Independent Steelworkers Union, which represents 4,000 members at Weirton Steel Corp., in Weirton, West Virginia.

I would like to focus on the impact of the illegal steel dumping of foreign steel on American steelworkers. Weirton Steel has been an employee-owned company since 1984. We currently have approximately 800 employees on layoff status. That is nearly 25 percent of our work force. For many of those 800 employee-owners, time is running out. It is mind-boggling to me how we can sit here today and talk about how things are getting better. Things are not getting better. The potential for additional layoffs exists. Weirton Steel just announced the number 4 blast furnace, we have a two furnace operation. One of our furnaces that has been idle since December will stay idle for an additional 6 months. That is because we are losing our orders to foreign countries.

The Clinton administration is more concerned about the steelworkers in Russia, Japan, and Brazil, than they are about American steelworkers. Our people are out of work at a time when the demand for steel in America is at an all-time high. There has never been, the demand for steel has never been higher than it is today in this country. There are 10,000 American steelworkers out of work, as you have heard a number of times here this afternoon. The potential exists if we do not solve this problem, for an additional 100,000 steelworkers to lose their jobs in this country. That is absolutely pathetic. Our government has betrayed the American steelworkers. As President Becker has indicated, there has been three steel companies that have gone bankrupt already. There are a number of other steel companies that we believe are near bankruptcy. We need action and we need action quickly.

I know those numbers, those may just seem like numbers to you, but let me put a face to those figures. There is Rob and Tammy Elliot, a couple in their early thirties with two children. Both Rob and Tammy work at Weirton Steel. They are laid off from their jobs. Their State unemployment benefits and health care benefits run out at the end of May. You have Kevin Tassey, a laid off maintenance employee in the tin mill. His unemployment benefits and health care benefits expire at the end of April. That is about 3 weeks before his wife is scheduled to deliver their second child. Then there's Andy Kimerik, another laid-off employee-owner, who will be without unemployment benefits and healthcare benefits by May 1. Andy has a daughter with a brain tumor. His medical problems won't end when his benefits expire. Those are just a few examples of the many faces at Weirton Steel who need congressional help.

You have been provided with reports and statistics citing the pros and cons of the illegal steel imports by other witnesses. I am here to ask you, ask this Subcommittee, to look around America and ask if we are ready to put our own steelworkers out of work in order to protect and provide steelworkers jobs around the world. Are you ready to give up the American steel industry? I am here to ask you, no, I am actually here to beg you on behalf of the men, women, and children of the Ohio Valley, please find a way to save Weirton Steel from being the latest casualty of the global economic war.

If we go down, the Ohio Valley goes down. We become another Homestead, Pennsylvania, or Youngstown, Ohio. We cannot let that happen. Are we ready to give up on America? There are many Ohio Valleys in this great country of ours. We are all looking for help from our government. Our government seems more willing to bail out, to come up with bail out schemes in failing foreign economies that are designed to benefit Wall Street instead of the Ohio Valleys throughout this Nation. The American steel industry cannot be sacrificed or abandoned.

The Independent Steelworkers Union strongly supports quota legislation. The Visclosky bill will ensure the volume of steel imports does not exceed the average monthly volume of such imports during the 36 months preceding July 1997. There are parts of other bills along with this bill that I believe could solve this issue. I think we could resolve this issue in a timely fashion if we combine a number of the bills together. There is the Regula bill, the Traficant bill, and other bills that pieces of it make a great deal of sense.

The ISU will continue to oppose any suspension agreement. It is contrary to applicable laws, and is inconsistent with the administration's own critical circumstances findings back in November. Further, it is contrary to a plan to respond to steel imports, which the President submitted in Congress in July.

We also oppose a comprehensive steel agreement negotiated with the Russians. I think George Becker covered that subject very well. We also strongly oppose any suspension agreement that does not involve a comprehensive global solution. Finally, we will continue to work closely with the administration and Congress to stop serious injury being caused to our industry and to restore fair trade to steel.

I would like to thank you, Mr. Chairman, for giving me the opportunity to appear today. I would like to invite you to come down to Weirton and just see the devastation that we are facing today. It is significant. If we do not solve this problem, that valley is going to die. It is going to die. We didn't do anything wrong. We are the most efficient steelworkers in the world today, as Mr. Barnette testified. Sixty billion dollars has been invested in the steel industry. Unions did the right things and negotiated flexibly within the work force to become the most efficient steelworkers in the world. Something is wrong with our government when they would rather eliminate our jobs, and we are the most efficient steelworkers in the world, and give our jobs to Brazil, Russia, Japan, and in the case of Russia, they are most inefficient steelworkers in the world.

The suspension agreement is an insult to the American steelworker. We need to solve this problem. We are willing to work with you. We want to help in solving this problem. We are going to solve it.

I would like to just close and say we are proud Americans. We still believe in the American way of life. Please help us keep that American dream. Thank you.

[The prepared statement follows:]

**STATEMENT OF MARK GLYPTIS, PRESIDENT, INDEPENDENT STEELWORKERS UNION, WEIRTON, WEST VIRGINIA**

GOOD AFTERNOON. I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY TO BE HERE TODAY TO TALK ABOUT THE STEEL IMPORT CRISIS AND THE EFFECT THE CRISIS IS HAVING ON THE WORKING MEN AND WOMEN AT WEIRTON STEEL.

AS SOME OF YOU MAY KNOW, OUR EMPLOYEE-OWNED COMPANY IS LOCATED JUST 30 MINUTES FROM DOWNTOWN PITTSBURGH IN WEIRTON, WEST VIRGINIA.

IN 1984, THE WEIRTON STEEL CORPORATION WAS CREATED BY THE SACRIFICES AND EXTREMELY HARD WORK OF THE PEOPLE OF THE OHIO VALLEY IN GENERAL, AND THE EMPLOYEES OF WEIRTON STEEL IN PARTICULAR.

THE SACRIFICES NECESSARY TO CREATE THE LARGEST EMPLOYEE STOCK OWNERSHIP PLAN IN THE COUNTRY REQUIRED SUBSTANTIAL PAY CUTS, WORK RULE CHANGES, AND A CAN DO ATTITUDE THAT CREATED THE MOST EFFICIENT STEELWORKERS IN THE WORLD.

AS WE ENTERED THE 90'S, THE INDEPENDENT STEELWORKERS UNION CONTINUED TO TAKE THE LEAD IN NEGOTIATING THE TOUGH LABOR AGREEMENTS TO MAKE OUR WORKFORCE LEAN, BUT STILL HIGHLY COMPETITIVE.

DURING THE PAST 15 YEARS, THE INDEPENDENT STEELWORKERS UNION AND WEIRTON STEEL HAVE SEEN GOOD TIMES AND BAD TIMES. WE HAVE PROSPERED AND SUFFERED, BUT WE SURVIVED.

HOWEVER STARTING IN 1998, ILLEGAL FOREIGN STEEL IMPORTS FROM RUSSIA, JAPAN, AND BRAZIL HAVE FORCED WEIRTON STEEL AND THE AMERICAN STEEL INDUSTRY IN A CRISIS THAT MAY LEAVE US DESPERATE FOR JUST A CHANCE OF SURVIVAL.

THE ILLEGAL HOT ROLL IMPORTS HAVE LITERALLY FLOODED OUR COUNTRY DRAWING DOWN PRICES AND HURTING OUR STEEL COMPANY'S ORDER BOOK.

WE HAVE BEGGED THE CLINTON ADMINISTRATION TO STOP THE ILLEGAL DUMPING, BUT THE ADMINISTRATION APPEARS MORE CONCERNED ABOUT THE JOB PROSPECTS OF STEELWORKERS IN ASIA AND SOUTH AMERICA.

THIS IS THE SAME PHILOSOPHY THAT LEAD TO THE NAFTA AGREEMENT WHICH RESULTED IN NEARLY 400,000 JOBS GOING TO MEXICO SINCE 1994. OUR OWN GOVERNMENT HAS ADMITTED NAFTA HAS COST US 4,000 AMERICAN STEELWORKER JOBS.

RECENTLY, THE COMMERCE DEPARTMENT ISSUED ITS FINDINGS AGAINST JAPAN AND BRAZIL. BUT THE GOVERNMENT HAS DECIDED TO WORK OUT A PRIVATE DEAL WITH RUSSIA AND NOT IMPOSE TARIFFS ON ILLEGAL RUSSIAN STEEL IMPORTS. THE CLINTON ADMINISTRATION HAS REFUSED TO TAKE EXECUTIVE ACTION TO STOP THE ILLEGAL IMPORTS.

THE SUSPENSION AGREEMENT ALLOWS THE RUSSIANS TO SELL THEIR HOT-ROLL FOR $255 PER METRIC TON WHICH MEANS CONTINUED DUMPING AND INEFFICIENT RUSSIAN PRODUCERS BEING ALLOWED TO UNDERCUT EFFICIENT U.S. PRODUCERS WHOSE AVERAGE COST IN 1998 (AS PUBLISHED BY THE ITC) WAS $345 PER METRIC TON.

WE ARE NOT BLIND TO THE SERIOUS ISSUES FACING RUSSIA. HOWEVER, WE BELIEVE RUSSIA CAN SOLVE ITS OWN PROBLEMS WITH ASSISTANCE FROM THE IMF AND OTHERS AS APPROPRIATE. WE DO NOT BELIEVE SACRIFICING THE JOBS OF THE AMERICAN STEELWORKERS WILL SOLVE THE RUSSIAN DILEMMA.

THE RUSSIAN DEAL SHOULD INCLUDE QUANTITATIVE RESTRICTIONS, MINIMUM PRICES, AND ADEQUATE ENFORCEMENT MECHANISMS, AS WELL AS A MORATORIUM ON FURTHER SHIPMENTS UNTIL THE INVENTORY OF DUMPED STEEL HAS BEEN CLEARED.

INSTEAD OF DEFINITIVE ACTION, ADMINISTRATION OFFICIALS TELL US WE NEED TO PUT A HUMAN FACE TO THE STEEL CRISIS.

AS PRESIDENT OF NEARLY 4,000 UNION MEMBERS, LET ME TAKE A MOMENT TO *PUT* A FACE TO THE STEEL IMPORT CRISIS AND WEIRTON STEEL.

WE HAVE TOM KAMAREC, A FIVE YEAR EMPLOYEE WHOSE DAUGHTER RECENTLY HAD BRAIN SURGERY. TOM'S HEALTH CARE BENEFITS RUNS OUT IN TWO MONTHS. UNFORTUNATELY HIS DAUGHTER'S MEDICAL PROBLEMS WILL CONTINUE.

THERE'S KEVIN AND MARIA TASSEY. KEVIN WAS HIRED IN 1995. JUST SIX MONTHS AGO, MARIA LEARNED SHE WAS EXPECTING THEIR SECOND CHILD. THREE MONTHS AFTER RECEIVING THEIR NEWS, KEVIN WAS LAID OFF FROM WEIRTON STEEL. HIS HEALTH CARE BENEFITS WILL EXPIRE BEFORE THEIR BABY IS BORN.

ALAN BROWN IS A 13 YEAR EMPLOYEE. HE ORIGINALLY STARTED AT WEIRTON STEEL IN 1978, WAS LAID OFF AND EVENTUALLY LOST ALL OF HIS SENIORITY BEFORE BEING HIRED AT THE STEEL MILL AGAIN IN 1986.

ALAN WAS LAID OFF LAST DECEMBER, AND THE 47 YEAR OLD FATHER OF THREE HAS A VERY UNCERTAIN FUTURE.

HIS OLDEST DAUGHTER WOULD LIKE TO GO TO COLLEGE IN THE NEXT COUPLE OF YEARS, BUT ALAN ISN'T SURE THAT WILL NOW BE POSSIBLE.

ROB AND TAMMY ELLIOTT BOTH WORKED AT WEIRTON STEEL. ROB IS A NINE YEAR EMPLOYEE IN THE BLAST FURNACE, WHILE TAMMY IS IN THE CLERICAL DEPARTMENT WITH FIVE YEARS OF SERVICE.

THESE PARENTS OF *TWO* YOUNG CHILDREN ARE BOTH LAID OFF NOW, AND ROB IS DESPERATELY LOOKING FOR A JOB SO HE CAN SUPPORT HIS FAMILY.

THOSE ARE JUST A FEW OF THE NEARLY 800 FACES AT WEIRTON STEEL WHO ARE CURRENTLY ON LAYOFF.

WE SAW MANY OF THOSE FACES IN WASHINGTON, D.C. LAST MONTH WHEN WE RALLIED AT THE CAPITOL AND THE WHITE HOUSE IN ORDER TO SAVE AMERICAN STEELWORKERS' JOBS.

LET ME TELL YOU SOMETHING ABOUT THE STEELWORKERS OF WEIRTON, WEST VIRGINIA.

IN 1984, WE FOUGHT ATTEMPTS TO TURN WEIRTON STEEL INTO A FINISHING MILL AND CREATED THE COUNTRY'S LARGEST ESOP.

IN 1984, WE HAD THE SUPPORT OF STATE AND FEDERAL OFFICIALS. SENATOR ROCKEFELLER, IN HIS ROLE AS GOVERNOR OF WEST VIRGINIA, PLAYED A KEY ROLE IN SUPPORTING THE ESOP AT WEIRTON STEEL AS DID SENATOR ROBERT BYRD.

WE WERE SUCCESSFUL IN 1984 BECAUSE ALL OF US WANTED TO SAVE AMERICAN JOBS.

NOW, IN 1999, WE ARE NOT ONLY FIGHTING TO SAVE WEIRTON STEEL, WE ARE FIGHTING FOR THE SURVIVAL OF THE ENTIRE DOMESTIC STEEL INDUSTRY.

WE ARE NOT GETTING THE HELP WE SHOULD FROM THE CLINTON ADMINISTRATION. INSTEAD OF POSITIVE ACTION, WE ARE AT THE RECEIVING END OF MEANINGLESS RHETORIC.

THE SAME MAN WHO CAMPAIGNED IN WEIRTON IN 1992 AND PROMISED TO SUPPORT FAIR TRADE LAWS FOR THE STEEL INDUSTRY IS NOW CAMPAIGNING FOR STEELWORKERS IN RUSSIA, JAPAN, AND BRAZIL.

THE CLINTON ADMINISTRATION AND TREASURY SECRETARY ROBERT RUBIN ARE READY TO LET THE DOMESTIC STEEL INDUSTRY WITHER AWAY AND DIE.

PRESIDENT CLINTON AND SECRETARY RUBIN ARE BETRAYING THE AMERICAN STEEL INDUSTRY.

THEY KNOW THERE ARE MORE THAN 800 UNION STEELWORKERS AT WEIRTON STEEL WHO ARE OUT OF WORK TODAY BECAUSE OF THE CLINTON PHILOSOPHY OF GLOBAL ECONOMICS.

WE WILL CONTINUE TO ASK THE CLINTON ADMINISTRATION TO HELP THE AMERICAN STEEL INDUSTRY. BUT WE *ARE* REALISTIC IN WEIRTON, WEST VIRGINIA. WE KNOW THE PRESIDENT WHO WAS SO WORRIED ABOUT *HIS* JOB HAS NO INTEREST IN OUR JOBS.

I CAN TELL YOU THE STEELWORKERS AT WEIRTON STEEL ARE MAD.

WE ARE MAD AT A GOVERNMENT WHICH APPEARS READY TO SACRIFICE OUR STEEL INDUSTRY FOR THE GOOD OF RUSSIAN, JAPANESE, AND BRAZILIAN STEELWORKERS.

WE ARE MAD AT OUR GOVERNMENT THAT HAS WRITTEN US OFF, OFFERING A FEEL GOOD PROGRAM TO US AS WE LOSE OUR JOBS.

THE OHIO VALLEY IS CURRENTLY ON LIFE SUPPORT AND WE ARE AFRAID THE CLINTON ADMINISTRATION IS READY TO PULL THE PLUG.

WE ARE MAD AT THE CLINTON PHILOSOPHY THAT IS READY TO SACRIFICE THE AMERICAN STEEL INDUSTRY AND RELY ON FOREIGN STEELMAKERS FOR OUR NEEDS IN THE FUTURE.

THIS COUNTRY WAS BUILT WITH AMERICAN STEEL.

THIS COUNTRY NEEDS AMERICAN STEEL.

THIS COUNTRY MUST MAINTAIN A STRONG STEEL INDUSTRY.

THE INDEPENDENT STEELWORKERS UNION SUPPORTS COMPREHENSIVE LEGISLATION THAT WILL DEAL IMMEDIATELY AND DECISIVELY WITH THE STEEL IMPORT CRISIS.

WE NEED A COMPREHENSIVE PROGRAM THAT WILL PROVIDE A LEVEL PLAYING FIELD AND ALLOW US TO COMPETE.

THERE ARE SEVERAL PIECES OF LEGISLATION NOW BEFORE YOU AND YOUR COLLEAGUES IN THE HOUSE OF REPRESENTATIVES. I URGE YOU TO CONSIDER JOINING YOUR LANGUAGE INTO THE BEST BILL THAT WILL BE GIVEN THE MOST SERIOUS CONSIDERATION IN THE CONGRESS. LET'S AGREE ON A FAIR TRADE PROGRAM THAT CAN BE ACCEPTABLE TO THE ADMINISTRATION BUT WORKABLE FOR THE STEEL INDUSTRY.

THE AMERICAN STEELWORKERS ARE THE MOST COMPETITIVE IN THE WORLD. JUST ALLOW US TO HAVE THE *CHANCE* TO COMPETE.

WE ARE NOT ASKING FOR PROTECTIONIST LEGISLATION JUST THE OPPORTUNITY TO COMPETE IN A FAIR MARKET. OUR FEDERAL GOVERNMENT WOULD HAVE YOU BELIEVE THE AMERICAN ECONOMY IS AT AN ALL TIME HIGH WITH JOBS AVAILABLE FOR ANYONE WHO WANTS ONE.

I CAN TELL YOU WE HAVE 800 STEELWORKERS AT WEIRTON STEEL WHO WANT THEIR JOBS BACK.

IT'S TIME TO STOP WORRYING ABOUT THE STANDARD OF LIVING IN THIRD WORLD COUNTRIES AND START WORRYING ABOUT MAINTAINING DECENT JOBS FOR AMERICAN WORKING MEN AND WOMEN.

I AM HERE TO ASK THIS SUB-COMMITTEE TO LOOK AROUND AMERICA AND ASK IF WE ARE READY TO PUT OUR OWN PEOPLE OUT OF WORK FOR THE GOOD OF WORKERS IN ASIA AND SOUTH AMERICA.

ARE WE READY TO GIVE UP THE AMERICAN STEEL INDUSTRY?

ARE WE READY TO GIVE UP ON AMERICA?

I DON'T THINK SO AND I AM HERE TO ASK YOU TO JOIN ME AND STAND UP FOR STEEL AND STAND UP FOR AMERICA.

I WOULD LIKE TO THANK YOU AGAIN FOR INVITING ME TO APPEAR HERE TODAY AND I WOULD LIKE TO INVITE YOU TO COME TO WEIRTON, WEST VIRGINIA AND MEET THE PEOPLE OF THE OHIO VALLEY WHO MAKE STEEL.

WE ARE AMERICANS WHO STILL BELIEVE IN THE AMERICAN WAY OF LIFE. PLEASE HELP US KEEP THAT DREAM ALIVE.

THANK YOU VERY MUCH.

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Chairman CRANE. Thank you. Were you here when Secretary Daley was here, made his presentation?

Mr. GLYPTIS. Yes. I was.

Chairman CRANE. Because he mentioned that imports from Russia fell from over 600,000 metric tons in November of last year to less than 11,000 tons in January of this year. So that has got to be some consolation, moving in the right direction.

Mr. BARNETTE. It is no consolation. Forgive me for reacting so promptly. I find it little or no consolation. In fact, one of the most deeply distressing events in the administration trade policy is to have this suspension agreement entered into and a comprehensive agreement entered into with Russia over the objection of the very petitioners who have won these cases, won them by 71 to 218 percent margins. It is simply inexplicable that this kind of agreement could be entered into.

We have the deepest of sympathy for Russia, Mr. Chairman, but surely if we are going to help them, let's help them from the Federal Treasury. Please do not sacrifice the steel industry to help the cash flow of Russia. It has desperate problems, and we want to help them. We should help them. We will help them as an industry. But to say that this modest decline in import levels should be a consolation is simply like saying we took 100 percent of your property last year. Now we are only going to take 25 percent of your property this year, and expect that to be a remedy. This is simply illustrative of the problem.

Chairman CRANE. It doesn't sound like a modest decrease. He points out that if you take Russia, Japan, and Brazil, the three countries combined fell by 96 percent from the record levels in November.

Mr. BARNETTE. That is because of the cases, Mr. Chairman. They should have fallen. Look at the dumping margins. That is what we want to be imposed. Let's impose the margins against Brazil of 51 to 71 percent, against Russia from 71 to 218 percent, and against Japan from 25 to 68 percent. That is what the trade laws were meant to do, to bring fair pricing into the marketplace.

We would stand very much behind that kind of remedy. That has been taken away from us in the case of Russia.

Mr. BECKER. Mr. Chairman, if I could add something in this. These countries watch each other during the same period of time, from November, I think it was what you are quoting from November to January, during that period of time, a lot of the smaller countries that have smaller exporting steel countries into the United States, we just sit and ran a total on five of them. They increased by 129,000 tons during that same period of time.

Now that may not sound like much up against the other, but how long is it going to take for them to fill the gap? They all have the capacity. South Korea has the capacity. India has the capacity. Australia has the capacity. They will fill in, and fill this as quickly as they can. There is nothing to stop these countries that are under the trade cases from shifting to other products, Brazil and Japan, they do this. They watch this. This is the marketplace of the world. They are going to take this market if we let them.

Mr. GLYPTIS. One other comment. The pricing on that suspension agreement, $255 to $280 per metric ton. If you translate that back to a short ton or a net ton, that pricing is about $231, plus freight on board. That is a dumped price. The suspension agreement with the Russians, at least from my viewpoint, legalized illegal dumping. It is a dumped hot-rolled price. Two hundred thirty one dollars is far, far below I believe the cost of production.

Chairman CRANE. Let me ask you all a question. In addition to quotas on hot-rolled and cold-rolled steel, the administration has also tentatively agreed to a quota on Russian semifinished steel. At the same time, the Visclosky and Traficant bills in the House would limit or ban imports of semifinished steel. The U.S. domestic industry has long been unable to meet more than a fraction of demand for steel slab. In 1997, for example, the U.S. industry shipped 1.8 million tons of semifinished steel, while imports equaled 5.4 million tons.

Isn't the domestic integrated steel industry concerned about the pending agreement and the proposed legislation that potentially could limit your ability to obtain the inputs you need to produce your finished product?

Mr. BARNETTE. We are, Mr. Chairman, but for a very different reason. Semifinished imports increased in 1998 versus 1997 by only 400,000 tons, some 6 percent. Finished imports increased in the marketplace by more than 40 percent. So it is true from time to time that domestic producers do need semifinished steel because they may have a repair in their operations, they may have an equipment failure, they may have a very strong market, they may need to have that opportunity. But in the case of Russia, it is a comprehensive agreement, Mr. Chairman. It covers all Russian products. It is taking away from the American industry and the American workers the right to have our laws enforced. that is what is so very, very disturbing. That is, without regard to the need to help Russia, we don't want to be identified with being misunderstanding of that. We do want to help them. They need help. But surely the flow of that help should not be at the cost and the expense of a single private sector or industry.

Mr. BECKER. Mr. Chairman, if I could. We have not advocated ever to build a fence around America and to say that we didn't want to share any of our marketplace. We are a trading Nation. We have historically had imports since the mideighties, coming into the United States at about the level of 18 to 20 percent. We have advocated a quota bill that would be set at the precrisis level. You listen to Ambassador Barshefsky. She said this was a global problem. I agree with her. It is a global problem. There is vast overcapacity out there. A lot of it was built for the U.S. market to take our market. I think it requires a global solution. That is what we are really saying.

You know this didn't just jump on us. Here we are sitting here 15 months after the crisis arguing about this thing. The Steelworkers Union started going before the administration before cabinet-level positions advocating something to be done at the beginning of 1998, and at every level they acknowledged that a crisis was there. They acknowledged that something was going on. They said they were sensitive to it. They said they were studying it. We were kicked from one cabinet level secretary to another one. We met with Treasury. We met with Barshefsky. We met with Daley in Commerce. We met with all of these people. They were very courteous, very kind. They listened to us, but nothing was ever done. We had economic models run before we went in on the first meeting that showed we were going to lose 1.1 million jobs in the United States, and that 70 percent of these were in manufacturing jobs. These were our jobs. We knew this was going to happen because of the policies that the IMF advocated with these countries in curtailing their domestic spending and concentrate on exports. We are the only market. So we knew it was coming here. There was no surprise. At every level, we told them that if you don't do something now, the next time we see you it is going to be worse, and it was. In August, there was 4.4 million tons shipped into the United States. You annualize that, that is over 50 percent of our capacity, I mean our market in the United States. They can run it up. They can run it down. Any time they want it all, they can take it all.

So it is no surprise. We knew they were going to roll it out. When we got close to the trade cases coming up for settlement, we knew they were going to cut back. The people who import steel and distribute it in the United States told them to do that. They sent them letters to do that. We know that. That is predictable. There is an old saying, that evil people plot, good people plan. We know that there are people that are planning or plotting how in the hell to get our market and get back into it, and move it into different categories or different countries.

We are pleading with you to save a very vital institution in the United States. Why do you think that Congress is so upset about this just as their constituencies back there. We have got 191 signers, cosponsors right now on the Visclosky bill. I mean they are outraged over this. Now after winning this, what I don't understand after winning these three cases, in essence, waiting and suffering and winning them, now the government is cutting deals to give it back to them.

Chairman CRANE. Mr. Levin.

Mr. LEVIN. Well, I think when you talk about timeliness and you talk about comprehensiveness and the lack thereof, I think you are so compelling. You all agree with each other, so I want to ask a question that will be raised in the next panel. I think I will ask you, Mr. Barnette, as the executive of a large company, to respond, because it is really targeted at you.

In the next panel, Mr. Griswold is going to say this. He is the associate director of CATO, trade policy studies. I am going to quote, so I don't in any way want to misrepresent his position. I think his position goes way beyond. It dismisses timeliness issues, dismisses comprehensiveness issues, and essentially challenges the basic assumption that you start with and I start with, that we can't just let it all happen helter-skelter. Here is how he puts it.

"Many other U.S. industries have been hit by the effects of the Asian crisis. Exporters have seen sales slump while import competing industries have faced stiffer competition at home. There is no reason why the steel industry should receive special treatment at the expense of its customers and American consumers just because it is experiencing temporarily unfavorable conditions." That is at the beginning of the statement.

Toward the end of the statement, "U.S. antidumping law has become nothing more than a protectionist weapon for industries feeling the heat of global price competition."

Mr. Barnette.

Mr. BARNETTE. Yes. I would be pleased to respond to that. I would say first that the steel industry is requesting no special treatment. We want the laws upon which trade liberalization has been based to be enforced. If they cannot be enforced effectively, and if this serious injury continues to decimate our industry, then we must as a country reexamine the very rules-based nature on which our trading system is operating.

Second, for that statement to be made, Mr. Levin, about the operation of the laws which this Congress has enacted and which is the very heart of trade liberalization, it ignores that trade must be rules based. I would suggest that with the force and vigor of your responsibility, that you question how one could have the audacity to suggest that the proper administration of antidumping and countervailing duty laws is anything other than the very heart of trade liberalization itself.

Mr. LEVIN. Thank you.

Mr. CARDY. Congressman, if I might, although I represent a much smaller segment of the steel industry than my friend, Mr. Barnette?

Mr. LEVIN. Yes, please.

Mr. CARDY. I find it a little bit ludicrous how we can spend so much time talking about an issue that has been proven through the agencies of government to be a violation of the law. In the case that is being represented here with Russia, the case was presented, the determination was found, and the case was then thrown out. Here we stand now today saying that we have a steel industry in the United States both, specialty and carbon, that due to economic perturbations all over this globe, is under attack and is bleeding badly. We have turned to this government, not to do anything extraordinary really, just to help us enforce the trade laws that you have already put in place. We are using the laws that you folks have given us, and we are using them very legally, to say help us keep this steel industry from disappearing from this country. It has been decimated, in all segments. And it will continue.

In addition to all of the other issues we must face, we now have this Pacific rim economic issue that our government is trying to address. In the way they are doing it, not monetarily or through the IMF only, it is really coming back to haunt the manufacturing sector of this country.

I would suggest to you, sir, that though the economics of the United States appear to be just wonderful—low interest rates, low inflation, full employment, everything is wonderful—the manufacturing sector of this country is under attack and it will not take very long for that to be reflected in the overall economic vitality of this country. I think the government is deceiving itself when it looks at the vitality of the stock market and some of these segments of the economy and does not look specifically at manufacturing and what is happening there. It is under attack. Thank you.

Mr. LEVIN. Mr. Becker.

Mr. BECKER. I couldn't agree more, that industrial workers in America, industrial America is under attack. We lost 285,000 industrial jobs in America last year. But more specific to steel, there are studies we know by groups that are interlocked, multinationals and what have you, that believe that we could just let the steel industry go. I believe this would be tragic. I mean forget about the stock market. Forget about the bond market and the high financiers. I think we need to be concerned about workers and their families and communities in America.

More specifically, though, to this Committee, I mean this is the Ways and Means Committee, and I think it requires your support if we are going to be able to get the Visclosky bill passed. I am asking you of what we would suggest from the Steelworkers Union, that we move this bill, that you get behind this and champion this, make it your bill, get it out there, and let's get the job done for once and for all.

Mr. GLYPTIS. Do you realize, just my testimony, that 100,000 steelworkers could lose their jobs if this crisis is not solved. We are getting rid of the better jobs in America. We are creating jobs that cannot support a single family. Of all new jobs being created today, 74 percent cannot support a single family. Can't pay the telephone bill or the heating bill. Something is wrong with that. We need your support, please.

Mr. LEVIN. Thank you.

Mr. BARNETTE. I would just, if I might simply state again, Congressman Levin, that the central question is do we have a rules-based trading system, and do we believe, as a matter of trade policy, in a rules-based trading system?

Mr. LEVIN. Thank you very much.

Mr. HOUGHTON [presiding]. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman. I will keep my comments brief. What has struck me about this panel is you have come forward not asking for anything extraordinary or unusual. You are simply asking for an enforcement of existing trade laws. Maybe I would expect a strengthening of them within the context of the rules-based order. That is perhaps unusual, given the way some editorial pages have mischaracterized your situation. I think you come here today with a very positive view of a basic industry that can be internationally competitive, has striven to be internationally competitive, has accepted a lot of sacrifices in its work force in order to become much more capital intensive and become the most productive in the world. My hat is off to all of you.

I guess my one question is starting with Mr. Barnette. We have heard some rosy observations coming from the administration here today. I realize that is probably the role of the Secretary of Commerce and the U.S. Trade Representative. I respect them very much. Has the abatement of steel imports that they seem to be describing improved the financial prospects of the industry in the near-term? Is this something you can bounce back from very quickly? Or is a major part of your industry actually very much at risk?

Mr. Barnette.

Mr. BARNETTE. The answer is the injury, the serious injury is continuing, Congressman English. It continues in five or more different dimensions. Shipments continue to be lost. Production continues to be reduced. The pricing of the product is reduced. Force levels are reduced, many on layoff. Indeed, we have closed two facilities, in Massillon, Ohio, and in Washington, Pennsylvania. All of that affects profitability and liquidity.

So the injury continues. To the extent there is some modest improvement, month to month, it is a little like being at the bottom of a 100-foot swimming pool and you are on the bottom right now, and you move up one foot and say things are improving. You are not back to the top yet. That is the injury that has been the cost to us. The price depression alone—and that again is what is so disturbing about this Russian agreement—it sets a price to bring Russian steel in here FOB at a price that is about what it costs an efficient American producer today to make the steel.

So the answer is the injury continues. That injury is irreparable. It has happened, and it will be forever with us.

Mr. ENGLISH. Mr. Becker.

Mr. BECKER. Congressman, we did not come here asking that the laws be enforced that we have on the books. I am here to tell you that the laws are not working. It took 15 months to process one issue, the hot-rolled steel, with three countries. During this period of time, when we repeatedly asked the administration to take some action while they were going through these cases which they refused to do, we have lost over 10,000 steelworker jobs. We have lost three companies into bankruptcy. We have got another half a dozen of them that are on the verge. The laws are not working.

I am here to tell you that we are losing faith in this process. We can't stand more trade cases to be filed and go through this process while they switch from country to country and product line to product line. We need some definitive action. That is why we had the Visclosky bill out there. We need this. You are signer to this. I know you understand what I am talking about. We need to process this, but we need the Ways and Means Committee to move this.

Mr. CARDY. If I could, Congressman English.

Mr. HOUGHTON. I think we have got to move along here. Could you make it fast?

Mr. CARDY. Fast. That is exactly what I want to talk about. The fact of the matter is, the process isn't necessarily at fault, but the pace of the process is ridiculous. While we are bleeding, conversations are taking place. The speed needs to be fixed. The process, the laws aren't bad. The process is OK if it works fast. The issue of foreign currency devaluation has to be considered in the decisionmaking process as well.

Mr. ENGLISH. Well, and quickly said. Thank you.

Mr. HOUGHTON. Thanks very much.

Mr. Coyne.

Mr. COYNE. Thank you, Mr. Chairman. I would like to follow up with Mr. Becker relative to Ambassador Barshefsky's statement earlier. I think you were here when she made the statement that if 201 cases were filed, the administration certainly would lend its support to that effort once they are filed. It seems to me that what you are testifying to is that over the past 15 months when those cases were filed, and when you asked the administration for help, you didn't get it. Is that accurate?

Mr. BECKER. That's absolutely right. After the cases were settled, they didn't like the answer. They come back and they give relief in there. We won the cases. In other words, it was upheld. Everybody admits that dumping took place. But the findings they thought were too harsh, so they go in and cut them. So why file a 201? Why go through this 15-month process and all the expense involved when you don't know what the administration is going to do with it anyway?

Mr. COYNE. Well, they seemed to take a new track today saying they would be supportive. But the record is that they weren't supportive. Is that accurate?

Mr. BECKER. Well, I didn't—I am sorry. There is something I missed then in what she said.

Mr. COYNE. Yes. Well, she indicated that, in the future, the 201 cases were filed, they would be supportive by letter or by intervening some way without violating any laws or regulations. But I just want to make it clear that your history is, in these cases, that when you asked them for help, you didn't get it.

Mr. BECKER. That is right.

Mr. BARNETTE. We have asked them, Congressman Coyne, as one of the recommendations in my testimony, to self-initiate—to consider self-initiation—by the administration. This is an administration action. The ultimate remedy in 201 is decided upon by the President of the United States.

It is not entirely accurate to say that we were successful in the eighties in the 201 case. We brought the case and we were successful at the International Trade Commission, but we had a contrary remedy imposed by the then-administration. So it is very much an administration-controlled remedy and we believe they should be the moving party in this process.

Mr. GLYPTIS. Sir, what is the appropriate 201 action by the government, by the President? If he is willing to write a letter, OK, then why wouldn't he put his name on a 201 action? Because you don't know what he is—if he could write a letter, what you need is his name in support of that action. That is where the power is really at, in my view.

Mr. COYNE. OK. Earlier in a question that I asked Secretary Daley about U.S. steel companies purchasing some of this dumped steel that comes into the country, he said he had heard about it; that was his response to that question. Is Bethlehem Steel or your company, Mr. Cardy, are you purchasing any dumped steel in the country?

Mr. CARDY. No. It is not an issue with my company. There are companies in the steel industry that have supply arrangements between them with steel being around to accommodate capacity shortfalls or whatever the issue might be. I can't believe that the companies that are in front of you today talking about this issue are also the culprits in creating the dumping situation.

Mr. COYNE. So that is not the case in either of your corporations.

Mr. CARDY. Not the case in our company. It is not, Mr. Coyne. We may, from time to time, purchase, as many other companies purchase, foreign, particularly some Finnish steel, at a fairly traded basis. And to the extent that there have been Finnish steel purchases, those too were at a fairly traded basis.

Mr. BARNETTE. Congressman.

Mr. COYNE. Oh, go ahead.

Mr. BECKER. I wanted to—I think it has finally sunk into me the gist of what you were talking about with Ambassador Barshefsky. I was relating this to our request for some kind of quantitative restraint that we were asking for while these trade cases were being filed so that we wouldn't go through this hemorrhaging while we were in the decisionmaking process. And that is what we were refused. We were told repeatedly that they felt this was problematic with the WTO; that we used to maybe be able to do something like that, but we can't do it anymore under the GATT and the WTO.

But, in truth, on the 201 aspect of it, they have always said that they would expedite cases on the 201. The problem is, though, is what they would do with it once you went through the process.

Mr. COYNE. Thank you.

Mr. HOUGHTON. Thanks very much, gentlemen, for being here. Again, you know, we are all in this together. We want to be of help and somehow we have got to pull this idea together to make some sense. I think the speed is something which I have always worried about. And you talked about this, Mr. Cardy. I guess everyone has mentioned this. You know, is there a will or is there a structure, but, really, is there a way of getting at this thing?

Mr. BECKER. Mr. Chairman.

Mr. HOUGHTON. Senator Specter. Can I just finish?

Mr. BECKER. If I could.

Mr. HOUGHTON. Can I just finish in just a second?

Mr. BECKER. All right.

Mr. HOUGHTON. Senator Specter suggested taking this out of the governmental process and putting it into the private right of action so that it would go through the court system rather than going through the laborious process of either 301 or 201 or the ITC and the President and things like that. I want to know what you think about that. But go right ahead, please.

Mr. BECKER. OK. There's one thing that—what we were talking about with Weirton, about jobs and the human faces the President talks about putting on trade, which I agree with very much. When we talk about other countries taking our jobs, I like to remind everybody that we literally, truly, don't have enough jobs in the steel industry that we can give away to keep the steel industries going in Russia and Japan and Brazil and South Korea and India. We don't have that many jobs.

We have lost over 350,000 jobs in the eighties that we never got back. We have 150,000 in the United States and 100,000 of them we believe are at risk now. We just don't have enough jobs to keep those countries going.

Mr. HOUGHTON. Yes. The question is what do we do about this whole thing. We understand the condition and you describe it very well. But what specifically do we do? And I would like to ask again—were you here when Senator Specter talked? It was just an interesting idea. It has to go through Congress in order to be adopted.

Mr. BECKER. About being able to file——

Mr. HOUGHTON. Yes, right. About doing injunctives correctly and an injunction that——

Mr. BECKER. It sounds very good to me because the way he was putting it is that the steelworkers themselves or their representatives would be able to file for injunctive relief. It is very attractive to me. I think we could have moved along a lot quicker than it took to move these strike cases, these ones against Brazil and Japan and Russia.

Mr. HOUGHTON. Right. Yes, go ahead, please.

Mr. CARDY. I think I would just add that the specialty steel industry would support that approach. Personally, I find it unfortunate that we are spending an immense amount of money on the fees necessary to pursue all of these cases, that we can't turn to the government of the same country we all live in to get proper recourse to these issues and we have to resort to going to the courts. I mean, if that is the way it has to be done because of the inactivity and the ineffectiveness of the government, then so be it. But it is unfortunate from my point of view that we have to resort to that. But we will if we have to.

Mr. HOUGHTON. Well, in theory it is. But, in practice, we want to get something done.

Mr. GLYPTIS. Perhaps the answer lies with ingredients from a number of bills: Senator Specter, Visclosky, Regula. Maybe there are bits of pieces of other bills that can all incorporated into a solution, an immediate solution, a very quick solution. And maybe that is where the answer lies. But, once again, we are going to need your support to get there.

Mr. BARNETTE. One of the very troubling things, Congressman, is, for example, in a critical circumstances finding by the Department of Commerce, they found there is a reasonable basis to believe or suspect that the importers, these are from Russia and Japan, knew or should have known material injury from the dumped merchandise was likely. That is the very stuff of which U.S. district judges make findings and order injunctive relief. So I believe that, as he often does, that Senator Specter has an idea that is well worth the full consideration by the Congress.

Mr. HOUGHTON. OK. Well, thank you very much. We certainly appreciate it and we will follow up here.

The next panel is George Mischenko, vice president and general manager for Co-Steel Raritan of New Jersey; Mr. Woltz, who is president and chief executive officer for Insteel Industries; Jon Jenson, president of Precision Metalforming Association; Dan Griswold—I hope all you gentlemen are here—is associate director of the Center for Trade Policy Studies at the CATO Institute; and Greg Mastel, who is vice president and director of studies, Economic Strategy Institute.

So the panel that is leaving, thank you very much. The new panel, would you please take your seats. Well, gentlemen, thank you very much.

Mr. Mischenko, would you like to go ahead?

**STATEMENT OF GEORGE MISCHENKO, VICE PRESIDENT AND GENERAL MANAGER, CO-STEEL RARITAN STEEL CO., PERTH AMBOY, NEW JERSEY**

Mr. MISCHENKO. Good afternoon, Mr. Chairman. My name is George Mischenko. I am vice president and general manager of Co-Steel Raritan in Perth Amboy, New Jersey. We are the largest single-site producer of steel wire rod in the country. I began at Raritan in the maintenance department during the plant's construction 20 years ago and today serve as general manager for the entire operation. Previously, I worked for U.S. Steel for 10 years. We make rod by recycling scrap steel. This wire rod is fabricated into many kinds of wire and wire products such as fasteners and automotive parts.

Let me get right to the point, Mr. Chairman. We agree with Chairman Crane's conclusion in his statement announcing this hearing, "There is no question that the U.S. steel industry is facing competition from foreign producers that has intensified since the onset of the global financial crisis. I believe that the United States should strongly enforce its existing trade laws, which are designed to deal with such competition.”

I am here today on behalf of U.S. wire rod producers to make the same point. We also believe that the existing trade laws should be enforced to enable American business to cope with the dramatic increase in imports brought on by the global financial crisis. Consequently, on December 30, 1998, we filed a section 201 petition with the ITC alleging that wire rod imports are a substantial cause of serious injury and requesting relief under the safeguard law.

We believe section 201 is the appropriate remedy for our situation for four reasons. First, we believe we meet the law’s threshold of serious injury. Over the last 5 years, and especially during the last 18 months, an onslaught of wire rod imports has devastated our industry. Imports have increased more than 60 percent since 1993, capturing over one-third of U.S. consumption and causing a collapse of prices. The industry as a whole has not made a profit for three consecutive years now. Despite modern facilities and excellent productivity, the wire rod industry’s financial results have fallen significantly below that of the overall steel industry. At my company, we had to reduce shifts and permanently eliminate 15 percent of our management and hourly work force. We also canceled plans for a 25-percent increase in our mill’s capacity that would have enabled us to serve our customers better.

Second, the 201 approach is a flexible one. The President, after receiving the ITC recommendations, can fashion a remedy to meet specific needs while taking into account the impact on customers and the U.S. economy.

Third, section 201 is appropriate because, as our lawyers emphasized, it is fully consistent with the international obligations of the United States.

Fourth, and finally, section 201 is especially appropriate when inflationary pressures are in check. Fed Chairman Alan Greenspan recognized just this week that our economy has become less inflation-prone than in the past.

Later you will hear from our customers in the wire products industry. They plan to oppose our petition. We had many candid discussions with them and made clear our intentions to work with them to achieve a remedy that considers their interests, for example: Excluding certain products from our petition; leaving Canadian and Mexican imports out of any remedy; agreeing to fashion the remedy to avoid increases in downstream product imports; and, finally, working with the wire producers as we develop the specific remedy plan. We are sorry they have elected to oppose our petition. Fortunately, we understand their door is still open. A rod industry that defers investment, shutters capacity, and is financially weakened is not in the long-term interest of the U.S. wire producers or the U.S. economy.

In conclusion, Mr. Chairman, we believe the existing trade laws are designed to address the flood of imports that the steel industry is facing. We have set out to put those safeguards to the test for wire rod to determine if they will live up to Congress’s design. If section 201 remedies are denied, then I may be back before this

Subcommittee very quickly asking for changes in the law because if the U.S. International Trade Commission thinks we are not seriously injured, then I don't know who is. Thank you.

[The prepared statement follows:]

**Statement of George Mischenko, Vice President and General Manager, Co-Steel Raritan Steel Co., Perth Amboy, New Jersey**

Good afternoon, Mr. Chairman, my name is George Mischenko, Vice President and General Manager of Co-Steel Raritan in Perth Amboy, New Jersey. Co-Steel Raritan is the largest single-site producer of steel wire rod in the country. Steel wire rod is a hot-rolled, coiled steel product produced from scrap steel, and is fabricated into a wide array of wire and wire products such as fasteners, fencing, coat hangers, and automotive parts. I have worked at Raritan since it was built nearly twenty years ago, and was there when the President of the United States donned a hard hat and helped us melt one of our first heats of steel. I began in the maintenance department during construction, and am now General Manager for the entire operation. Previously I worked for U.S. Steel for ten years.

Let me get right to the point, Mr. Chairman. We agree with the conclusion you made in your statement several days ago announcing this hearing, and I quote:

> "There is no question that the U.S. steel industry is facing competition from foreign producers that has intensified since the onset of the global financial crisis. I believe that the United States should strongly enforce its existing trade laws, which are designed to deal with such competition. . ." (emphasis added)

I am here today on behalf of Co-Steel Raritan and other U.S. wire rod producers,[1] to make the same point. We also believe that the existing trade laws should be enforced to enable American business to cope with the dramatic increase in imports brought on by the global financial crisis, such as we in the wire rod industry have experienced. Consequently, on December 30th we filed a Section 201 petition with the U.S. International Trade Commission ("ITC"), alleging that increased quantities of wire rod imports are a substantial cause of serious injury, and requesting relief under the safeguard law. We urge you and your colleagues to support our case.

We believe Section 201 is the appropriate remedy for our situation for four reasons:

First, we believe that we meet the law?s threshold of "serious injury." Over the last five years and especially in the last 18 months, imports of steel wire rod have devastated our industry. Imports have increased more than 60 percent since 1993, capturing a growing percentage of the market and causing a collapse of prices. The onslaught of low-priced imports—now accounting for over one-third of U.S. consumption—has seriously harmed the U.S. industry. The industry as a whole has not made a profit for three consecutive years now. Despite modern facilities and excellent productivity (worker hours per ton are among the lowest in the industry worldwide), the wire rod industry's financial results have fallen significantly below the average performance of the U.S. steel industry.

At my own company, the import pressure has forced us to reduce shifts in our melt shop and rolling mill, and on December 1st of last year we permanently eliminated 75 jobs—or 15% of our management and hourly workforce—the first layoffs in our history. In 1998, import pressures also led us to cancel plans to raise our mill's capacity to 1.1 million tons—a 25 percent increase that would have enabled us to serve our customers better.

Let there be no mistake about the level of serious injury the wire rod producers are now suffering. The sea of red ink has led to production shutdowns, delayed or abandoned investment, and laid-off or unemployed workers throughout the industry.

We recognize that the Administration has reached an agreement with Russia to limit steel exports to the United States, including wire rod. However, the agreement

[1] Companies filing the petition are: Birmingham Steel Corp., Birmingham, Alabama (headquarters), Cleveland, Ohio, Memphis, Tennessee; Connecticut Steel Corporation, Wallingford, Connecticut; Co-Steel Raritan, Perth Amboy, New Jersey; GS Industries, Inc., Charlotte, North Carolina (headquarters), Georgetown, South Carolina, Kansas City, Missouri; Keystone Steel & Wire Co., Dallas, Texas (headquarters), Peoria, Illinois; North Star Steel Company, Minneapolis, Minnesota (headquarters), Beaumont, Texas, Kingman, Arizona; Northwestern Steel & Wire Co., Sterling, Illinois; Atlantic Steel Industries, Inc., Atlanta, Georgia. The United Steelworkers of America AFL–CIO (representing workers at GS Industries, North Star Steel Texas, Northwestern Steel & Wire, and several other domestic producers) is a petitioner. Also, the Independent Steel Workers Alliance representing the workers at Keystone Steel & Wire's Peoria, Illinois plant is a petitioner.

does not appreciably affect our situation. The decrease in Russian steel imports is more than offset by increases from non-traditional suppliers like India, Indonesia, South Africa and Moldova. Indonesian imports alone went from zero in 1997 to a level nearly five times that of Russia in 1998.

Second, the Section 201 approach is a flexible approach to a serious problem that can be remedied while taking into account the impact on customers and the U.S. economy. The President, after receiving the recommendations of the ITC, can fashion a remedy to meet specific needs. The 201 remedy is particularly suitable in this case where more than 20 countries export wire rod to the United States. Wire rod mills are found all over the world, and there are additional foreign suppliers who are undoubtedly targeting this market as I speak. Adverse conditions abroad and measures taken in a number of countries to protect their home markets make the United States the export destination of choice. Moreover, the Section 201 remedy may be molded in appropriate circumstances to accommodate the supply and product needs of wire rod customers. For example, it can reflect the existence of a more integrated North American market so that imports from Canada and Mexico, as NAFTA countries, can continue flowing as normal into the U.S. market. On the other hand, non-traditional suppliers who have flooded the market with low-priced imports can be dealt with decisively.

Third, the Section 201 approach is appropriate because, as our lawyers emphasize, it is fully consistent with the international obligations of the United States. Those obligations require that safeguard actions conform to GATT 1994, in particular Article XIX, and the World Trade Organization agreement implementing that Article. So what we are seeking is a remedy that is consistent with our international trade rules, and one that must gradually phase down during the adjustment period.

Finally, use of Section 201 is appropriate at this time in our nation's economic history when inflationary pressures are in check. As Federal Reserve Chairman Alan Greenspan said just this week, ". . . recent experience does seem to suggest that the economy has become less inflation prone than in the past, so that the chances of an inflationary breakout arguably are, at least for now, less than they would have been under similar conditions in earlier cycles. . ." Other economic observers note that our economy is flexible and resilient, currently reaping the benefits of productivity increases from years of technological investments, of decades of deregulation, of advances in telecommunications and distribution, and cheap energy costs. This makes it a particularly opportune time for the ITC to recommend, and for the President to impose, safeguard remedies without risking any significant inflationary impact on the overall U.S. economy.

Mr. Chairman, so far I have only referred to existing law and I know you're interested in our views on the bills pending before this Committee. We decided months ago to file our Section 201 petition under current law because we believe that the dismal conditions in our industry fit the injury criteria of the law. If you insist on my providing specific recommendations on the proposed legislation, then I would ask for your indulgence—let me tell you what I think after July 12th when the ITC must make a final decision on our petition. If Section 201 remedies are not recommended in our situation, then I may be back before this Committee very quickly asking for changes in law because if we're not "seriously injured," I don't know who is.

Later this morning, you will hear from our customers in the wire products industry, who plan to oppose our Section 201 petition before the ITC. We had hoped that our customers would understand our predicament. We had many candid discussions with the American Wire Producers Association ("AWPA") leadership about our plans to file a petition. We made clear our intention to work with them to achieve a remedy that would alleviate the wretched financial condition of the rod producers, yet take into account the interests of the rod consumer. We made a number of adjustments to accommodate the wire industry:

- We acknowledged customer needs and excluded certain products from our petition such as wire rod for tire cord, valve spring wire, and pipe wrap;
- We will not request that imports from Canada and Mexico be covered by any remedy;
- We have agreed to work with the wire producers to find appropriate ways to avert any possible downstreaming if relief is granted on wire rod; and
- We proposed to work with the wire producers as we develop the specific remedy plan.

Having taken these steps, and made these commitments, we are sorry that the AWPA has elected to oppose the petition. At the same time, we understand that the AWPA door "is still open" to us. For our part, we are prepared to continue the dialogue and will follow through with our commitment to work with the AWPA throughout the process.

The wire rod industry needs a remedy that will enable it to climb out of a sea of red ink and to resume making the kind of investments that will maintain state-of-the-art facilities. A rod industry that defers investments, shutters capacity, and is financially weakened is not in the long-term interest of the U.S. wire producers and the U.S. economy as a whole. The flexibility of Section 201 will permit the President to fashion a remedy that accommodates the interests of both producer and consumer. As the President's Steel Plan notes, Section 201 is a legitimate and essential tool for addressing the type of world conditions we now face.

In conclusion, Mr. Chairman, we believe the existing trade laws are designed to address the flood of imports that the steel industry is facing. In the case of the wire rod sector, we have set out to put those safeguards to the test to determine if they will live up to Congress' design. We hope that you and the Members of this Committee will support us in this effort. Thank you.

Mr. HOUGHTON. Thank you. Thank you very much.

Mr. Woltz.

**STATEMENT OF H.O. WOLTZ III, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INSTEEL INDUSTRIES, INC., MOUNT AIRY, NORTH CAROLINA; AND VICE PRESIDENT, AND CHAIRMAN, GOVERNMENT RELATIONS ADVISORY COMMITTEE, AMERICAN WIRE PRODUCERS ASSOCIATION, ALEXANDRIA, VIRGINIA**

Mr. WOLTZ. My name is H.O. Woltz III. I am president and chief executive officer of Insteel Industries, which is headquartered in Mount Airy, North Carolina. I am also the vice president of the American Wire Producers Association and chairman of the association's government relations advisory committee.

As the only purchaser of hot-rolled steel speaking today, you will find my testimony in sharp contrast to much of what you have heard today. The 102 members of the AWPA employ 42,000 workers in 38 states and 138 congressional districts. Our members make wire and wire products such as nails, garment hangers, springs, wire fencing, and steel reinforcing products.

As independent wire producers, the AWPA active members depend on U.S. steel producers to provide sufficient quantities and qualities of wire rod. However, because domestic wire rod capacity is substantially lower than domestic demand, imports are critical to our survival. This economic reality was recently recognized by the U.S. International Trade Commission when it concluded that the domestic industry could supply only about 80 percent of the domestic demand for wire rod.

As a significant consumer of steel wire rod, I am alarmed at the news from Washington with regard to steel trade issues. Underlying the many recent proposals to restrict trade is the notion that imported steel is ruining the domestic industry. I would like to provide another perspective on this issue.

Our raw material, hot-rolled steel wire rod, accounts for more than half the total cost of our products. Through 1997, and until early 1998, supplies of wire rod were being allocated to consumers by domestic mills because of limited domestic supply. Transaction prices rose more than 10 percent in the year 1997, reflecting strong demand. Without the availability of foreign steel during this period, Insteel would have been unable to meet its commitments and would have idled its plants.

In 1998, demand climbed as the Asian financial crisis impacted world markets. Wire rod supply problems disappeared and prices fell due to heightened import competition. Significantly, prices for many of my companies' products declined by double-digit percentages as new import competition in our markets had an adverse effect on selling prices.

Contrary to the mantra of big steel and big labor, steel producers are not the only companies to experience heightened levels of competition due to the Asian crisis. It will take time for our markets to adjust to the events of 1998, but they will recover. Until they do, restricting the availability of raw materials to companies like Insteel will result in reduced competitiveness of our products and job losses in our industry.

While about 170,000 people are employed in the domestic steel production, literally millions of workers owe their livelihoods to the availability of competitively priced steel that allows their employers to compete in the global economy. History shows that restrictions on imported wire rod inevitably result in increased imports of downstream wire and wire products. Consider the thousands of jobs in steel-consuming industries that may be put at risk by arbitrary restrictions on imports of hot-rolled steel.

With this background in mind, the AWPA and its members oppose legislation that would adversely affect our ability to obtain wire rod in the quantities we need in order to meet our customers' requirements. H.R. 327, 412, 502, and 506 threaten the viability of a large segment of American industry. These proposals are either contrary to our national trade laws, violate our obligations under the WTO, or require the creation of even more bureaucracy for purposes of administration and oversight. Significantly, one or more of these resolutions may have the impact of reducing the availability of imported wire rod, despite recent ITC rulings that these imports do not injure the domestic industry.

There are, however, legislative changes that the AWPA believes would improve the administration of our trade laws and the fairness of their application. Most importantly, the current law discriminates against U.S. purchasers by denying them the same access to information as other parties in trade cases. In injury investigations before the ITC, consumers of the imported product are not interested parties and their counsel are excluded from reviewing proprietary information in accordance with an administrative protective order. It should be an overriding goal of the trade laws to provide due process to purchasers and to encourage the involvement of U.S. industry that purchases and uses the product under investigation. More informed findings and more equitable remedies will result.

In conclusion, it would be a tragic mistake for the United States to adopt protectionist measures to address short-term market dislocations created by the Asian financial crisis. The current proposals to limit steel trade will inevitably lead to shortages, skyrocketing prices, and an erosion of competitiveness of vital steel-consuming industries. Thank you for this opportunity to share my opinions.

[The prepared statement follows:]

**Statement of H.O. Woltz III, President and Chief Executive Officer, Insteel Industries, Inc., Mount Airy, North Carolina; and Vice President, and Chairman, Government Relations Advisory Committee, American Wire Producers Association, Alexandria, Virginia**

My name is H. O. Woltz III, and I am President and CEO of Insteel Industries, Inc., with its headquarters in Mt. Airy, North Carolina. I am also Vice President of the American Wire Producers Association and Chairman of the Association's Government Relations Advisory Committee.

The American Wire Producers Association (AWPA) is a national trade association which represents the vast majority of independent manufacturers of carbon, alloy and stainless steel wire and wire products. The 102 members of the AWPA operate more than 210 plants that provide good paying jobs to over 42,000 American workers. Those plants are located in over 38 states and 138 congressional districts.

AWPA members produce a vast array of steel wire and wire products which are used in the automotive, agricultural and construction industries as well as directly by consumers. AWPA member companies purchase hot rolled carbon steel wire rod from domestic and foreign sources. We process this wire rod into wire and fabricate a wide variety of end products and semifinished products from this wire. Examples of wire and wire products produced by our members include nails, wire strand, chain link fence, springs, garment hangers, agricultural fencing, and steel reinforcing products for concrete structures. AWPA members supply between 85 and 90 percent of the total domestic demand for these products with an annual value in excess of $19 billion.

Given the almost infinite variety of wire and wire products, the common denominator for the manufacturers in this sector of the steel industry is their raw material—hot rolled carbon steel wire rod. In fact, the stated goal of the AWPA is "to undertake programs and activities that assure wire producers free and fair access to an adequate supply of wire rod. This includes the encouragement of an increase in North American capacity for the manufacture of wire rod." To this end, the AWPA's active members, who constitute the largest group of consumers of domestic wire rod in the United States, have supported the domestic rod industry's initiatives to develop and expand the availability of American-made wire rod. As independent wire producers, the AWPA's active members have no affiliations with their rod sources. Hence, we depend on our main suppliers—the US rod manufacturers—to provide sufficient quantities and qualities of rod for our wire-drawing operations. Despite this strong and mutually beneficial commercial relationship with the domestic rod industry, independent wire producers still must purchase imported rod to meet their requirements. The domestic rod industry is not capable of satisfying all of the domestic demand, either in terms of over all quantities or the variety of grades of wire rod used by AWPA members. This economic reality was recognized recently by the US International Trade Commission(ITC) in its antidumping and countervailing investigations of Certain Alloy and Carbon Steel Wire Rod from Canada, Germany, Trinidad & Tobago and Venezuela. In those investigations, the ITC found that the domestic rod industry was able to supply approximately 80 percent of the domestic demand for rod. The remaining 20 percent must be obtained from other sources.

It is also significant that most domestic producers of hot rolled wire rod own, or are affiliated with, downstream wire producers. These integrated producers, therefore, compete in the marketplace with AWPA's independent wire producers for sales of wire and wire products. The AWPA believes that this encourages the domestic hot rolled wire rod producers to restrict supply of wire rod in order to improve the profitability of the steel mills and to improve the competitiveness of their downstream operations vis-a-vis independent producers of wire products. Potentially damaging cost-price squeezes for independent wire producers can result under these circumstances, thus sapping the vitality of an important and efficient industry. Adequate competition for hot rolled wire rod is, therefore, essential to the viability of independent producers of wire and wire products.

In order to protect its members' access to an adequate supply of wire rod, the AWPA has opposed measures to limit, artificially, the availability of wire rod. Such artificial restrictions lead to shortages, allocations and inflated pricing. Furthermore, restrictions on the importation of hot rolled wire rod inevitably result in increased imports of downstream wire and wire products. As foreign producers are foreclosed from the US rod market, they shift their exports downstream into wire and wire products. In other words, restrictions on the importation of hot rolled wire rod leads to increased imports of wire and wire products such as nails, strand and springs. This downstreaming not only affects the employment levels and vitality of the wire industry, but also that of the hot rolled wire rod producers as demand for domestically produced wire rod is reduced by downstreaming.

As a significant consumer of hot rolled steel wire rod, I personally am alarmed at the news from Washington with regard to steel trade issues. I read of proposed legislation calling for a moratorium on steel imports, proposals for drastic decreases in the importation of steel from Japan, Korea and Brazil, agreement on quotas for steel imports from Russia, and a host of other protectionist proposals. Underlying these proposals is the notion that imported steel is ruining the domestic industry and that dumping and other unfair trade practices are rampant. I would like to provide you with another perspective on this issue.

My company, Insteel Industries Inc., is a leading producer of steel wire and wire products. Our company operates eight manufacturing facilities in Delaware, North Carolina, South Carolina, Tennessee, Texas and Virginia. Insteel employs approximately 1,100 people. Insteel is a state of the art manufacturing company serving the appliance, construction, and home furnishing industries with products such as nails, wire for springs, reinforcing wire for tires, and concrete reinforcing products.

Our raw material, hot rolled carbon steel wire rod, accounts for more than half the total cost of our products. We source our raw material domestically and internationally. In an ideal world, all of our raw material would come from steel producers located in the United States. The world is not ideal, however, and therefore we must rely on imported steel for a portion of our requirements.

Speaking from Insteel's experience, through 1997 and until early 1998 supplies of hot rolled steel wire rod were being allocated to consumers by domestic mills because of limited domestic supply. Transaction prices rose more than 10 percent during 1997, reflecting strong demand. The availability of foreign steel was critical to our ability to meet our commitments to our customers during this period of time. Without it, our plants would have been idle, our employees would have been on short weeks, and our customers would have suffered delays and disruptions of supply.

It is a fact that imports of steel products rose substantially in 1998. However, if you go beyond the self-serving arguments of the steel companies and their labor unions, you will see that the facts are much different than they would have you believe. Literally millions of tons of steel products have been imported by the domestic steel producers themselves. During 1997, and 1998 steel companies imported semi-finished steel products and hot rolled steel because their business was strong and they were unable to fully satisfy demand from their own capacity. Without these imports there would have certainly been a steel shortage, accompanied by rapidly increasing prices.

Market conditions for much of the world steel industry changed in 1998. The Asian financial crisis took its toll on demand world wide, and prices declined. It is interesting to note, however, that the cost of inputs to make steel also declined significantly. Steel scrap and pig iron both plummeted in price during 1998. After a period of adjustment during which the new, lower prices worked their way through the inventory pipeline, many steel makers found that they still had adequate margins to operate profitably, despite the heightened international competition brought on by the financial collapse in Asia. This is quite a tribute to the vitality of the domestic steel industry—a vitality to which they apparently do not want to admit.

The lead times for importing steel are long. Sometimes we are required to make commitments as far as nine months ahead in order to have steel produced and delivered to us from overseas sources. With the strong demand that the steel industry experienced in 1997, the pipeline was full when the Asian crisis began to affect demand. Logically, the pipeline took time to adjust in 1998 following the robust conditions of 1997. As orders and commitments worked their way through the pipeline during 1998, imports began to decline at the end of the year. The steel companies, however, are using the increased import figures of 1998 to bolster their arguments for more protection from competition. Steel is a cyclical business, and the disequilibrium of supply and demand that was witnessed during 1998 will likely correct itself in 1999. By mischaracterizing the events of 1998, "Big Steel" hopes during 1999 to alter significantly the trade playing field to their advantage, assuring tight supplies and high prices—and reduced competitiveness of steel consumers—for years to come.

The world steel markets, and indeed many world markets, have been destabilized by the Asian crisis. Insteel and the other members of the AWPA are facing heightened competition from imported wire products as a result of market disruptions worldwide. Prices for our finished products, such as nails, tire reinforcing wire, and prestressed concrete strand, have fallen significantly in the past twelve months because of heightened import competition. It will take time for our markets to adjust to these new realities, but they will recover. In the meantime, restricting the availability of raw materials to companies like Insteel through protectionist legislation will result in reduced competitiveness of our products and job losses in our industry. Those jobs will be lost to producers of wire products in foreign countries that have access to world market steel.

The AWPA and its members are concerned about proposed legislation which would adversely affect our ability to obtain wire rod in the quantities and qualities that we need in order to meet our customers' demanding requirements. As I have already noted, the domestic rod producers are the principal source of our raw material. However, the domestic producers themselves have acknowledged that they cannot meet all of our needs—either in total volume or in certain important grades and types. We must rely on foreign mills for these requirements. Legislative proposals to impose rigid quotas would severely disrupt our operations and undermine our ability to compete in the domestic and international marketplace. Rigid quotas can not possibly keep pace with the dynamic changes that occur in our market places. Accordingly, the AWPA opposes the recent trade bills which have been introduced in this Congress.

(1) House Resolution 327 would enable the Secretary of Commerce to impose antidumping duties retroactively for a period of up to one year prior to the filing of the original antidumping petition. The AWPA believes that this proposal is not only contrary to our national trade laws but that it also violates our obligations under the World Trade Organization. The existing system of the retroactive assessment of dumping duties already creates uncertainty and often results in unfairness for American importers and customers. The proposal to extend that uncertainty and unfairness for an additional period of more than a year is abusive, as well as unnecessary.

(2) House Resolution 412 would, among other things, establish a permit and monitoring system for steel imports. The AWPA believes that the proposed system would be cumbersome, cause delays in the entry of legitimate merchandise, and impose significant administrative burdens and costs on the Department of Commerce (Commerce) and the US Customs Service. The permit system appears to be a thinly disguised trade barrier for the benefit of one group of domestic companies.

(3) House Resolution 502 would prohibit the importation of steel products from four countries: Brazil, Japan, Korea and Russia. Not only is this proposal contrary to our international trade obligations, but it affects imports of steel wire rod which the US Government has previously found not to be a cause of injury to the domestic rod producers. How can the United States ban the entry of products which its agencies have determined are not causing economic harm?

(4) House Resolution 506 would establish quotas on imports of wire rods and other steel products at levels which are equivalent to or lower than those during 1995 through 1997. This rigid formulation does not take into account the dynamic nature of our industry and the growth in the demand for wire rod. Equally as important, this formulation does not consider the negative effect on imports of the antidumping and countervailing investigations which were pending during part of this period. As the members of this Subcommittee know, the mere filing of a trade case disrupts and often depresses imports during the course of the investigation. Even in the cases involving wire rod—where the US International Trade Commission found no injury—rod imports from the subject countries were adversely affected during the course of those investigations.

There are, however, two legislative changes which the AWPA believes would improve the administration of our trade laws and the fairness of their application.

First, the current trade laws discriminate against US companies which purchase imported raw materials, by denying them the same access to information as other parties in an investigation before the ITC. In injury investigations by the ITC, the antidumping and countervailing duty laws limit the disclosure of business proprietary information to counsel for "interested parties," in accordance with an administrative protective order. The term "interested parties" includes domestic and foreign manufacturers, US importers, labor unions, and foreign governments.

However, industrial consumers in the United States—such as the members of the AWPA—do not meet this definition of "interested parties." As a result, counsel for AWPA are not permitted to review the same proprietary information that is available to counsel for the domestic industry or the importers. This places the AWPA and other consumers at a serious—and completely unfair—disadvantage. Other parties' counsels have access to the information submitted by AWPA members, but AWPA's counsel cannot examine the entire record. In fact, in the recent antidumping and countervailing duty investigations of steel wire rod, counsel for the domestic rod industry responded in a confidential submission to many of the points raised by the AWPA. Counsel for the AWPA were not allowed to see that response, effectively denying the AWPA due process and the right to answer the arguments of its opponents.

Not only is this result unfair, it also discourages customers from participating in these and other trade proceedings. The same rule applies in Section 201 investigations. The AWPA knows from its experience that the active participation of industrial consumers enhances the amount and the quality of information available to the decision-makers at the ITC. It should be an overriding goal of the trade laws to encourage the involvement of the US industry that purchases and uses the product under investigation. This goal would be advanced by recognizing the interests of customers to the same extent as the law now recognizes the interests of domestic and foreign producers and their agents.

Second, the AWPA also supports legislation to suspend, on a temporary basis, the assessment of antidumping and countervailing duties on products which are in short supply or otherwise unavailable from domestic suppliers. Such legislation would address the unintended effect of the antidumping and countervailing duty laws to prevent the importation of products which are not available domestically. Under the present law, there is no procedure which permits the temporary suspension of antidumping or countervailing duties for products which the domestic industry cannot supply.

The AWPA is not attempting to weaken the antidumping and countervailing duty laws. On the contrary, the AWPA has long supported the rigorous enforcement of US trade laws, and its members have used these laws in order to respond to unfairly traded or subsidized imports which have caused serious economic harm to the steel wire and wire products industry. Moreover, AWPA members rely primarily on US manufacturers of steel wire rod for their raw material. The AWPA members have worked closely with the domestic rod industry—now composed entirely of world-class and efficient mini-mills—to develop and expand the availability of American-made wire rod. The temporary suspension of duties would be invoked only if the specific product were not available from US producers. There can be no injury to these domestic producers if they cannot supply the needed product to their customers in the US market.

Independent wire producers of the AWPA have had considerable experience with the unintended effect of antidumping and countervailing duty proceedings on the availability of certain types of wire rod. During the investigations of carbon steel wire rod in 1993–94, and again in 1997–98, the imposition of preliminary dumping and countervailing duties prevented US manufacturers of steel wire and wire products from obtaining certain types of wire rod which were unavailable from domestic producers. In addition, there were severe shortages of even basic types of wire rod, leading to significant price increases, allocations, canceled orders and delayed deliveries. The unavailability of wire rod threatened severe economic harm to a vigorous and profitable US industry, and it encouraged foreign competitors to target the US market for steel wire and wire products. Although the ITC eventually made findings of no injury and these investigations were terminated, this experience demonstrates the necessity for a mechanism to provide relief in cases when domestic industries cannot obtain essential raw materials from sources in the United States.

The members of the AWPA have also had experience with the administration of a program which successfully dealt with the non-availability of certain types of steel products from domestic producers. During the Steel Voluntary Restraint Agreements Program (VRAs), steel wire drawers were able to obtain a positive short supply determination for rod products which were unavailable from domestic mills. For six consecutive calendar quarters, AWPA members that produce stainless steel wire, requested and obtained permission to import specific grades of stainless steel wire rod, which were not available from domestic producers. In fact, domestic producers of stainless steel wire rod confirmed to the US Department of Commerce that such rod was not available in the US market in sufficient quantities to meet domestic demand. Commerce was able to make these determinations in a prompt and fair manner without placing an undue burden on its resources.

In conclusion, let me say it would be a tragic mistake for the United States to adopt ill-advised protectionist measures to address the short term market dislocations created by the Asian crisis. The market is recovering even as we meet here today. We are already seeing domestic announcements of price increases for hot rolled steel products, indicating that demand is firming and import competition is moderating. We are also seeing significantly reduced levels of imported steel in the domestic market, particularly from Japan. The current proposals to limit steel trade will inevitably lead to shortages and skyrocketing prices in the near term because the markets are now recovering on their own. We should allow this recovery to continue and the market to adjust to recent events, as it has in the past.

The steel companies claim that 10,000 steelworkers have lost their jobs due to increased steel imports. This is, at best, misleading, and certainly only part of the story. Most reliable sources estimate the total employment within the steel producing industry in the United States at about 170,000 people. In contrast, there are literally millions of workers whose livelihoods depend on access to high quality, competitively priced hot rolled steel. Automakers, parts suppliers, construction workers, appliance manufacturers, and general industrial employees all depend on adequate supplies of competitively priced steel. These jobs will be at risk if Congress enacts legislation that arbitrarily restricts the importation of foreign steel in order to provide protection to the weakest of the domestic steel producers.

Thank you for considering these facts as you deliberate on these issues concerning steel trade. If I can provide any further information to you, please call on me.

Mr. ENGLISH [presiding]. Thank you, Mr. Woltz. Mr. Jenson, good to see you again. We would welcome your testimony.

**STATEMENT OF JON E. JENSON, PRESIDENT, PRECISION METALFORMING ASSOCIATION, INDEPENDENCE, OHIO**

Mr. JENSON. Thank you and good evening. Thank you for the opportunity to appear before you today on behalf of Precision Metalforming Association and the $36 billion metalforming industry it represents. Most of PMA's nearly 16,000 member companies are dispersed throughout 38 states and 248 congressional districts.

As you know, the metalforming industry employs more than 380,000 American workers and uses about a quarter of the steel produced in North America, mainly flat-rolled products. Our industry is just one of the many steel-using industries in this country, the so-called downstream manufacturers. Together these downstream manufacturers employ more than 40 American workers for every worker in the steel industry.

A strong and competitive steel industry is important to the United States. We depend on it. Most of our member companies use mostly domestic steel, and steel is our essential raw material. It represents from 40 to 70 percent of the cost of manufacturing our products. So steel prices are critical. They are all the more critical because our members compete globally with businesses abroad. If our members have to pay more for steel than our foreign competition, our members will lose orders and be forced to cut back or cease production.

Why are we concerned about trade measures that would threaten the availability of steel? Because history tells us what happens when the steel market tightens. Three things happen: Prices go up, delivery lead times lengthen, and quality deteriorates, every time. We know that restraints on steel imports during the eighties and early nineties hurt the American economy. The ITC found that quotas increased imports of steel-containing products, costing U.S. companies billions of dollars in sales. The ITC also found that quotas reduced American exports by as much as $5.6 billion in 1989, nearly 2 percent of exports. Quotas today would do the same. Why roll back history and our economy to relive a failed trade remedy?

At current levels of demand, U.S. steel producers cannot supply more than about 75 percent of our needs, leaving a shortfall of about 30 million tons. Imports are absolutely necessary for the survival of American manufacturers, and this is the key reason why we urge a balanced view of the trade situation. Existing U.S. trade law provides remedies for dumping or subsidization of steel or import surges of steel. While not perfect, these remedies are, for the most part, consistent with international trading rules. They should be allowed to work and there are early indications, as we heard earlier this afternoon, that they are indeed working.

Regarding the four pieces of legislation introduced in the House, we oppose them for various reasons. H.R. 327 provides for the retroactive assessment of antidumping duties that changes the rules after the game is over. Regarding H.R. 412, we oppose the proposed changes in the injury test because it would make trade restrictions easier than at present and is probably inconsistent with WTO requirements. While we favor a more timely release of import statistics, we do not favor charging a fee for import licenses or the extraction of confidential business information, which would stifle imports.

H.R. 502 would impose a 3-month ban on steel imports from several nations. It indiscriminately shuts off imports of various steels without regard for the consequences, exactly the type of trade restraint that harms downstream manufacturers. And some feel it is a blatant violation of our WTO obligations.

H.R. 506 would impose quotas. We oppose the bill because quotas do not work. It will harm consumers and steel-consuming industries to a much greater extent than it would ever help steel producers or steelworkers. Import quotas of less than 2.4 million tons per month are simply inadequate for 1999's steel demand. If quotas were administered on a country-specific basis, as is the apparent intent, the quotas will be even lower and do even more harm to the U.S. economy.

In summary, we recommend that the U.S. Government take no extraordinary action that may endanger the availability of steel, harm downstream manufacturers and consumers, and threaten our international trade relationships. We urge that the trade cases and other actions already underway be allowed to work, as there is evidence that the import surge is easing. A good way to increase American exports of steel is in the form of manufactured steel-containing products. And this can happen only if American manufacturers can obtain the right steel when it is needed at world competitive prices.

[The prepared statement follows:]

**Statement of Jon E. Jenson, President, Precision Metalforming Association, Independence, Ohio**

Good afternoon. My name is Jon E. Jenson, President of Precision Metalforming Association (PMA), headquartered in Independence, Ohio. I am appearing before you today on behalf of PMA and the $36 billion metalforming industry that it represents. Most of PMA's nearly 1,600 member companies are dispersed throughout 38 states and 248 congressional districts.

As you know, the metalforming industry transforms sheet metal into intermediate and final products—precision parts, components and assemblies—using stamping, fabricating and other value-added processes. The industry employs more than 380,000 American workers, and uses about a quarter of the steel produced in North America—mainly flat-rolled products.

The industry serves virtually all segments of the North American economy, and sales abroad are increasing. Our largest market is automotive, but our products are found in wide range of industrial and consumer products—from dozens of components in computers, telephones, TVs and other communications devices, to kitchen and laundry appliances, to food and beverage containers, to hundreds of components in cars, trucks, aircraft and other conveyances, to residential, commercial and industrial structures and their heating, air conditioning, electrical and people-moving systems. The products of our industry are part of everyone's life, every day.

Our industry is just one of many steel-using industries in this country—the so-called "downstream" manufacturers. Together, these downstream manufacturers employ more than 40 American workers for every worker in the steel industry. These jobs are important to the welfare of our country. We can't protect them if our government makes these producers non-competitive by hiking prices for our inputs, while our competitors enjoy low prices.

A strong and competitive steel industry is important to the United States, to our industrial economy and to our industry. We depend on it. Most of our member companies use mostly domestic steel, and we clearly recognize the need for a viable steel industry in this country.

Steel is the essential raw material in our products. It represents from 40 to 70 percent of the cost of manufacturing our products. So steel prices are critical. They are all the more critical because our members compete globally with businesses abroad. If our members have to pay more for steel than our foreign competition, our members will lose orders and be forced to cut back or cease production.

Being relatively small companies, most of our members buy steel through service centers, rather than mill direct. They have little leverage with the mills. We know that small steel purchasers, like our members, will feel the brunt of quota-induced price increases.

But steel availability is not just about price. It is important to remember that steel is not a monolithic commodity. It is a series of many specific products, each with particular mechanical and physical properties, dimensional tolerances, processing characteristics, surface qualities, and so forth.

This variety is essential because our production processes are becoming more sophisticated, more demanding, more precise and more specialized. One type or size of steel does not fit all.

So "availability" is first of all about having the right steel. And it should be pointed out that some steels are not always available domestically. When manufacturers have to seek foreign steel to meet specific product requirements, the purchase decision may have little or nothing to do with price.

Second, availability is about having the right steel on the plant floor ready for processing when it is needed. Not on a rolling schedule a week away, or on a truck somewhere. "Just in Time" manufacturing is making this more important—as are trends toward small production quantities, shorter product life cycles and smaller inventories.

And the third element of availability is, of course, price. Having the right steel, available at the right time, at a world-competitive price is the practical real-world definition of availability. If all three elements are not in place, steel is simply not "available"—although some would have you believe otherwise.

Why are we concerned about trade measures that would threaten the availability of steel? Because we've been there, done that. History tells us what happens when the steel market tightens. Three things happen. Prices go up, delivery lead times lengthen and quality deteriorates. Every time.

We know that restraints on steel imports during the 1980s and early 1990s hurt the American economy. The U.S. International Trade Commission found that quotas increase imports of steel-containing products, costing U.S. companies billions of dollars in sales. The ITC also found that quotas reduced American exports by as much as $5.6 billion in 1989, nearly two percent of exports. Quotas today would do the same. Why roll back history—and our economy—to relive a failed trade remedy?

For several reasons, the U.S. is a net steel-importing nation. Despite significant investment in new state-of-the-art steelmaking and rolling facilities, the US steel industry has been unable to keep pace with the growing needs of American downstream manufacturers. At current levels of demand in this country, U.S. steel producers cannot supply more than about 75 percent of our needs, leaving a shortfall of about 30 million tons. Imports are absolutely necessary for the survival of American manufacturers. They play a vital role in keeping America as a whole a strong international competitor—and they help to sustain our economic growth. This is a key reason why we urge a balanced view of the trade situation.

In the past several months we have heard much about the condition of the U.S. steel industry—particularly the effects of imported steel. It is essential that the U.S. government's review of proposals for trade action be informed by a balanced and dispassionate understanding of the forces affecting the marketplace.

The consensus outlook for the U.S. steel industry is for long-term growth. Production by domestic steel mills is at near-record levels, and domestic demand for steel is breaking records. In 1998, U.S. steel mills shipped an estimated 105.5 million tons—a level reached only once before in the history of the industry.

The consensus forecast is for a very slight decline in U.S. production in 1999 (less than one percent), and for four-percent growth in 2000—to a new record level. Continued steady growth with continued low inflation is predicted for the U.S. economy as a whole. Not surprisingly, many investment advisors are recommending steel stocks to their clients.

Steel producers do face a short-term problem—in the second half of 1998 there has been significant pressure on steel prices in the U.S. market, especially in commodity grade steels. November 1998 prices of commodity grade hot-rolled steel were about 12.5 percent lower than year-earlier prices, and prices of other flat-rolled products also have declined significantly. At the same time, U.S. hot-rolled prices are not low by world market standards. In fact, despite the decline, current U.S. hot-rolled prices are significantly higher than spot prices in most foreign markets.

Price pressure is focused most directly on spot sales of commodity products; there is considerably less pressure on higher value-added steel products sold under contract. Major buyers of high-grade steels buy under multiple-year contracts that assure both buyer and seller of future volumes, and have the effect of smoothing out market price fluctuations.

Four principal factors help explain current steel market conditions: a rapid expansion of U.S. production capacity; the effect of the GM work stoppage; an increase in imports; and the decline of demand in Asia.

1. Heavy investment by U.S. steel mills has greatly increased production capacity in the United States and has reduced production costs. This puts strong competitive pressure on mills that have not upgraded their facilities.

For example, the U.S. market for hot-rolled steel is slightly less than 22 million tons. In 1997 and 1998 U.S. mills added 4.9 million new tons of capacity, and another 4.1 million is scheduled to come on stream in 1999. This 9 million tons of efficient new capacity −40 percent of the merchant market—is a huge increment. It puts pressure on prices and older mills that have not kept pace. Cold-rolled and galvanized sheet capacity has also been increased.

2. A temporary excess of flat-rolled steel supply in mid–1998—caused largely by the GM strike—is being rapidly worked off.

The work stoppages at GM caused a loss of 548,000 vehicles scheduled for production, and reduced U.S. demand for steel by about 685,000 tons. With GM now operating at full capacity demand is back at high levels.

3. Import levels in 1998 have been unusually high.

At the beginning of 1998 there were steel shortages in the U.S. market, with smaller customers being most affected. Unable to satisfy their requirements from U.S. mills, many of these small customers welcomed steel from foreign mills. U.S. steel mills also increased their foreign purchases for use as feedstock, accounting for as much as 25 percent of imports. Imports were particularly price competitive in light of the currency devaluations in several major steel-producing countries. Imports of finished steel in 1998 reached very high levels −28.8 million tons through October.

However, the situation appears to be correcting itself. Preliminary import numbers for December show a decline of more than 30 percent from November levels. There are also indications that ship loadings of steel products bound for the U.S. have fallen significantly. Loadings in Japan fell 22 percent in October.

4. Worldwide demand for steel is down, making pricing more competitive.

The sharp contraction of large parts of Asia, Russia and countries in Latin America has led to a decline in steel demand, and has put pressure on steel prices globally. While U.S. mills have not been impacted directly by declining overseas demand because they are not significant exporters, they are facing increasing competition in the U.S. from foreign mills seeking sales in the strong U.S. market. The impact of this increased competition is most evident in the spot market where prices have declined sharply. It is important to note that much of the steel sold in the U.S. is covered under long-term contracts where prices reflect long-term supply and demand conditions, and are not as significantly impacted by short-term disruptions in the market.

The current situation does not justify "extraordinary" U.S. government action. Existing U.S. trade law provides remedies for the dumping or subsidization of steel, or import surges of steel. While not perfect, these remedies are, for the most part, consistent with international trading rules. They should be allowed to work—and there are early indications that they are working. No extraordinary intervention in the market seems justified.

The effects of the GM strike are being worked off, and there are early indications that foreign exports to the United States are declining. And, while the construction of new production capacity in the United States has placed competitive pressure on older mills that have not made capital improvements, that investment, on balance, is a positive development—it is making the U.S. steel industry, as a whole, more competitive.

In making steel trade policy decisions the government is wise in considering the implications for the overall economy. If steel prices in the U.S. move further out of line with those in the world market, then American-made products that use steel—autos, heavy equipment, and a host of other products—become less competitive. Jobs are lost. Production moves offshore. And much of the steel would still be imported, but in the form of vehicles and equipment that capture market share from American manufacturers. The U.S. cannot afford to become an island of high steel prices.

In the 106th Congress, four pieces of legislation have been introduced in the House of Representatives in response to the increase in U.S. steel imports. Apart from the possibility that actions already taken and those in prospect may already have adequately addressed the import situation, our general concern with these new legislative proposals is twofold.

First, we are concerned with any proposal that would threaten the availability of steel—risking disruption of the import lifeline that many American manufacturers and consumers depend on.

Second, we are concerned that some of the provisions may not be consistent with international trade rules. We think it's important to abide by our international obligations, not just because it is right, not just because to do otherwise may invite trade retaliation, but also because it is in our own national interest. Users and consumers of products benefit from being able to choose quality products at low prices. Why penalize the American public with self-inflicted trade dislocations?

Our more specific comments on the four legislative proposals:

H.R. 327 provides for the assessment of antidumping duties on entries of steel products made prior to the effective date of any antidumping order issued in the current investigation.

We oppose the bill because:

- It is anti-consumer.
- It is inconsistent with our international trade obligations.
- It changes the rules after the game is over

H.R. 412 would change the causation standard for Section 201 cases by eliminating the requirement that imports be a "substantial" cause of injury to U.S. industry in order for the ITC to recommend industry relief to the President. (The word "substantial" is defined as an "important" cause, no less important than any other single cause.) The bill would also require importers to purchase import licenses and allow for disclosure of import information on a weekly basis.

We oppose the proposed changes in the injury test because:

- It would be anti-consumer, making trade restrictions easier than at present. At the same time it may not be of much benefit to the steel industry because the current low prices are due chiefly to increased imports. Therefore, "substantial cause" is not the problem. The problem is serious injury.
- The proposed change is probably inconsistent with WTO requirements. WTO rules say the imports must be increasing under such circumstances as "to cause" serious injury or to threaten it. But the proposed change would fall below this standard: "a cause" is not the same as "to cause."
- A change that goes too far, as this one seems to, will hurt U.S. consumers and U.S. exporters.

We oppose the imposition of import licenses because:

- While we favor a more timely release of information on imports, we do not favor charging a fee for import licenses. Such a scheme is anti-consumer and unnecessary.
- The Department of Commerce already has instituted an effective system of reporting imports.
- If more rapid dissemination of information is needed, sampling can be done and released.
- The bill calls for release of business confidential information, which will stifle imports that American industry needs.

Any change to Section 201 should safeguard U.S. consumers by: (1) assuring that import-dependent manufacturers in the U.S. have access to imported material that is not available domestically when needed and in the specifications needed; and (2) assuring that import relief under Section 201 does not increase effective U.S. prices above world-competitive price levels.

H.R. 502 would impose a three-month ban on steel imports from Japan, Russia, South Korea and Brazil.

We oppose the bill because:

- It is anti-consumer.
- It indiscriminately shuts off imports of various steels without regard for the consequences—exactly the type of trade restraint that harms downstream manufacturers.
- It is a blatant violation of our WTO responsibilities.

H.R. 506 would impose quotas on steel imports equal to the monthly average of imports for the three years ending with June 1997.

We oppose the bill because:

- Quotas do not work. They will harm consumers and steel-consuming industries to a much greater extent than they could ever help steel producers or steelworkers.
- Import quotas of less than 2.4 million tons per month are inadequate for 1999's steel demand.
- If quotas are administered on a country-specific basis, as is the apparent intent, the quotas will be even lower and do even more harm to the U.S. economy.

In summary, we recommend that the U.S. government take no extraordinary action that may endanger the availability of steel, harm downstream manufacturers and consumers, and threaten our international trade relationships. We urge that the trade cases and other actions already underway be allowed to work, as there is evidence that the import surge is easing. A good way to increase American exports of steel is in the form of manufactured steel-containing products. And this can happen only if American manufacturers can obtain the right steel, when it is needed, at world-competitive prices.

Mr. ENGLISH. Thank you, Mr. Jenson.

The Chair recognizes Mr. Dan Griswold, the associate director of the Center for Trade Policy Studies at the CATO Institute. Welcome.

## STATEMENT OF DANIEL T. GRISWOLD, ASSOCIATE DIRECTOR, CENTER FOR TRADE POLICY STUDIES, CATO INSTITUTE

Mr. GRISWOLD. Thank you, Mr. Chairman, and Members of the Subcommittee for allowing the CATO Institute to testify here this afternoon.

The difficulties facing the steel industry today are not unique. Increased competition and lower prices are the bane of every industry's bottom line. Many other U.S. industries have been hit by the effects of the Asian crisis. Exporters have seen sales slump while importing competing industries have faced stiffer competition at home. There is no reason why the steel industry should receive special treatment at the expense of its customers and American consumers.

The viability of the U.S. domestic steel industry is not threatened by recent increases in imports. Domestic steel producers continue to supply more than two-thirds of the steel consumed in the United States. Domestic steel shipments reached 102 million tons last year, down slightly from 1997, but still the second highest level of production in the last two decades. U.S. domestic producers actually increased their share of world steel output last year from 12.3 percent to 12.6 percent.

The big steel companies and their unions point to the 10,000 jobs lost in the last year. That number needs to be put in perspective. In that same period, the U.S. economy as a whole created 2.5 million jobs. Representative Visclosky pointed out that one steelworker is losing their job per hour. The U.S. economy is creating 250 new jobs in that same hour, the same time span.

Since 1980, the domestic steel industry has cut two-thirds of its production workers. Most of those layoffs were not caused by imports but by rising productivity within the industry. With productivity outpacing domestic demand, the industry has required fewer workers. The resulting decline in employment has been relentless with the number of employed steelworkers falling in 15 of the last 18 years. Employment has moved steadily downward whether imports have been rising or falling as a share of new domestic supplies.

Raising barriers against steel imports will impose a real cost on the American economy. Millions of American workers and tens of millions of American consumers will be made worse off so that the domestic steel industry can enjoy temporary benefits. Consumers will pay more than they would otherwise for products made from steel, such as household appliances, cars and trucks. If protectionist measures succeed in raising the average price of steel, new products by $50 a ton, Americans will pay the equivalent of a $6 billion tax on the more than 120 million tons of steel they consume a year.

Steel protection will impose a heavy cost on the huge segment of American industry that consumes steel as a major import to its production process. The major steel-using manufacturing sectors—transportation equipment, fabricated metal products, and industrial machinery and equipment—employ a total of 3.5 million production workers. Workers in those industries outnumber steelworkers 20 to 1.

Despite complaints from the big steel mills that Congress and the administration are not doing enough, the system is already stacked in favor of domestic producers. U.S. antidumping laws are already punishing foreign producers for engaging in practices that are perfectly legal and common in the domestic American market. U.S. firms, including steel makers, routinely sell the same product at different prices in different markets or temporarily sell at a loss in order to liquidate inventories and recover fixed costs.

It has become obvious in recent days that the aim of the steel industry's antidumping provisions has not been to restore some mythical ideal of fair trade, but to lock out—and that was a phrase used last week by a steel company executive—to lock out steel imports altogether. On top of protection already in place, an array of proposals in Congress threatens American access to imported steel and you've heard much about those today. None of the offered legislation would increase general economic welfare in the United States and much of it would be in violation of U.S. international commitments.

Quotas are one of the most damaging forms of trade restrictions. They redistribute wealth from consumers to domestic producers and to those foreign producers lucky enough to get quota rights. Recent worldwide economic developments have produced conditions that at present are unfavorable for American steel producers and favorable for domestic steel users. In such a circumstance, it is not the business of the U.S. Government to intervene in the marketplace and favor one U.S. industry at the expense of other U.S. industries.

And you have just heard from representatives from two of those industries whose industries, in particular, it makes no sense to penalize the industries that, in terms of employment and value-added, are of much greater significance to the overall national economy. The Federal Government should not use its power to confer special benefits on a small but vocal segment of producers at the expense of the Nation's general welfare. Thank you.

[The prepared statement follows:]

**Statement of Daniel T. Griswold, Associate Director, Center for Trade Policy Studies, Cato Institute**

First, let me thank Chairman Crane for the leadership he has shown on trade issues, and let me also thank the other members of the committee for allowing the Cato Institute to testify at this afternoon's hearing.

The difficulties facing the steel industry today are not unique. Increased competition and lower prices are the bane of every industry's bottom line. Layoffs, falling profits, and industry restructuring can be seen today in the oil industry, where import prices have fallen 40 percent in the last year. Yet just about everyone understands that lower oil prices are good for our economy and that duties on imported oil would drag down living standards and damage our national interest. The same is true for steel protection.

The primary cause of rising steel imports and falling prices during 1998 was the Asian economic crisis, which resulted in (1) a collapse in demand for steel in that region and (2) a realignment of currency values that makes foreign steel much more price-competitive in the United States. In light of those circumstances, it is only natural that that prices fell and that the still vibrant U.S. market pulled in extra imports.

Many other U.S. industries have been hit by the effects of the Asian crisis: Exporters have seen sales slump while import-competing industries have faced stiffer competition at home. There is no reason why the steel industry should receive special treatment at the expense of its customers and American consumers, just because it is experiencing temporarily unfavorable conditions.

The viability of the U.S. domestic steel industry is not threatened by the recent increase in imports. According to Commerce Department figures, imports of steel mill products peaked in the fall of 1998 and have been declining since then. Normal marketplace reactions, compounded by the threat of retroactive antidumping duties, caused December steel imports to fall by one-third compared to November, including a 47 percent plunge in imports from Japan and a 79 percent fall in imports from Russia.

For all of 1998, imports of steel mill products were up 33 percent from 1997, but most of the net increase in imports went to meet strong domestic demand. In terms of tons of steel shipped, the U.S. domestic steel industry had one of its best years ever in 1998. Domestic steel shipments reached 102 million tons last year, down 3 percent from 1997, but still the second highest level of production in the last two decades. Domestic steel production in 1998 was still 20 percent above production in 1989, at the peak of the last expansion. With world steel production falling, U.S. domestic producers actually increased their share of world steel output last year, from 12.3 percent in 1997 to 12.6 percent.

Prospects for the U.S. steel industry remain positive despite current problems. Domestic demand is expected to remain strong, especially in the automotive sector, and exports could pick up in 1999 as demand in East Asia begins to recover. After bottoming out in the fourth quarter of 1998, steel prices are expected to rise in 1999; indeed numerous U.S. mills have announced price hikes in the past few weeks. Despite the recent increase in imports, domestic steel producers continue to supply more than two-thirds of the steel consumed in the United States.

## The Futility of Protection

The big steel companies and their unions point to the 10,000 jobs that have been lost in the industry in the last year, but that number needs to be put in perspective. First, total job losses in the steel industry are relatively small when compared to the 2.5 million net new jobs created in the whole U.S. economy in 1998. U.S. economic policy should not be driven by an industry whose job losses in the last year are being overwhelmed by an expanding economy that, during the same period, created nearly that many net new jobs on an average business day.

Second, falling employment in the steel industry is nothing new. Since 1980, the domestic steel industry has shed two-thirds of its production workers. Most of the layoffs in the steel industry have not been caused by imports, but by rising productivity within the industry. In 1980, a ton of domestically produced steel required 10.1 man-hours to produce; today the industry average is 3.9 man-hours. With productivity rising faster than domestic demand, the industry has required fewer workers. The resulting decline in employment has been relentless, with the number of employed steelworkers falling in 15 of the last 18 years. Employment has moved steadily downward whether imports have been rising or falling as a share of domestic supply. For example, imports as a percent of new supply (shipments plus imports) fell from a peak of 26.2 percent in 1984 to a low of 16.7 percent in 1991. Yet during that same period, employment in the steel industry fell by more than 70,000. (See the attached graph.)

Foreign competition has helped to spur this progress in productivity, but the most ferocious competition has come from within our borders, from so-called mini-mills. The more efficient of these smaller mills can produce a ton of steel in under two man hours, and are relentlessly expanding the scope of products they can make. In 1981, mini-mills accounted for 15 percent of U.S. steel production; today they account for nearly half of the steel-making capacity in the United States. With or without protection, the industry will continue to consolidate and shed workers, with production shifting from the larger integrated mills to the smaller, more flexible and efficient mini-mills.

Steadily declining employment has come despite three decades of government import protection. Beginning with import quotas in 1969, protection has been the rule rather than the exception for the steel industry. Quotas were followed in the late 1970s by the Carter administration's "trigger price" mechanism and then in the 1980s by the Reagan administration's "voluntary" import quotas. U.S. "fair trade" laws seem to have been written primarily for the steel industry. About a third of the antidumping orders in the last two decades have been directed at imported steel. The latest round of protection—with preliminary antidumping rates ranging from 25 to 71 percent, and a suspension agreement with Russia—threatens a severe disruption in U.S. industry access to needed steel supplies.

The Steel Manufacturers Association, the trade group representing the mini-mill sector, recognizes the futility of protection. According to an official statement, its members "note the deterioration of artificially protected industries and markets. They have seen artificially nurtured industries sink into excessive complacency and stagnation. They believe that competition has fostered a revolution in the U.S. steel industry." These words are as true today as ever.

## Costs to U.S. Economy

Raising barriers against steel imports will impose a real cost on the American economy. Millions of American workers and tens of millions of American consumers will be made worse off so that the domestic steel industry can enjoy temporary benefits. Consumers will pay more than they would otherwise for products made from steel, such as household appliances, trucks, and cars. (The average five-passenger sedan contains $700 worth of steel.) Artificially propping up the domestic cost of steel will only raise the cost of final products to U.S. consumers. If protectionist measures succeed in raising the average price of steel mill products by $50 a ton, Americans will pay the equivalent of a $6 billion tax on the more than 120 million tons of steel they consume each year.

Steel protection will impose a heavy cost on the huge segment of American industry that consumes steel as a major input to its production process. The major steel-using manufacturing sectors—transportation equipment, fabricated metal products, and industrial machinery and equipment—employ a total of 3.5 million production workers. Production workers in manufacturing industries that use steel as a major input outnumber steelworkers by 20 to 1.

A prime example is General Motors Corp., which buys 4.7 million tons of steel directly each year and another 2.5 million tons indirectly through independent suppliers. GM buys most of its steel through long-term contracts, and is thus insulated from short-term price fluctuations, but any price increase caused by protection will eventually filter through when contracts are renegotiated. In a brief filed with the International Trade Commission in October 1998, GM warned that antidumping duties against steel imports could negatively affect its ability to compete in global markets. GM's domestic operations "become less competitive in the international marketplace to the extent those operations are subjected to costs not incurred by offshore competition, and to the extent that U.S. import barriers impede access to new products and materials being developed offshore, or remove the competitive incentives to develop new products in the United States."

Another company hurt by steel protection is Caterpillar of Peoria, Ill., which buys 600,000 tons of steel annually to make earth-moving equipment. While three-quarters of Caterpillar's production facilities are located within the United States, one half of its sales are abroad. Higher steel prices in the domestic market will eventually cause its products to become less price competitive compared to products made in other countries. Sales, profits, and employment will suffer.

One of the largest direct consumers of steel is the construction industry, which accounts for about 35 percent of domestic steel consumption. Duties and tariffs against imported steel will filter through to higher prices for homes and commercial office space. The jobs of thousands of construction workers could be put in jeopardy. When construction and other non-manufacturing industries are included, the total number of employees in steel-using industries dwarfs the number of steelworkers by 40 to 1.

Especially vulnerable to rising import prices are workers in smaller companies that manufacture metal products. These firms typically buy on the spot market rather than on long-term contracts, and are the first to feel the pinch of higher steel prices. Many of them also act as suppliers to larger corporations, and are thus less able to pass along a hike in steel costs in the form of higher prices for their final products. The result of higher domestic steel prices to these companies will be lower sales, declining profits, and fewer jobs created.

If the steel industry succeeds is gaining protection from imported steel, an even larger gap will open between domestic and international prices for steel mill products. This will give an advantage to foreign firms competing against American steel-using industries. Faced with artificially high steel prices at home, Americans will simply buy their steel indirectly by importing more finished products made abroad from steel available at cheaper global prices. If the federal government blocks the import of steel mill products through the front door, steel will come in the back door in the form of automobiles, industrial equipment, machine tools, and other steel-based products.

Besides being economically self-defeating, steel protection would be at odds with America's foreign policy interests. The best thing America can do to encourage growth and stability in the world economy is to keep our markets open. It makes no sense to hector Japan to stimulate its domestic economy or to underwrite IMF loans to Brazil and Russia while denying producers there the opportunity to earn valuable foreign exchange by selling steel to willing American buyers.

One recent study suggested that restrictions on steel imports will enhance overall U.S. economic welfare. Specifically, the Economic Strategy Institute published a study earlier this month which purports to show that steel dumping, however that term might be defined, reduces U.S. economic well-being, and that antidumping duties are needed to prevent this harm. ESI's findings rest ultimately on the fact that wages in the steel industry are higher than average and that displaced steel workers frequently are forced to accept lower paying jobs. Thus, according to the ESI study, net U.S. welfare is reduced by dumping that causes job losses in the steel sector; antidumping is good for us because it prevents those job losses.

First, this argument gets causation backwards: it assumes that high-paying jobs are the cause of economic welfare, rather than the consequence of it. If applied across the board, the ESI analysis would mean that public policy generally should protect our high standard of living by discouraging or even outlawing layoffs from high-paying jobs. This is basically the European approach, and its effects are all too visible in low growth and chronic double-digit unemployment.

Second, and more narrowly, the ESI analysis assumes that job losses in the steel sector wouldn't occur in the absence of low-priced import competition—an assumption refuted by the industry's steadily declining employment over the past 20 years.

Third, the study fails to adequately account for the offsetting production and employment gains that the lower prices would stimulate in the far larger steel-using sectors. Even if one accepts the study's methodology, the hypothetical gains from imposing antidumping duties against foreign steel are tiny—less than .005 percent of annual GDP—and not worth the far more real danger that the law will be used for protection.

## AMERICA'S UNFAIR "UNFAIR TRADE" LAWS

Despite complaints from the big steel mills that Congress and the administration are not doing enough, the system is already stacked in favor of domestic steel producers. U.S. antidumping law has become nothing more than a protectionist weapon for industries feeling the heat of global price competition.

These laws punish foreign producers for engaging in practices that are perfectly legal, and common, in the domestic American market. U.S. firms, including steel makers, routinely sell the same product at different prices in different markets depending on local conditions, or temporarily sell at a loss in order to liquidate inventories and cover fixed costs. Any steel company that lost money in the third or fourth quarters last year was selling its goods at below total average cost and was consequently "dumping" its products on the domestic market according to the definition contained in U.S. law. If every domestic sale was required to be at a "fair" price according to the antidumping law's definition, most American companies would be vulnerable to government sanction, and U.S. consumers would find far fewer bargains.

It is a misnomer to say that steel is being "dumped" on the U.S. market. Virtually every ton of steel that enters the United States has been ordered by a willing American buyer, often months in advance of its actual delivery. Antidumping duties not only stop foreign producers from selling in the U.S. market; they stop American citizens from buying the type and amount of steel they need at prices that benefit them most as shareholders, workers and consumers.

## Proposed Legislation Would Compound the Damage

On top of antidumping protection already in place, an array of new protectionist proposals in Congress threatens U.S. producers' access to imported steel. None of the offered legislation would increase general economic welfare and much of it would be in violation of U.S. international commitments.

1) H.R. 506/S. 395, Stop Illegal Steel Trade Act, sponsored by Rep. Visclosky and Sen. Rockefeller. This bill would limit steel imports from all nations to 1997 levels on a monthly basis for a period of three years. Although SISTA says that the import limits could be accomplished by "quotas, tariff surcharges, or negotiated enforceable voluntary export restraint agreements, or otherwise," it is in essence a quota bill that would set strict limits on the volume of foreign steel U.S. companies would be allowed to purchase. SISTA is a clear violation of our institutional obligations under the GATT.

Quotas are one of the most damaging forms of trade restrictions. They redistribute wealth from consumers to domestic producers and to those foreign producers lucky enough to get quota rights, while the U.S. government does not receive tariff revenues. In other words, SISTA would tax U.S. steel users to benefit major steel companies, both here and abroad. Moreover, SISTA would endanger the ability of U.S. steel-using industries to obtain the materials they need. According to calculations by the Precision Metalforming Association, for example, SISTA quota levels would leave U.S. manufacturers nearly 4 million tons short based on 1998 levels of demand.

2) H.R. 502, Fair Steel Trade Act (FASTA), sponsored by Rep. Traficant. FASTA would impose a 3-month ban on imports of steel and steel products from Japan, Russia, South Korea, and Brazil, in disregard for the needs of American consumers and steel-using industries. A trade ban—even a limited one—would seriously damage private business relationships and undermine the global competitiveness of dynamic U.S. companies. This bill would deprive the U.S. economy of all the gains from steel trade and offer only temporary benefits to domestic steel companies. It would, in short, be a disaster.

3) H.R. 412/S. 261, Trade Fairness Act of 1999, sponsored by Rep. Regula and Sen. Specter. This legislation would create a permit and monitoring program that would require all steel importers to register with the Commerce Department and report information on the cost, quantity, source, and ultimate destination of all steel shipments. The bill authorizes Commerce to collect "reasonable fees and charges" to defray the costs of issuing permits.

More significantly, the bill would amend the Trade Act of 1974 to make an injury finding easier under Section 201. First, it would drop the requirement that imports be a "substantial cause" of serious injury (i.e., "not less than any other cause") and instead require that imports be only a cause of injury, however insignificant. Second, the bill would detail the factors to be considered by the ITC to determine whether U.S. industry has suffered serious injury.

The Trade Fairness Act is the most subtle of all the current proposals, and thus the most dangerous. Its import-reporting regime, in addition to being an unfair burden that falls only on steel importers, has the potential to choke off beneficial steel trade through paperwork. The Section 201 amendments, however, are its most ominous provision. By making 201 cases much easier for petitioners to win, this bill threatens to open the floodgates of protectionism in the future. It is clearly a step in the wrong direction.

4) Voluntary Export Restraints. The administration is attempting to jawbone foreign governments—especially Japan—into reducing steel exports "voluntarily." Of course, a VER is in reality an informal quota that is hardly voluntary. Like all quotas, VERs distort the economy and reduce national welfare. The Institute for International Economics has estimated that steel quotas in the 1980s imposed a net loss on the U.S. economy of $6.8 billion a year.

## CONCLUSION

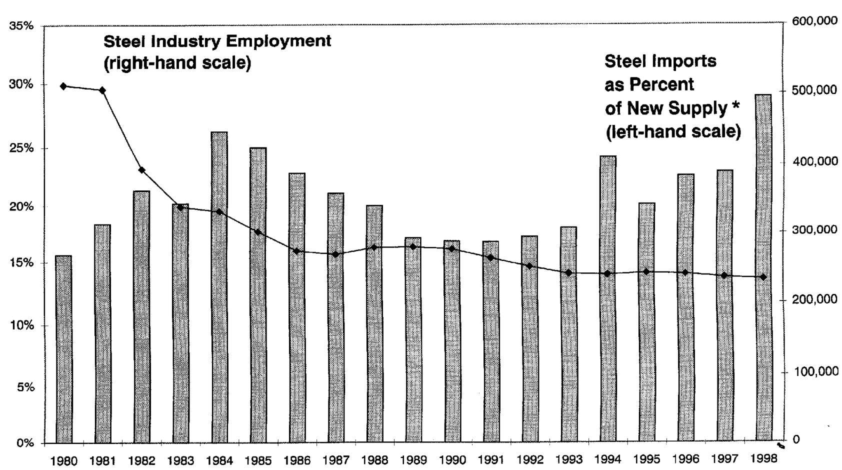
Unfortunately, changes in steel prices are invisible to ordinary Americans. Those changes show up, eventually, in the price of an automobile, or a plane ticket, or rental space in an office building—but the causal connections are complex and subtle. The effect of a tax on foreign steel just doesn't show up in the average family's budget in any direct or immediate way. As a result, steel producers are free to equate their interest with the national interest without generating much in the way of grass-roots opposition.

The campaign for steel protectionism thus highlights a classic problem of political economy known as concentrated benefits and dispersed costs. The benefits of restrictions on foreign steel are concentrated in the relatively small steel-producing sector, while the costs are dispersed throughout the entire economy. Steel producers therefore have a very clear and powerful incentive to lobby for protectionism, while most of the rest of us who stand to lose don't have a big enough or clear enough stake to oppose them with any vigor.

Worldwide economic developments have combined to produce conditions that at present are unfavorable for U.S. steel producers and favorable for American steel users. In such a circumstance, it is not the business of the U.S. government to intervene in the marketplace and favor one U.S. industry at the expense of other U.S. industries. In particular, it makes no sense to penalize the industries that in terms of employment and value-added are of much greater significance to the overall national economy. So if you think an import tax to help out the oil companies sounds like a bad idea, you ought to come to the same conclusion about steel protectionism. Just because the costs are better hidden doesn't mean they're not there.

The federal government should not use its power to favor one industry over another, or to confer special benefits on a small but vocal segment of producers at the expense of the nation's general welfare. Congress should reject calls for steel protection and reform the antidumping law to prevent future abuse.

**Steel Imports Rise and Fall, Jobs Just Fall**




* New supply equals domestic shipments plus imports.

Source: American Iron and Steel Institute, Bureau of Labor Statistics

Mr. HOUGHTON [presiding]. Thanks. Mr. Mastel.

**STATEMENT OF GREG MASTEL, VICE PRESIDENT AND DIRECTOR OF STUDIES, ECONOMIC STRATEGY INSTITUTE**

Mr. MASTEL. Good afternoon, Mr. Chairman. When the steel industry's problems with dumped imports became apparent some months ago, the Economic Strategy Institute undertook a rigorous analysis of the global steel industry, dumping as a commercial tactic in the steel industry, and the application of U.S. antidumping laws as a remedy. That study, which is entitled "Leveling the Playing Field and Anti-Dumping and the U.S. Steel Industry" was supported by a grant from the Kearny Foundation, a nonprofit foundation whose purpose is to assess problems and opportunities of trade and business with Asia.

In the limited time I have, I would like to briefly summarize two important conclusions from the study. First, the world steel market is deeply distorted by various subsidies, trade barriers, cartels, and numerous government-industrial policies. The global steel market is the most distorted industrial market in the world economy.

Many countries, notably Japan and Korea, have built domestic steel industries with industrial policies that rely heavily upon closed home markets, which ensure high domestic prices. Over the years, former government trade barriers that were once the backbone of this strategy have been replaced by the operation of cartels. This is especially true in Japan. Companies from Brazil to Sweden have followed with their own versions of Japan strategy over the years and domestic steel industries have proliferated.

Recently, the global steel market has been further complicated by the emergence of two partly reformed nonmarket economies, Russia and China, as, respectively, the world's largest exporter and the world's largest manufacturer of steel. In most of the world's steel market, the key decisions are made by the government, not by the market. As the OECD has documented, the cumulative result is the world has a great excess production capacity in steel.

For the United States, the world's only truly open major market for steel, dumping is the common result. Backed by subsidies or profits from closed home markets, steel companies from many countries dump steel on the world market to dispose of overproduction. Through dumping, these companies export steel and their home governments keep their steelworkers employed and, effectively, export unemployment to open-market countries. As the world's major open-market country, the United States absorbs much of both.

Certainly, the Asian and Russian economic crises pushed these dumped steel exports to higher levels in 1998 than had been previously experienced. Still, were it not for many years of systematic market distortion, there would be far less excess production capacity in the world and efficient steel industries, like that of the United States, would suffer far less from dumped imports.

Second, dumping is damaging for the U.S. economy.

Some observers have naively argued that dumping should be viewed as a gift to consumers and happily accepted. This view simply ignores the competitive realities in world industrial markets and cannot withstand a rigorous analysis. As documented in my recent study of dumping in the steel industry, dumping is a periodic phenomenon that greatly impacts the U.S. industry, on average, only once every several years. Consumers only benefit in the year the dumping is actually taking. Steel manufacturers, however, feel the negative impact over a period of many years. Investment and production decisions continue to be affected by the threat of dumping even after dumping has ceased.

Without vigorous use of antidumping laws, the result would be a U.S. steel industry which, despite being otherwise competitive, would shrink dramatically in response to dumping. The cost to the U.S. economy in lost wages, production, and investment rapidly outweighs the transient consumer benefits from dumping. Over the course of a 10-year simulation of the steel market, uncountered dumping resulted in a $30 billion decrease in U.S. steel shipments.

Further, the potential costs to steel consumers of countering dumping are small. Even if dumped imports were entirely eliminated, the U.S. steel market would still be quite competitive and open, with more than a dozen U.S. companies competing vigorously among themselves and with fairly traded imports. Under these conditions, countering dumping is highly unlikely to produce prices above normal market prices.

In conclusion, let me turn to one last point I want to emphasize for you, including observations. Countering dumping also has the secondary benefit of bolstering public support for free and open trade. Simply put, free trade will not long be politically viable without fair trade. The founders of the world trading system, now known as the WTO, were well aware of this political reality and that is why the WTO fully endorses the operation of U.S. antidumping laws.

Those who want to ensure an open U.S. market and pursue further trade negotiations would be well advised to ensure that U.S. laws, like antidumping laws, are rigorously enforced. For without the operation of those trade laws, trade problems like those now being experienced by the steel industry, would likely shatter public support for free trade. I think the wide support for some of the legislation that has been talked about today is the clear evidence that that is exactly what is happening. antidumping laws are a very important political safety valve and the steel industry's recent experience demonstrates they are still needed very much. Thank you, Mr. Chairman.

[The prepared statement and attachment follow:]

**Statement of Greg Mastel, Vice President and Director of Studies, Economic Strategy Institute**

My name is Greg Mastel and I am currently vice president and director of studies at the Economic Strategy Institute (ESI).

For a number of years, I have been interested in the operation of U.S. trade laws and the international economic problems that make them necessary. I authored a book a year ago on the operation of U.S. antidumping laws, which impose duties on imported products sold at less than their cost of production or less than their price in the home market. When the steel industry's problems with dumped imports became apparent some months ago, ESI undertook a rigorous analysis of the global steel industry, dumping as a commercial tactic in the steel industry, and the application of U.S. antidumping laws as a remedy. This study was supported by a grant from the Kearny Foundation, a non-profit foundation whose purpose is to assess problems and opportunities of trade and business with Asia.

With your permission, Mr. Chairman, I would like to include the executive summary of this study, titled Leveling the Playing Field: Antidumping and the U.S. Steel Industry, with my testimony in the hearing record.

In the limited time I have, I would like to briefly summarize two important conclusions from the study.

First, the world steel market is deeply distorted by various subsidies, trade barriers, cartels, and numerous government industrial policies. The global steel market is the most distorted industrial market in the world economy. Many countries, notably Japan and Korea, have built domestic steel industries with industrial policies that rely heavily upon closed home markets, which ensure high domestic prices. Over the years, the formal government trade barriers that were once the backbone of this strategy have been replaced by the operation of cartels. Countries from Brazil to Sweden have followed their own versions of the "Japan strategy" over the years and domestic steel industries have proliferated.

Recently, the steel industry has been further complicated by the emergence of two partly reformed non-market economies, Russia and China, as respectively, the world's largest exporter and the world's largest manufacturer of steel.

In most of the world's steel market, the key decisions are made by the government, not by the market. As the OECD has documented, the cumulative result is the world has a great excess production capacity in steel.

For the United States, the world's only truly open major market for steel, dumping is the common result. Backed by subsidies or profits from closed home markets, steel companies from many countries dump steel on the world market to dispose of overproduction. Through dumping, these companies export steel and their home governments keep their steel workers employed and, effectively, export unemployment to open market countries. As the world's major open market, the United States absorbs much of both.

Certainly, the Asian and Russian economic crises pushed these dumped steel exports to higher levels in 1998 than previously had been the case. Still, were it not for many years of systematic market distortion there would be far less excess production capacity in the world and efficient steel industries, like that of the United States, would suffer far less from dumped imports.

Second, dumping is damaging to the U.S. economy. Some observers naively argue that dumping should be viewed as a gift to consumers and happily accepted. If other countries are willing to subsidize and dump steel, we should benefit from their mistake and enjoy the lower prices.

This view simply ignores the competitive realities in world industrial markets and cannot withstand rigorous analysis. As documented in my recent study of dumping in the steel industry, dumping is a periodic phenomenon that greatly impacts the U.S. industry on average only once every several years. Consumers only benefit in the year the dumping is actually taking place. Steel manufacturers, however, feel an ongoing negative impact. Investment and production decisions continue to be affected by the threat of dumping even after dumping has ceased. Without vigorous use of antidumping laws, the result would be a U.S. steel industry, which despite being otherwise competitive, would shrink dramatically in response to dumping. The cost to the U.S. economy in lost wages, production, and investment rapidly outweighs the transient consumer benefits from dumping. Over the course of a ten-year simulation of the steel market, uncountered dumping resulted in a $30 billion decrease in U.S. steel shipments.

Further, the potential costs to steel consumers of countering dumping are small. Even if dumped imports were entirely eliminated, the U.S. steel market would still be quite competitive and open, with more than a dozen U.S. companies competing vigorously among themselves and with fairly traded imports. Under these condition, countering dumping is highly unlikely to result in prices above normal market prices.

## CONCLUSION

Mr. Chairman, no one would dispute that other factors, such as increased productivity, and demand disruptions, have had an impact on the steel industry. That said, however, the U.S. steel industry has made enormous competitive strides in recent years and, if dumping is countered, stands well positioned to generate high-paying jobs and contribute many billions of dollars to the U.S. economy in coming years.

By countering dumping, the U.S. government attempts to re-establish the level playing field that has been distorted by subsidies, cartels, and government industrial policies. On a level playing field, investment and production decisions will be made on a rational basis, which will greatly benefit the U.S. economy in the long term.

Countering dumping also has the significant secondary benefit of bolstering public support for free and open trade. Simply put, free trade will not long be politically viable without fair trade. The founders of the world trading system were well aware of this political reality and that is why the WTO fully endorses the operation of U.S. antidumping laws.

Those who want to ensure an open U.S. market and pursue further trade negotiations would be well advised to be certain that U.S. trade laws, like antidumping laws, are vigorously enforced. For without the operation of those trade laws, trade problems, like those now being experienced by the U.S. steel industry, would likely shatter public support for free trade.

Thank you, Mr. Chairman.

**Leveling the Playing Field: Antidumping and the U.S. Steel Industry by Greg Mastel and Andrew Szamosszegi**

EXECUTIVE SUMMARY

Driven by mercantilist trade distortions that underlie the global economic crisis, foreign exports of steel to the United States have hit record levels in 1998 and are continuing at high levels in 1999. This sudden flood of steel into the United States has forced U.S. steel mills to close or slow production and put thousands of steel workers out of work. These problems have, in turn, sparked a debate over what response, if any, the U.S. government should pursue. This paper analyzes the causes and impact of the surge in steel imports and analyzes the appeal of various policy responses, including U.S. trade laws aimed at countering unfair trade practices, such as subsidization and dumping.

The world steel market is perhaps the most distorted industrial market in the world. To achieve economic and political objectives, many countries have pursued industrial policies aimed at nurturing a steel industry with trade protection and subsidies.

In contrast, the United States steel industry has generally not been the recipient of such special treatment. The U.S. economy is open and subsidies have been very limited, especially when compared to those of other major industrial countries. In the 1970s and 1980s, the U.S. steel industry had serious competitive problems, but $50 billion in new investment has built an industry with some of the highest productivity levels and lowest costs in the world.

Success in today's highly distorted world steel market, however, often has less to do with investment, adoption of new technology and increased labor productivity than with the industrial and trade policies of foreign governments. The combined result of the numerous steel industrial policies is that the world has tremendous excess production capacity in steel. In such a situation, the high-fixed cost structure of the steel industry encourages fierce price competition during downturns. The involvement of governments, which press for keeping production lines open and workers employed, greatly accentuates this tendency. Dumping—sales in export markets below cost or sales below the price in the home market—is the frequent result.

The United States has frequently used antidumping laws, which counter dumping with offsetting duties, and countervailing duty laws, which counter unfair subsidies, to level the international playing field in steel. Since 1980, there have been 46 successful antidumping (AD) cases involving steel and 27 countervailing duty (CVD) cases. In response to the recent surge of steel imports, the U.S. steel industry has filed a number of new AD/CVD cases. These complaints allege, with considerable factual support, that companies from a number of countries, including Russia, Japan, South Korea, and Brazil are again receiving subsidies or are engaged in injurious dumping in the U.S. market, which are illegal under both U.S. and international law. If these allegations are upheld by U.S. authorities, offsetting duties will be imposed to counter the injurious impact of these practices on U.S. steel manufacturers and workers.

However, the economic desirability of imposing AD/CVD duties has been questioned. Some argue that the United States would be better off simply accepting dumped and subsidized products as "gifts to consumers." While this line of analysis is superficially attractive, it cannot withstand rigorous analysis.

The long term costs to producers and workers of failing to counter the dumped and subsidized steel in the U.S. market substantially outweigh the transient consumer benefits arising from short term price cuts. Without an assurance that action can and will be taken against trade distorting and illegal commercial practices, investment in and production of steel and many other manufactured products in the United States will become an unattractive proposition. Over time, the losses to the U.S. economy in terms of lost production, investment, and high-wage jobs, mount to painful levels.

This paper will demonstrate this point by using a dynamic partial equilibrium economic model to simulate the economic impacts of unrestrained steel dumping on the U.S. economy. Based upon historical experience, injurious dumping is modeled as an intermittent or periodic practice that is employed by foreign companies in only some years. Also based upon historical experience, scenarios for 5 percent to 15 percent price cuts due to dumping were considered. The results suggest that if the United States had not imposed antidumping duties in the 1990s, the economic costs of dumping would have outweighed the benefits of low prices to consumers within several years. In 1997, the total net costs of failing to counter dumping—lost economic activity, lower wages, etc.—would have totaled between $71 and $338 million, depending upon the level of dumping.

Based upon this simulation and related analysis, the paper concludes that the United States has a strong interest in countering dumped and subsidized steel imports. The alternative of simply accepting these market distortions would harm the U.S. industrial base, erode high-wage employment, and impose considerable net costs on the U.S. economy. Additionally, political support for free trade in the United States would likely erode in response to an obviously unlevel playing field.

Without question, the global steel market is entering a period that will require substantial adjustment. There is simply too much production capacity in the world and some of it must close. By employing AD/CVD duties, the U.S. government can ensure that efficient, competitive U.S. capacity will not be driven out of business by unfair foreign trade and industrial policies. By imposing duties on the imports that are most heavily subsidized or dumped, AD/CVD laws also encourage the closure of the least competitive steel mills around the world—a desirable and efficient market outcome.

An alternative approach that is often suggested, limiting imports through a Voluntary Restraint Agreement (VRA) may also preserve the U.S. industry. This approach is far less attractive, however, because governments, not markets, determine VRA market shares, and because quota rents would go to foreign governments or companies.

Chairman CRANE [presiding]. Thank you. Hold on just a second. Thank you and I apologize, gentlemen, for being absent during your presentations but I had to go make a trade talk to the Latin American Foundation and their plight is of concern to us too, beyond just Brazil's export of steel.

At any rate, let me ask one question of those of you—and Mr. Woltz and Mr. Jenson, I understand that you folks are steel users. And, as representatives of steel users, can you tell me the extent to which the administration consulted with your companies during the negotiations with the Russians to ensure that you would not be adversely affected by any agreement limiting Russian steel shipments to the United States?

Mr. JENSON. Well, to my knowledge, we were not consulted at all. And one of our concerns with the supplemental agreement, the comprehensive steel agreement, is that consumers and users are not mentioned as parties, affected parties.

Chairman CRANE. Well, that was one of the concerns I had too on hearing some of the arguments that were presented and some of the charges.

But, Mr. Woltz, do you have any comment?

Mr. WOLTZ. Insteel Industries was not consulted either.

Chairman CRANE. All right. Mr. Levin.

Mr. LEVIN. I have got to thank you. Your testimony is interesting. I don't think we will ever get, for example, Mr. Griswold and Mr. Mastel to agree. But it is good to hear such divergent views.

I take it, Mr. Griswold, you would—just so I am clear—you would abolish all of our antidumping laws now?

Mr. GRISWOLD. I think the antidumping laws, certainly as they are currently written, serve no national interest. They certainly serve the interests of selected industries. The steel industry has filed, as I understand, about one-third of the antidumping cases in recent years and makes heavy use of it. They do protect selected industries at the overall expense of the U.S. economy. There is no economic justification for them and they are primarily a political tool as they are written today.

Mr. LEVIN. So I think that you would repeal them?

Mr. GRISWOLD. I would. I think if we are going to have antidumping laws, they should be based, as they originally were when they were written in 1916, which was to counter predatory pricing. Today's law has nothing to do with predatory pricing. That is not a threat in steel. No particular country or steel company overseas is going to corner the U.S. market. It is too diversified an industry.

If it was based strictly on protecting consumers from predatory pricing, I could support that in theory.

Mr. LEVIN. When you say predatory, you are saying consumers. So that if an industry is injured seriously, that isn't enough.

Mr. GRISWOLD. No. The original intent of——

Mr. LEVIN. I mean for your—forgetting the original intent, but if there is selling here below cost of production there, you would simply let it be.

Mr. GRISWOLD. I would, as I——

Mr. LEVIN. OK, sir. That is a good answer. I mean, you don't really need to—I mean, I will say this about CATO, it is consistent.

Mr. GRISWOLD. I will take that as a compliment.

Mr. LEVIN. No, and I mean that somewhat charitably. I mean, you are predictable and consistent. I don't know that it is fair to label it, as you do, nothing more than a protectionist weapon for industries feeling the heat of global price competition. You don't really care what the basis of that competition is. If it is subsidized overseas, if it is controlled by the country, it really doesn't matter.

Mr. GRISWOLD. Well, of course, with subsidized, we have the whole CVE.

Mr. LEVIN. Well, but you would, I take it, abolish that too.

Mr. GRISWOLD. It is a whole different question. But antidumping laws as currently written serve no national interest.

Mr. LEVIN. All right. I think my time is going to evaporate quickly. I think I wanted to just say a word—look, it is clear you have different interests. Those of you who produce products have a different interest than those who produce the raw material. That is somewhat built in.

Mr. Woltz, you don't say you support—I think you said in your testimony you support our antidumping laws, basically.

Mr. WOLTZ. Yes. Our association is made up of members who have made active use of the dumping laws and they all feel that it is appropriate to do so.

Mr. LEVIN. Right. So, and I think you said it, Mr. Jenson, you said that you wouldn't object to more effective monitoring?

Mr. JENSON. Right, as long as it didn't involve fees and the extraction of information.

Mr. LEVIN. Right. And how about accelerating the process by which determinations are made? Would you object to that?

Mr. WOLTZ. From Insteel's point of view and from the point of view of the AWPA, much of the time that is expended in these processes is time that is devoted to gathering the facts surrounding importation of various products. And, to the extent that the process can be collapsed and more time effective but still have a high degree of integrity, I am sure that expediting the process is a good move. But, to the extent that we sacrifice quality of the facts and the underlying investigation is compromised, I don't think it serves the interests of producers or consumers to expedite the process just for that purpose.

Mr. LEVIN. OK. But as long as the quality of the product isn't impinged on seriously or significantly, you don't object to an acceleration of the determination process?

Mr. WOLTZ. No.

Mr. LEVIN. And how about the question of the comprehensiveness of those determinations, so that a determination isn't undermined by having a country simply shift from one product to another?

Mr. WOLTZ. Well, as a member of a downstream industry, we see all of these actions as potentially exposing downstream industries to additional competition. We saw it in the VRA program. We have seen it with every round of dumping and countervailing cases that have been initiated by our supplier base; that restrictions on the importations of wire rod lead, every time, to additional imports of downstream products that affect our markets. And that is of great concern to us.

Our markets are not large markets like wire rod, which is, in the United States, merely a 7-million-ton market. Insteel's markets are made up of 200,000- and 300,000-ton-per-year consuming businesses and, generally, it is very difficult to make effective use of the dumping laws in markets of that size. So the downstreaming issue is of great concern and it will remain so through the processes that are underway now with the 201 that has been filed.

Mr. LEVIN. My time is up. Thank you.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman. A big problem. Very difficult to put your arms around this.

If you assume—you may not—but if you assume what Mr. Barnette, who is chairman of Bethlehem, says, that the U.S. steel industry is the lowest cost, highest quality, best service steel industry in the world, something isn't right. Here you have our imports going up year by year by year. The only reduction really is, in terms of over the last years, Brazil and Russia, more than made up for by increases in other countries, particularly Japan and Korea. You take a look at our exports. Our exports—and I have got the numbers here for hot-rolled carbon steel—they are going down year by year by year.

So imports are going up, our exports are going down, and we have got the greatest industry in the world. What is happening? What do we do about it?

Mr. GRISWOLD. If I could try to respond to that, Mr. Congressman.

Mr. HOUGHTON. Go ahead.

Mr. GRISWOLD. One, exports have been going up and down. They peaked in 1984 and then came down to a trough in 1991 and then it has kind of been up and down. So it hasn't been a steady rise up.

The second thing is, you can't——

Mr. HOUGHTON. Exports have been in steady descent.

Mr. GRISWOLD. Exports——

Mr. HOUGHTON. Exports from the United States.

Mr. GRISWOLD. They have taken a hit in the last year, as exports have——

Mr. HOUGHTON. They had in 1996, 1997, and 1998.

Mr. GRISWOLD. But I think it is a mistake to look at the steel industry as monolithic. You have the integrated——

Mr. HOUGHTON. I am not. I am just looking at it as—there is no monolithic when I take a look at hot-rolled carbon steel and that is just a product classification.

Mr. GRISWOLD. Well, I think some mills will have difficulty in the current environment. Other mills will do just fine. The productivity figures vary widely. Industry average of four man hours per ton, but some of the minimills can produce steel in one to two man hours per ton. So the whole industry is not going to close up under certain conditions, but there will be some segments of the industry that will not survive the current conditions.

Mr. HOUGHTON. Does anybody else have any comments?

Mr. MASTEL. If I could add to that. I think the point here that I made in my testimony is that the global steel industry is so heavily subsidized, cartelized, and otherwise steeped in government intervention, that the decisions are made by governments, not by the marketplace.

Mr. HOUGHTON. All right.

Mr. MASTEL. I mean, the fact that we import in one direction, even though the economic realities would tend to push the other way, it only proves that, in fact, it is not the market, it is the various government decisions that are influencing movement in the steel market.

Mr. HOUGHTON. Right. But now let me just interrupt here. And I appreciate your other comments, as long as the green light is on. What do we do? I mean, you know, this is not just steel. We had a session in here on the oil industry, semiconductors, television, lot film, all sorts of things. So you not only have the predatory pricing, either concocted by a company, an industry, or a government, but also you have exclusion from the foreign markets, which then make it impossible for us to retaliate. What do we do? Do we let it go?

Mr. MASTEL. I think it is too expensive to let it go. I mean, what we have seen in the steel industry, as you say, is an experience that can be repeated in any other sector. In fact, any sector that a foreign government takes an interest in right now, there is a risk of dumping in that sector which would then drive the U.S. industry ratcheted down over time. So I think we can't afford either economically or politically to ignore dumping and subsidies as a problem.

Unfortunately, our laws, antidumping laws, really treat the symptoms. Now they treat a symptom when it is already underway. They don't get to the core of the problem, which tends to be a closed-door market, a government-industrial policy, or a subsidy, or cartel. Those are harder to get at and we rely, so far, on the WTO as our primary mechanism to sort of break down those barriers. But it seems to me if we are trying to solve the ultimate problem, you have to accelerate that approach. But it is difficult one.

Mr. WOLTZ. Sir.

Mr. HOUGHTON. Right. Right. Well, maybe we could have one more comment on this thing, because my time has run out. It has been a long hearing. Would you like to——

Mr. WOLTZ. If I may, speaking for the wire rod business and the wire business, I think, as you reflect on the cause of an imbalance of imports and exports and what first appear to be adverse trends in exports, consider the wire rod market. Roughly 7 million tons of consumption in the United States, domestic capacity to produce closer to 5 million tons. Under any circumstance, wire rod consumers must import wire rod to have sufficient supplies. I would suggest that the incentive for the wire rod producers to export is low when the deficit of domestic capacity exists as it does.

Mr. HOUGHTON. Yes, but it is sort of a self-fulfilling prophecy. The economics aren't right because of foreign competition, people go out of business, and, therefore, there is an undercapacity for the need when the next upswing comes. So, you know, it is a very difficult situation. Look, we could philosophize on this forever. I appreciate it very much.

Chairman CRANE. Well, we appreciate your participation and your patience. This has gone longer than we had anticipated and, again, I apologize to you for missing your presentations, but I have got the written comments. And I thank you and, with that, the Committee stands adjourned.

[Whereupon, at 5:37 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

**Statement of American Iron and Steel Institute**

The following statement is submitted by the American Iron and Steel Institute (AISI) on behalf of its U.S. member companies, who together account for approximately two-thirds of the raw steel produced in the United States. Because other witnesses and submissions are providing the House Ways and Means Trade Subcommittee with a general overview of the U.S. steel trade crisis, AISI would like to offer this statement to address only a single aspect of the present crisis—namely, the Subcommittee's interest in addressing "ways to seek greater foreign consumption of excess steel."

It is correct that depressed steel demand and major structural economic failures abroad—in the Commonwealth of Independent States (CIS), in Asia, in Brazil and elsewhere—have contributed in important ways to the crisis in world steel markets today. The collapse of domestic steel demand in Russia and in parts of Asia has significantly exacerbated world steel overcapacity conditions and led in turn to unprecedented levels of steel dumping in the U.S. market. It is also the case that AISI, through its market development programs, has had success in promoting the use of steel—at least here, in the U.S. and NAFTA region. The question is: are there lessons to be learned from this AISI experience when it comes to promoting steel demand in the CIS and other world markets? AISI's statement is divided into two parts—(1) our market development views and experience and (2) our observations on lessons to be learned.

AISI'S MARKET DEVELOPMENT VIEWS AND EXPERIENCE

With respect to the worsening global steel oversupply problem caused by the world financial crisis and the collapse of domestic steel demand in the CIS and Asia, AISI views the situation in two ways: first and foremost, as an immediate, unprecedented steel trade crisis, which must be addressed through a combination of private and public actions; and second, as a long term problem, where renewed efforts to promote domestic steel demand in other regions must—along with restructuring and modernization—be a part of any long term solution.

AISI also views the issues of trade and market development as closely linked. The current U.S. steel trade crisis is being driven by an excess of supply over demand caused by record levels of unfairly traded imports. One of the most frustrating aspects of this crisis is that it is occurring against the backdrop of continued strong U.S. steel demand. Indeed, there has been a remarkable rise in U.S. steel consumption in the 1990s, due to U.S. steel producers' significant investment, working closely with customers, to establish world class practices and product applications. The problem is, record levels of unfairly traded imports have taken an increasing share of this growing market (see attached chart). Accordingly, it remains a top market development goal for AISI and its members to increase the North American share of the steel market and to ensure that the benefits of AISI's successful efforts to grow the markets for steel in North America do *not* go to dumped and subsidized imports.

AISI has repeatedly made the point to foreign steel producers and governments that, while there may always be trade disputes, if steel's customers ever stop thinking of steel as their material of choice, the steel industry world-wide loses. Put another way, AISI and its member companies believe strongly that, to be successful in promoting the use of steel, both the steel industry and steel the material must be innovative, competitive, high tech and environmentally responsible.

AISI and its member companies also know that it is necessary not only to think defensively, but to think about growth. Steel today is a high quality, low cost engineering material—one that offers strength and safety, while being recyclable, affordable, durable and versatile. As such, steel is and should be poised not only to defend and strengthen its role in current or traditional markets but to grow new steel market applications and to pursue aggressively new opportunities in such growth markets of the future as (1) residential construction, (2) commercial and industrial construction, (3) infrastructure and (4) transportation.

AISI believes that, whether it is the CIS or elsewhere, it is important that offshore steel producers look at their own situations and consider carefully whether AISI's basic approach to market development makes sense for them. To summarize, AISI's efforts aim to strengthen and expand current steel markets, identify new steel markets and create innovative approaches to increasing steel demand. We try to anticipate the future needs of the market, solve critical issues and partner with engineers, designers, architects, builders and other companies, especially key customers and suppliers.

What AISI has learned is that it takes a good business plan, research and effective ways to "benchmark" or measure progress to drive the investment of key consuming markets toward steel. Simply put, it takes a lot of time, hard work and money to grow steel markets. Just in 1998: (1) AISI budgeted $16 million on specific market development activities; (2) $10 million more went to related programs that we co-fund and support—programs such as the International Iron and Steel Institute's (IISI's) "ULSAB" project, the Auto-Steel Partnership, the Steel Recycling Institute, the North American Steel Framing Alliance and the Metal Roofing Alliance; and (3) on top of this, U.S. and Canadian producers spent another $20 million on a TV ad campaign about "the new steel"—this as part of a five-year $100 million investment to get the consumer to think more favorably about steel than about competing materials.

AISI and its members know, too, that it is always important to keep in mind the critical role of steel's customers. Thanks not just to the efforts of U.S. and North American steel producers but even more to the efforts of North America's world class steel-consuming industries, steel intensity has increased in the United States and throughout the NAFTA region in recent years. As a result, the IISI has announced that its "estimate for annual consumption in the year 2005 in the NAFTA (region) has been reassessed upwards by 20 million tons."

## Lessons to Be Learned from AISI's Experience

The IISI's recent announcement shows that it is possible to grow steel markets in the NAFTA region. But the question remains: are there lessons here that can translate into other markets? On that subject, we would like to conclude with five observations:

First, it is important to recognize that Asia and the CIS are two very different situations. While Asia until 1997 had the world's largest and fastest growing steel consumption, efforts to rebuild domestic steel demand from the ground up in the CIS will require special measures.

Second, until there is political and economic stability in the CIS, nothing will work.

Third, AISI believes that, with a return to stability, much is possible, and steel could indeed play a significant role in meeting the pressing current—and future—needs of the CIS with respect to housing, industry, infrastructure and transportation.

Fourth, as AISI also knows, it will take a long term commitment to grow steel markets, and there is a real question about how much steel producers themselves can do. After all, it is steel's customers who will need to invest again in the CIS, and it is they who will probably need to become the leading force behind any successful efforts to grow steel markets in the CIS.

Fifth, AISI believes that there are some lessons to be learned from our market development activities and that one of them, clearly, is the need for "partnering." CIS steel producers especially will need not only to modernize but to downsize substantially. This will be painful, and the U.S. and other OECD governments might need to assist them in this process. The OECD Steel Committee recently recognized this when it urged its members to consider a cooperative program aimed at facilitating multilateral solutions to specific aspects of this crisis, including the CIS steel demand problem. In this regard, AISI believes that, while, there should be national and multilateral efforts to help the Russian economy and its steel industry (e.g., by providing market development assistance), the U.S. government should *not* be helping Russia by depriving U.S. petitioners of the remedies due them under U.S. trade laws, i.e., by providing a guaranteed U.S. market share to dumped steel from Russia.

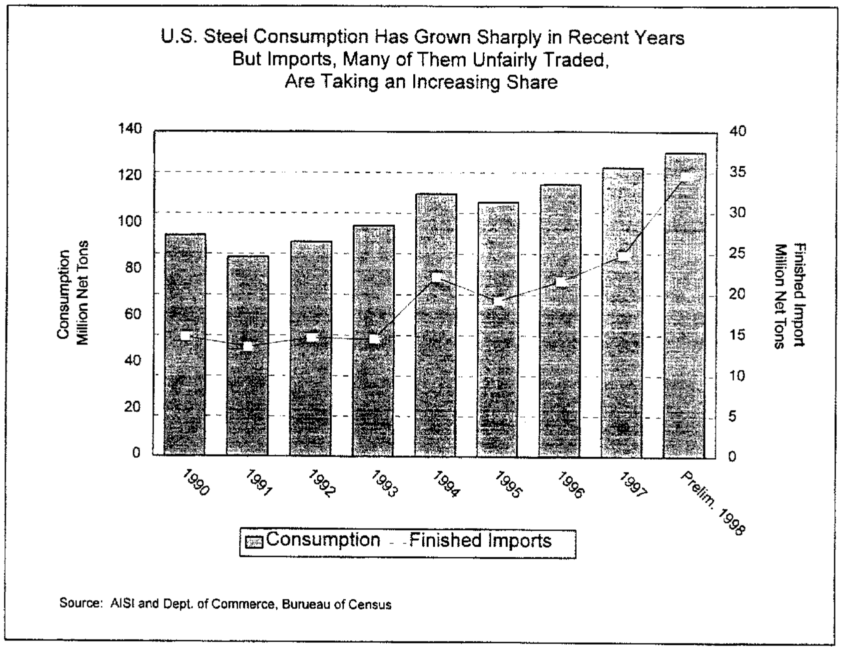
## Conclusions—With a Focus on the CIS

The CIS should begin by recognizing that, as a major world steel exporter, it has a responsibility to avoid dumping practices that export serious injury and unemployment to other markets. Steel producers elsewhere can help only in small but important ways by, for example, providing technical and marketing assistance. The steel framed house demonstration project that AISI participated in last year in Moscow was a start.

But there should be no illusions by anyone: first recovery, and then growth in the CIS, will take many years and a sustained, concerted effort by many players.

In the meantime, there can be no substitute for the full, strict enforcement of U.S. trade laws. This remains the most effective way to restore market forces, promote the necessary adjustment and rebuild domestic steel demand in the CIS and elsewhere.

AISI appreciates this opportunity to comment to the Trade Subcommittee on ways to seek greater foreign consumption of excess steel.


U.S. Steel Consumption Has Grown Sharply in Recent Years
But Imports, Many of Them Unfairly Traded,
Are Taking an Increasing Share
Consumption
Million Net Tons
Finished Import
Million Net Tons
140
120
100
80
60
40
20
0
40
35
30
25
20
15
10
5
0
1990
1991
1992
1993
1994
1995
1996
1997
Prelim. 1998
Consumption
Finished Imports
Source: AISI and Dept. of Commerce, Burueau of Census

**Statement of Hon. Jerry F. Costello, a Representative in Congress from the State of Illinois**

I appreciate the opportunity to present testimony before this panel today.

The United States has built a steel industry that has one of the highest productivity levels and lowest costs in the world. Unfortunately, our commitment to new technology and increased labor productivity is of little worth in a global marketplace that favors illegal trade and commercial practices. Our domestic markets are being flooded with cheap imports from Asia, Russia and Brazil who continue to defy international trade policies in order to prop up their own markets. We can ill afford to be the world's dumping ground for unfairly-traded steel. While I am concerned by the financial disasters in Asia, Russia and elsewhere, these countries should not be allowed to export their problems here. We must find other means to help our trading partners deal with their economic challenges; allowing unfairly-traded steel to flood our markets creates an imbalance that helps no one.

As a member of the Congressional Steel Caucus, I have worked diligently with my colleagues to urge the Administration to take a strong stand against illegally-dumped steel. The proposed agreement with Russia to reduce Russian imports of steel products by almost 70 percent is a good first step. However, it must be followed by continued pressure on other nations to reduce their dumping of illegally-subsidized steel. I am pleased the Administration has responded to those of us in Congress who continue to make steel a high-profile issue. The U.S. must continue to be vigilant in providing relief to our steel industry and its workers, after they have suffered from an unfair flood of foreign imports. However, let me be clear about this: the Administration's efforts to date are not enough. We must do more and we must do more immediately.

In my own district in Southwestern Illinois, steelworkers and their families and communities have stood up strongly for steel. Workers at Laclede Steel in Alton and National Steel in Granite City have faced difficult times since the surge in steel imports flooded our markets. Laclede is facing bankruptcy and efforts are underway just to keep the plant open. Orders have been down and prices have fallen at both plants. Unfortunately, these steel companies like others across the nation, have been unable to avoid layoffs. Mr. Chairman, I represent approximately 4,000 USWA union members in my district. I cannot in good conscience report to them that we have done enough here.

I strongly support legislative remedies—specifically measures introduced by my colleagues Rep. Visclosky and Rep. Regula—to end the flood of illegal foreign steel imports. I hope the Leadership of this House will expedite consideration of legislative remedies to put an end to the steel crisis. The U.S. steel industry, steel workers and their families, and American consumers of steel products and its derivatives deserve a fair market for U.S. steel. Foreign dumped steel not only has immediate negative consequences on the steel industry, over time the impact on the U.S. economy in terms of lost production, high-wage jobs, and investment is irretrievable.

I hope this Congress and the Administration will take immediate action to end illegal foreign imports of steel.

Statement of Thomas R. Howell, and Brent L. Bartlett
DEWEY BALLANTINE LLP

The world economic crisis which began in 1997 has resulted in an extraordinary surge of imported steel products into the U.S. market. (See Figure A). The import surge struck a U.S. industry that has spent nearly two decades undergoing a radical restructuring, an effort which has transformed it into one of the most efficient, productive, and innovative steel industries in the world. The import influx destroyed the prospects for a strong earnings year for the U.S. steel industry in 1998, drove 10,000 workers out of their jobs, and pushed several steelmakers into bankruptcy. Financial analysts warn that the U.S. steel outlook for the industry for 1999 is grim, and that far more extensive layoffs may occur.

The import surge reflects the impact of the current financial crisis on a world steel industry that has been grossly overbuilt as a result of decades of market intervention by governments. The financial crisis produced an abrupt drop in steel demand in East Asia and the former Soviet Union, and producers which served those markets desperately turned to the export market. (Figure B.)

- **Japan's** integrated steel cartel shifted virtually all of the export sales which it lost in Asia toward increased sales in the United States -- U.S. imports of hot-rolled flat products from Japan increased by over 1000 percent over 1995 levels as Japanese prices fell dramatically. (Figure C.)

- At the same time, **Russia's** massive (but aging and inefficient) state-owned steel sector, having lost most of its markets at home and in Asia, redirected a huge volume of steel toward the United States. (Figure D.) Using deep discounts, the Russians plunged into a "race to the bottom" in steel pricing with Japanese producers, precipitating a steep fall in U.S. steel prices.

- As demand for **Brazilian** steel collapsed in Brazil and in Asia, Brazil's mills (which, according to WTO estimates, have received $26 billion in subsidies in the past four decades) increased their exports to the United States in 1997 and maintained these levels in 1998, exacerbating the price erosion in the American market.

- The **Korean** industry, which has been vastly overbuilt as a result of billions of dollars in government-directed bank loans, dramatically increased its exports to the United States in late 1998.

- The **European Union**, facing its own surge of steel imports, established quotas on steel from Russia, Ukraine, and Kazakhstan, diverting exports from those countries toward the American market.

The convergence of these foreign export drives on the U.S. market produced a flood of imported steel in 1998 that simply has no historic precedent:

- Import penetration rates jumped from 242. percent in the first 10 months of 1997 to 29.5 percent in the same period in 1998.

- Prices collapsed despite continuing strong domestic demand.
- The import volume was so great that it clogged U.S. ports and has resulted in huge stockpiles of steel anywhere space for it can be found.

As a result of the import influx, U.S. steel operating rates fell from 90 to 74 percent, profitability and stock value have fallen sharply, three producers have gone bankrupt and 10,000 steelworkers have lost their jobs. The outlook for the steel industry, a basic pillar of the U.S. economy, remains uncertain.

[Attachments are being retained in the Committee files.]

**Statement of Hon. John P. Murtha, a Representative in Congress from the State of Pennsylvania**

FIRST I WANT TO ACKNOWLEDGE THE EFFORTS OF STEEL LABOR AND INDUSTRY IN WORKING TOGETHER ON THE ISSUE OF THE STEEL IMPORT SURGE. THE STEEL CAUCUS HAS ALWAYS PRIDED ITSELF ON ITS BIPARTISAN APPROACH TO SAVING THE STEEL INDUSTRY, EVER SINCE RALPH REGULA AND I HELPED TO FOUND THE STEEL CAUCUS IN 1983 TO SAVE OUR U.S. STEEL INDUSTRY FROM FOREIGN SUBSIDIZED STEEL IMPORTS. BY CONVINCING THEN PRESIDENT REAGAN TO SUPPORT VOLUNTARY RESTRAINT AGREEMENTS, THE ONLY PROTECTIONIST MEASURE HE EVER SUPPORTED, WE WERE ABLE TO GIVE OUR STEEL INDUSTRY THE CHANCE TO MODERNIZE AND BECOME COMPETITIVE. MORE RECENTLY, AT THE START OF THE CURRENT CRISIS, THE UNION AND THE INDUSTRY CAME TOGETHER TO FORM A COALITION AND SPEAK AS ONE VOICE ON THE ISSUE. THEIR UNIFIED MESSAGE WAS STRONG AND CLEAR. I WOULD LIKE TO ACKNOWLEDGE THAT BECAUSE I THINK IT'S IMPORTANT IN NOTING HOW MUCH MORE WE CAN ACCOMPLISH WHEN WE WORK TOGETHER.

RONALD REAGAN WAS THE MOST FREE-TRADE ORIENTED PRESIDENT WE'VE SEEN IN MODERN TIMES. HE WAS ABSOLUTELY DEAD SET AGAINST PROTECTING INEFFICIENT U.S. INDUSTRIES, AND COMMITTED TO BREAKING DOWN TRADE BARRIERS AROUND THE WORLD. YET EVEN PRESIDENT REAGAN RECOGNIZED THAT THE STEEL INDUSTRY OF THE UNITED STATES IS UNIQUE. IT'S UNIQUE BECAUSE WITHOUT IT, OUT NATION WILL NOT BE ABLE TO MOBILIZE FOR MAJOR MILITARY CONFLICT. OUR NATIONAL SECURITY IS JEOPARDIZED IF WE ALLOW OUR STEEL INDUSTRY TO BE CRIPPLED OR PERHAPS EVEN DIE BECAUSE OF FOREIGN SUBSIDIES. SO THE PLAN THAT PRESIDENT REAGAN INSISTED ON WAS ONE THAT REQUIRED OUR STEEL INDUSTRY TO MODERNIZE AND TO BECOME THE MOST COMPETITIVE IN THE WORLD.

WE HAVE DONE THAT. WE DEVELOPED THE MOST MODERN, COMPETITIVE STEEL INDUSTRY IN THE WORLD, AND TODAY WE STILL HAVE THE MOST MODERN AND COMPETITIVE STEEL INDUSTRY IN THE WORLD. THE ISSUE TODAY CLEARLY IS NOT ABOUT COMPETITIVENESS—THE ISSUE IS ABOUT UNFAIR SUBSIDIES THAT VIOLATE ALL THE FAIR TRADE POLICY DEVELOPED AND ACCEPTED IN INTERNATIONAL ACCORDS.

THE BOTTOM LINE IS THAT NO ONE CAN CLAIM THEY'RE AGAINST WHAT WE PROPOSE BECAUSE THEY ARE "FREE TRADERS." NOTHING WE PROPOSE HERE IS COUNTER TO THE FREE TRADE MENTALITY. EVERYTHING WE PROPOSE IS COMPLETELY CONSISTENT WITH THE COURSE ESTABLISHED BY FORMER PRESIDENT REAGAN.

TO UNDERSTAND THE CURRENT CRISIS, WE NEED TO UNDERSTAND THE CRISIS OF THE 1980'S. THAT CRISIS PRODUCED A LOT OF CASUALTIES. WE HAD DOZENS OF PLANTS CLOSE AND LOST THOUSANDS AND THOUSANDS OF JOBS. THE COMPANIES THAT SURVIVED WENT THROUGH RADICAL RESTRUCTURING. IN THE DISTRICT I REPRESENT THE ECON-

OMY HAS NEVER FULLY RECOVERED. IN THE JOHNSTOWN, PENNSYLVANIA MARKET ALONE, WE WENT FROM OVER 12,000 STEEL JOBS IN 1983 TO ABOUT 2,000 TODAY. THE UNEMPLOYMENT RATE HAS REMAINED AT NEARLY TWICE THE NATIONAL AVERAGE. WE DON'T NEED ANY MORE LAYOFFS IN THE OPERATIONS WE HAVE LEFT.

THE CURRENT CRISIS BEGAN OVER A YEAR AGO WHEN WE STARTED TO SEE THAT THE EXTREME DISTRESS OF THE ASIAN ECONOMY WAS SPURRING ASIAN COUNTRIES TO TRY TO USE THEIR SUBSIDIZED STEEL PRODUCTION TO EXPORT THEIR WAY OUT OF ECONOMIC DISTRESS. THEY, AS WELL AS OTHER COUNTRIES LIKE BRAZIL, FOUND DEMAND FOR STEEL IN ASIA EVAPORATING, SO THEY SENT IT HERE AT PRICES AS LOW AS TWO THIRDS OF THE MARKET PRICE. THE LATEST FIGURES SHOW THAT IN 1998 WE IMPORTED MORE STEEL INTO THIS COUNTRY THAN IN ANY OTHER YEAR IN HISTORY. IT REPRESENTED A 33% INCREASE OVER 1997, WHICH ALSO HAD BEEN A RECORD-BREAKING YEAR. ALMOST A THIRD OF ALL THE STEEL CONSUMED IN THE UNITED STATES LAST YEAR WAS IMPORTED STEEL. IN THE LAST QUARTER OF 1998, JAPAN AND RUSSIA EXPORTED TO THE U.S. TWO AND A HALF TIMES THE AMOUNT OF STEEL THEY SENT HERE DURING THE SAME PERIOD IN 1997.

NOW, LET ME ALSO SAY I THINK THE RECENT ADMINISTRATION EFFORTS HAVE BEEN HELPFUL AND HAVE HOPEFULLY AT LAST BEGUN TO STEM THIS TREMENDOUS FLOOD OF IMPORTS, WHICH HAVE TO-DATE CAUSED AT LEAST TEN THOUSAND LAYOFFS DOMESTICALLY. THESE LAYOFFS HAVE CERTAINLY BEEN FELT IN MY AREA OF SOUTHWESTERN PENNSYLVANIA, WHERE THE EFFECT OF THE IMPORT SURGE HAS TRICKLED ALL THE WAY DOWN FROM THE BIGGER PLANTS TO THE MELTING FACILITIES, TO THE SMALLEST MACHINE SHOPS.

HOWEVER, MY CONCERN, AS RALPH REGULA AND I RECENTLY EXPRESSED IN A LETTER TO U.S. AMBASSADOR TO JAPAN TOM FOLEY, IS THAT THIS DROP IN IMPORT VOLUME WILL ONLY BE TEMPORARY UNLESS WE KEEP UP THE PRESSURE ON THESE ASIAN COUNTRIES TO REFORM THEIR MARKETS. WE NEED TO SEE MORE THAN ONE OR TWO MONTHS OF RELIEF. THE NUMBERS HAVE TO STAY DOWN. WE NEED TO SEE PEOPLE WHO HAVE BEEN LAID OFF OVER THE PAST YEAR RETURNING TO WORK.

SO, WHILE I AM ENCOURAGED BY THE ADMINISTRATION'S EXPEDITED FINDINGS IN THE CASES AGAINST JAPAN AND BRAZIL, ITS STRONG MESSAGE TO JAPAN, AND THE AGREEMENT IT HAS REACHED WITH RUSSIA, I FEEL WE NEED A MORE COMPREHENSIVE AND LONGER-TERM SOLUTION THAT WILL ENSURE THE IMPORT NUMBERS DON'T JUMP RIGHT BACK UP, EITHER IN THE HOT-ROLLED CATEGORY OR IN ANY OF THE OTHER STEEL PRODUCT CATEGORIES. I AM ALSO CONCERNED THAT THERE MAY YET BE MORE LAYOFFS UNDER THIS SCENARIO, ESPECIALLY GIVEN THE GLUT OF STEEL THAT IS ALREADY ON THE MARKET AND THE UNCERTAINTY THE INDUSTRY STILL FACES.

ONE OF THE MEASURES I'VE COSPONSORED IS THE BILL CONGRESSMAN VISCLOSKY HAS AUTHORED TO RETURN ALL STEEL IMPORTS TO 1997 LEVELS. THIS IS A COMPREHENSIVE, IMMEDIATE, EMERGENCY STEP THAT CONGRESS COULD TAKE AND NEEDS TO TAKE TO MAKE SURE THAT WE DON'T LOSE MORE JOBS AND MORE PLANTS IN THE STEEL INDUSTRY IN THE NEAR TERM.

ALLOWING THIS CRISIS TO CONTINUE ANY LONGER CAUSES A NUMBER OF PROBLEMS. IT PLAYS HAVOC WITH THE LIVES OF STEELWORKERS AND THEIR FAMILIES, WHO'VE BEEN THROUGH SO MUCH TURMOIL ALREADY. IT SENDS ANOTHER ROUND OF SHOCK WAVES THROUGH LOCAL ECONOMIES IN AREAS THAT NEVER FULLY RECOVERED FROM THE LOSS OF STEEL JOBS IN THE '80S—ECONOMIES THAT ARE STILL STRUGGLING DESPITE THE STRONG NATIONAL ECONOMY. WE CANNOT LET ENTIRE PLANTS SHUT DOWN WITH THE EXPECTATION THAT THEY CAN START RIGHT BACK UP AGAIN WHEN THE CRISIS IS OVER. THE STEEL INDUSTRY DOES NOT HAVE THAT KIND OF FLEXIBILITY. THE COSTS INVOLVED IN SHUTTING DOWN OPERATIONS AND STARTING THEM BACK UP MAKE THE STEEL INDUSTRY DIFFERENT THAN MOST OTHER INDUSTRIES. IF WE LET THIS GO ON LONGER, WE'LL NEVER GET THESE PEOPLE BACK TO WORK BECAUSE THE PLANTS JUST WON'T BE THERE ANYMORE. THE U.S. STEEL INDUSTRY WILL SUFFER MORE PERMANENT DAMAGE AND THAT IS UNFAIR. IT'S UNFAIR BECAUSE OUR STEEL INDUSTRY IS THE MOST EFFICIENT IN THE WORLD AND THESE COUNTRIES WITH INEFFICIENT MAR-

KETS AND SUBSIDIZED INDUSTRIES NEED TO MAKE A SERIOUS COMMITMENT TO REFORM. OUR STEEL INDUSTRY HAD TO DO THIS IN THE 1980'S. THESE COUNTRIES NEED TO DO IT NOW. OUR STEEL INDUSTRY AND THE STEELWORKERS HAVE ALREADY GIVEN UP OUR POUND OF FLESH TO THE WORLD MARKET. AFTER WHAT WE WENT THROUGH IN THE 1980'S TO MODERNIZE, WE SHOULD NOT BE ALLOWING COUNTRIES WITH INEFFICIENT, SUBSIDIZED ECONOMIES TO PUT OUR STEEL INDUSTRY UNDER. WE DIDN'T GO THROUGH ALL THAT IN THE 1980'S AND COME THIS FAR ONLY TO SEE OUR STEEL INDUSTRY WITHER AND DIE IN THE MIDST OF A BOOMING U.S. ECONOMY.

CONGRESS CAN AND SHOULD ALSO TAKE STEPS NOW TO ENSURE FOR THE LONGER TERM THAT OUR TRADE LAWS WILL ENABLE US TO ACT MORE SWIFTLY TO PREVENT THIS KIND OF CRISIS FROM HAVING SUCH A SEVERE IMPACT ON OUR DOMESTIC INDUSTRY AND OUR STEELWORKERS AGAIN IN THE FUTURE.

I THEREFORE ALSO URGE THE COMMITTEE TO SUPPORT "THE TRADE FAIRNESS ACT," CONGRESSMAN RALPH REGULA'S BIPARTISAN BILL, OF WHICH I AM A COSPONSOR, THAT WOULD AMEND THE 1974 TRADE ACT TO LOWER THE INJURY STANDARD FOR A SECTION 201 CASE TO A LEVEL CONSISTENT WITH THE WORLD TRADE ORGANIZATION RULES. THIS WOULD ENABLE THE U.S. TO INITIATE A CASE UNDER SECTION 201 SOONER AND STOP THE IMPORT FLOOD SOONER. THE BILL WOULD ALSO ESTABLISH AN IMPORT MONITORING SYSTEM SIMILAR TO THAT OF CANADA AND MEXICO TO GIVE OUR INDUSTRY MORE IMMEDIATE ACCESS TO IMPORT DATA, WHICH WILL ALSO HELP TO ENABLE THE U.S. INDUSTRY TO REACT MORE QUICKLY TO IMPORT SURGES.

SO, IN CLOSING, WHILE WE STILL NEED TO KEEP UP THE PRESSURE ON THE ADMINISTRATION TO PRESS THESE COUNTRIES TO REFORM, AS WELL AS TO BRING ALL OF OUR TRADE LAWS TO BEAR ON THIS CRISIS, THERE ARE ALSO STEPS AS I'VE MENTIONED THAT CONGRESS CAN—— AND SHOULD——-TAKE IMMEDIATELY THAT WILL SAVE OUR STEEL INDUSTRY IN THE SHORT TERM AND STRENGTHEN OUR TRADE LAWS IN THE LONGER TERM AS WELL AS SEND A MESSAGE TO FOREIGN COUNTRIES THAT THEY MUST MAKE GOOD ON THEIR PROMISES TO REFORM THEIR MARKETS.

I APPRECIATE THE COMMITTEE'S ATTENTION TO THIS ISSUE AND AM READY TO WORK WITH THE MEMBERS IN ANY WAY I CAN TO ACCOMPLISH THE GOAL OF ENDING THIS CRISIS IN A LASTING WAY AND PUTTING OUR STEEL INDUSTRY BACK ON FIRM FOOTING.

**Statement of Hon. Robert W. Ney, a Representative in Congress from the State of Ohio**

Let me first say, this issue today on steel must be framed correctly. It is not about free trade versus fair trade versus protectionism, it is about illegal dumping. As you know, steel producers in Japan, Russia, Brazil and others are facing drastically reduced demand both in their home markets and their traditional export markets. Their solution has been to unleash an unprecedented barrage of exports on the U.S. market. Unfortunately, these practices have placed America's domestic steel producers in peril. As a result, several U.S. steel industries have filed antidumping cases against Russia, Japan and Brazil. The cases have been filed because dumped and subsidized imports have surged in the last year, driving down prices and profits while stealing sales from U.S. producers.

With many economies around the world in disarray, many steel producing countries are trying to export their way out of their economic problems by illegally dumping steel onto the market. Unfortunately, these practices have placed America's domestic steel producers in peril. Now is the time to put the interests of American working families ahead of foreign governments.

Within the last few months, thousands of steelworkers have lost their jobs, small businesses are shutting down and local communities are being brutalized because our government refuses to put the interest of working people ahead of foreign governments. Every other country has taken measures to protect their steel market from these predatory and illegal dumping practices. It is long past time for our government to do the same.

With each passing day, more steelworkers lose their jobs, more local governments face declining tax bases, and more families face financial hardships. This needs to stop now. Our families deserve better from their government than being told to wait for further rulings in accordance with World Trade Organization laws. Let me be clear, the President could have stopped this months ago, and should do so now.

After several letters, meetings, and phone calls with the Administration, some action has been taken. Never the less, the response should have been taken in October of 1998. The United States Department of Commerce ruled on critical circumstances that Japan and Russia have been illegally dumping imported steel into our market. This ruling is not the official ruling of the original cases filed from the steel industries, however, it is a significant separate ruling that should now deter Japan and Russia from continuing their illegal dumping. This is only one little piece of the puzzle.

Second, the Commerce Department announced a tentative agreement with Russia on reducing their imports of Russian steel. Although, again this is another piece of the puzzle, this does not drastically help our steelworkers and steel industry. In all actuality, this agreement does not do much at all. The Russian Suspension deal limits the amount of steel it can ship here, however, the agreement enables Russia to continue to sell the steel below their costs and U.S. industry prices. In addition, the U.S. is suspending the trade case filed against them by the industries in exchange for the following:

- Stop hot rolled shipments to the US for six months
- Reduce hot rolled shipments to 825,000 tons per year for the next five years
- Sell hot rolled at prices ranging from $231 to $254 per ton

While reducing imports sounds good, it really is not. Before the agreements, Russia was selling hot rolled around $210 per ton. Before the crisis, U.S. producers were selling hot rolled for $315 to $325 per ton. Russia will still continue to dump steel. The agreement also limits the amount of imports on 16 other Russian steel products. The amounts are based on 1997 levels which was a huge year for Russian exports. In 1997, Russia sent 3.3 million tons of steel to the U.S., double of what they shipped in 1995 and 1996, normal trading years. Virtually every steel company and union in the country is opposed to this agreement with Russia.

On February 2, 1999, I joined Congressman Peter Visclosky, Jack Quinn, and Dennis Kucinich in introducing legislation to freeze steel imports at pre-July 1997 levels. This legislation will do what President Clinton has not done, and that is stand up for our steelworkers and put America's interests first for a change. For too long, President Clinton has refused to take action as our steelworkers, our communities and our families have been brutalized by a flood of illegal steel imports. By freezing our level of steel imports at pre–1997 levels, we will tell the world that the United States refuses to be their dumping ground.

The Stop Illegal Trade Act (SISTA) has the support of nearly 200 Members of Congress including Democrats, Republicans, and Independents. If this bill is passed, the U.S. Customs Service will be required to stop the flow of steel into the U.S. market once the pre–1997 level of steel imports has been reached. The SISTA bill would go into effect immediately. It would limit steel imports from all nations on a monthly basis. These quotas will be phased out within three years. In addition to the SISTA bill, I have also co-sponsored other pieces of legislation to address the flood of illegal steel imports. This is a bipartisan effort within the House and the Senate.

In closing, I would like to say our trade policy should be based on putting America's interest first. For months and months, our steelworkers, their families and their communities have been paying the price for irrational trade policies that put foreign governments and international financial interests ahead of America's working families. We have begun to make progress, but much more needs to be done. Under current law, President Clinton has the power to stop the flow of illegal imports and should act immediately. By placing tariffs or imposing a moratorium on illegally dumped foreign steel, our workers will be our top priority and have a level playing field against these unfair trade practices. I understand the President has concerns about the united States' perception around the world, but that should take a back seat to our responsibility to the working families of this country. Waiting for an international trade organization to rule on what we all know are blatantly illegal trade policies will destroy the lives of too many families for too long. If the President will not take action, then Congress must step forward. I urge the Committee to please consider and pass the Visclosky-Quinn-Ney-Kucinich resolution.

**Statement of Hon. Jack Quinn, a Representative in Congress from the State of New York**

Mr. Chairman and distinguished members of the Subcommittee I thank you for the opportunity to speak to you about the situation in which the Nation's Steel Industry now finds itself, due to the illegal dumping of foreign steel into the United States. The American Steel Industry is under attack. Illegal imports are flooding into our country at record breaking levels. No industry can compete against the flood of steel that has been dumped in our markets in the past year.

I represent the 30th District of New York (Buffalo and Western New York). My district still relies on the steel industry as a source of employment for thousands of hard working men and women. Over the past 20 years, Western New York has lost tens of thousands of jobs due to the closing of steel related industries. Before being elected to Congress, I served as the Supervisor of the Town of Hamburg. We lived through the closing of Bethlehem Steel, one of Western New York's number one employers. The closing of Bethlehem Steel and similar facilities in the Buffalo are had a very detrimental impact on our economy. People in Western New York are still feeling the affects of those shutdowns.

Buffalo is not alone. Similar communities throughout this great country of ours have experienced the same economic difficulties. We need to learn from our mistakes and stop this steel crisis before it has a more severe affect upon our industries, communities, and working families. Let what we learned yesterday in Buffalo and Western New York be lessons for us all today. We must end the unfair and illegal dumping of foreign steel into the United States before the damage becomes to great to repair.

This year alone, steel imports from Japan rose by 113%, from Korea by 90%, and from Russia by 45%. These are alarming numbers. Some foreign corporations in these countries are selling steel at $100 per ton less than it cost them to make it.

The crisis has resulted in a 30% surge in steel imports and the loss of at least 10,000 jobs between the months of January and October. This number represents roughly 12% of all union steel workers, but does not reflect the many non-union or salaried workers who have also lost their jobs. Twenty-four workers lose their jobs everyday.

The steel industry lost 350,00 thousand jobs during the last steel crisis when it took 10 man hours to make one ton of steel. The industry modernized its plants and equipment and downsized. Now it takes 2 man hours for America's 170,000 steelworkers to make one ton of steel. The steel industry has greatly improved it's productivity. Since 1980 the steel industry's productivity has risen 240%. The industry and its workers have made strides to be the best steel producers in the world. We must not allow foreign countries to ruin the steel industry and cause the loss of thousands of jobs due mainly to the illegal dumping of steel into the United States.

The steel crisis re-emerged in July of 1997. In 1998, 18 million tons of steel was imported into the United States. As a matter of fact, 56% more steel was poured into the United States in the third quarter of 1998 than during that same time in 1997. In comparison, the U.S. exported only 5.5 million tons of domestic steel. These numbers pail in comparison to each other.

The Administration may tell you that steel imports have gone decreased. They have fallen only slightly, yet still remain above pre-crisis levels. Hot rolled steel imports have increased 500% since 1995. Hot rolled steel imports from Russia, Japan, and Brazil captured over 25% of the domestic market in 1998. That is up almost 15% from 1997. The problem is not getting better it seems to be getting worse.

The U.S. Steel Industry adds $70 billion to the Gross Domestic Product (GDP). If the steel industry continues on the course it is presently there will be no doubt the GDP be affected. The negative consequences of this massive surge in dumped imports is evident in the market. Spot prices for hot rolled steel fell nearly 16%. Average prices from Russia, Japan, and Brazil were 10% to 27% below average prices of domestic producers, in the first half of 1998. For these reasons the United States Steel Industry net income declined nearly 60%.

What has been done to stop these imports from being dumped into the United States. The answer is not much. Section 201 of the Trade Act of 1974 gives the administration the ability to set quotas for each exporting nations guilty of violations such as the unfair dumping of steel. The Commerce Department has recently reached an agreement with Russia, that would reduce Russian steel imports by almost 70%. The suspension on Russian hot rolled steel is a step in the right direction and I applaud the administration for taking such strides.

However, further action must be taken. H.R. 506, the Stop Illegal Steel Trade Act (SISTA) would accomplish the goal of stopping illegal steel imports from entering the United States. I have become the lead Republican on this quota bill to help resolve the crisis. This bipartisan bill would stop the flood of illegally dumped foreign steel by freezing monthly steel imports at July 1997 levels. By rolling back the amount of still imported to pre-crisis levels, U.S. Steel companies can compete fairly in the domestic market and thousands of jobs would be saved.

Congressman Regula has also introduced legislation, the Trade Fairness Act of 1999(which I have co-sponsored), which will provide safeguards in current trade laws, specifically section 201. This bill will allow the president to impose duties and quotas, when an industry is injured by a surge of imports. The Trade Fairness Act will also establish a Steel Monitoring Program. The Steel Monitoring Program would more closely monitor the amount of foreign steel coming into the U.S. on a more timely basis and determine if the marketplace is being disrupted by unfair imports.

H.R. 506 is an immediate and short-term solution to the steel crisis. It has received bipartisan support in the House. Congressman Regula's bill also provides relief from the crisis. The Trade Fairness Act of 1999 is a long-term solution to the problem. It provides many safeguards against this happening in the future. The future is now and we must act immediately.

Once again, Mr. Chairman I thank you for allowing me the time to speak on such an important matter. I look forward to working with you on this issue.