

**MEMORANDUM FOR Members of the Cabinet Council on Commerce and Trade**

From: Malcolm Baldrige, Chairman Pro Tempore
Cabinet Council on Commerce and Trade

Subject: Update on the Steel Trigger Price Mechanism and Probability
of Steel Company Unfair Trade Complaints

ACTION FORCING EVENT: Probability that U.S. steel producers will
file a large number of unfair trade complaints.

STATEMENT OF ISSUE: The major domestic steel companies are likely
to file antidumping and countervailing duty complaints shortly
involving more than half of the steel that the United States imports
from several countries, including seven of the European Communities
(EC) member states.

ANALYSIS: Since the last CCCT review of the steel issue, in November
1981, steel imports have continued at high levels, especially from
the European Communities, and many producers have openly flouted the
steel trigger price mechanism (TPM); consequently, the confidence of
the U.S. steel industry in the TPM has been eroding. In early
December, chief executive officers of several steel firms met with
the President to discuss their concerns, and they promised him they
would withhold their petitions until we could consult with the
European Communities.

Since then, I, and other officials of the Department of Commerce,
have held extensive consultations with representatives of the U.S.
industry, the European Communities, and other foreign governments.
We have urged all to abide by the guidelines of the TPM. The
Communities' response has failed to convince the American industry
that the TPM can continue to be an effective means of enforcing U.S.
trade laws. Thus, it now seems likely that the U.S. steel industry
in the very near future will file a large number of antidumping and
countervailing duty cases against a wide range of foreign producers
and steel products.

The U.S. industry can be expected to state that these producers
have, with injurious effect on the U.S. industry, been selling large
quantities of steel at less than fair value or with the benefit of
foreign government subsidies in violation of U.S. trade laws and
international agreements. The U.S. industry feels that it lacks any
meaningful alternative to the filing of steel cases. At the same
time, producers in the European Communities also face difficult
choices. World demand for steel is down and European unemployment
is high.

Not referred to DOC Waiver
applies.

The Department has made it clear that it would maintain the TPM in its present form only so long as it is in the interest of all parties and all parties seek to abide by its conditions. During the first half of this year the system appeared to serve the interest of all parties. Beginning in August, however, high import levels have triggered doubts as to the TPM's viability. Nonetheless, the Department has sought to maintain the integrity of the TPM. Where we have had evidence of injurious dumping or subsidization, we have initiated investigations.

To date we have initiated ten antidumping or countervailing duty investigations and have conducted examination of ten import surges. In addition, we have strengthened monitoring procedures covering related-party transactions and are conducting a dozen related-party audits. The Department of Commerce has pursued this enforcement program vigorously, including an appearance by Under Secretary Olmer before the International Trade Commission (ITC) as it opened its consideration of whether injury to the U.S. industry has been caused by unfair imports of steel. The ITC has made an affirmative preliminary determination of injury or threat of injury in all of the cases brought to it in November by the Department.

The filing of petitions by the domestic industry would be a statement that the TPM in its present form is not working effectively. In as much as the TPM was instituted as an "alternative to" and "not a supplement for" trade cases, the logic behind the system, as well as the administrative burdens it imposes, could well require the discontinuance of the TPM in its present form if the U.S. industry files cases.

If the industry does file complaints, it is likely that the countries subject to the investigations will bring pressure for a resolution favorable to their interests. The investigations will be conducted according to U.S. laws and regulations (consistent with international agreements to which we are a party), which prescribe a highly structured process that includes a procedure of settlement short of imposition of additional duties. The Department is ready and able to process the cases expeditiously, and will continue to consult with the U.S. industry and foreign governments.