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It's about Fundamental Fairness - Steel Consumers Deserve to Be Heard
Cosponsor Resolution to Give Them a Voice during Sunset Reviews

Dear Colleague:

The Department of Commerce (DoC) and International Trade Commission (ITC) are required by law to conduct five-year "sunset reviews" of anti-dumping and countervailing duty (AD/CVD) orders to determine whether to terminate, suspend, or continue the duties beyond the five years they have already been in place. Today I am introducing a resolution (copy attached) that urges the DoC and ITC to consider, and report on, the impact of the AD/CVD orders on domestic steel-consuming companies and the overall economy when conducting sunset reviews of duties on steel products.

There are currently 188 AD/CVD orders in place on various types of steel, which is well over half of all AD/CVD orders in existence. Many of them have been in place since the early 1990's. Some still serve a purpose, others do not. The ones that don't are distorting the U.S. market for steel and unnecessarily damaging steel consuming companies in the form of decreased availability, reduced quality, delayed deliveries, and higher prices. In fact, U.S. companies suffer from artificially high steel prices, higher than anywhere else in the world, making them globally less competitive. For example, the January 2005 price of hot-rolled steel in the U.S. was \$695/ton, on the world spot market \$575/ton, and in China \$510/ton. Five auto parts companies have recently filed for Chapter 11 bankruptcy, citing artificially high prices for steel as a significant reason.

The DoC and ITC have the discretion to take into account the impact of these duties on steel consumers, and they should. But traditionally they have not. If this continues, economic decisions will be made without seeing the full effects of those decisions. This is not wise, and it's not fair. Furthermore, the damage unnecessary duties do to steel consumers causes the customer base for domestic steel producers to shrink, ultimately harming the steel industry. Sound economic policy cannot be made in a vacuum. When economic policy decisions are made, the full effects of those decisions should be taken into consideration.

I support both a strong domestic steel industry and a strong domestic manufacturing base because they are vital to our national defense and economic security. Removing some specific duties will not harm domestic steel producers, who are doing quite well. In fact, domestic steel producers noted record earnings in 2004 (including increases as high as 45% over 2003) and analysts predict a strong 2005 for the industry. If the AD/CVD duties for specific types of steel were removed, market conditions would become less distorted and steel producers may see some extremely high prices they charge now drop to just very high. This will not cause material injury to steel producers, and in fact could provide some much-needed relief for their customer base.

This resolution does nothing to change trade law. It simply calls for sound policy and fundamental fairness. The DoC and ITC already have the authority to look at the full picture during sunset reviews of duties on steel products. I hope you will join me in calling on them to do just that.

For any questions, or to cosponsor this resolution, please contact Craig Albright (5-5802) in my office.

Sincerely,



Joe Knollenberg
Member of Congress