Consuming Industries
Trade Action Coalition

www.citac-trade.org

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# *CITAC Connections*

## CONSUMING INDUSTRIES FIGHT FOR RECOGNITION

Consuming industries are fighting battles on a number of fronts. On some fronts, we are winning the battle. To achieve results on other fronts, we must continue the effort to ensure that policy makers understand the downstream impacts of trade policies and actions.

The biggest and loudest battle of the moment is over steel tariffs. As everyone knows, President Bush decided in early March to impose tariffs on selected steel imports of up to 30 percent, despite protests from steel consumers. In short, politics trumped factual demonstrations that the tariffs would impose a serious hardship on the U.S. economy. In a study released in December 2001, CITAC conservatively estimated the damage tariffs would do to U.S. steel prices, employment and overall economic activity. Since March, however, steel prices are soaring, up as much as 70 percent for some products. Supposedly as a relief mechanism in support of consumers, the Administration established a process for excluding steel products not made in the United States. But while the exclusion process has provided a little relief for steel consumers, there is no process to help steel consumers who can and do buy domestic steel or commodity grades of steel. Many steel-consuming industries are now walking a fine line between survival and bankruptcy. Some policy makers have expressed alarm over the impact of the tariffs on steel consumers, insisting they had no idea it would turn out this badly and promising to study the matter further.

One bright spot on the steel front was a recent International Trade Commission decision that ended a cold-rolled steel anti-dumping (AD) investigation. The ITC vote that imports of cold-rolled steel were not a cause of serious injury to U.S. producers terminated the investigation. Almost all metallic components or parts used in industrial products both at home and in the office are manufactured from cold-rolled steel. The investigation threatened to add up to 150 percent to the cost of imported cold-rolled steel from selected countries.

Another hotly contested battle is over softwood lumber. Here again, consuming industries lost Round One, when the U.S. Government imposed AD and countervailing (CVD) duties on softwood lumber imported from Canada. Those duties, which total 27 percent, could increase the cost of a home by $1,000 and price 300,000 potential homeowners out of the market. But Round Two, which took place at the World Trade Organization (WTO), promises some hope: a dispute panel took issue with the way the United States calculated the CVD rate and concluded it violated U.S. international trade law obligations. The decision will not result in the revocation of the duties, but it is the first step in that process.

The effort to repeal the Byrd Amendment is another in which consuming industries are working to take the upper hand. The Amendment refunds to petitioners AD and CVD duties collected in such investigations. The Byrd Amendment is bad for consuming industries because it encourages producers to file AD or CVD actions against imports needed by consuming industries. But as CITAC expected, the WTO found that the Byrd Amendment violates U.S. international trade obligations. While the U.S. appeals the decision, CITAC hopes to explain the negative impact of the Amendment on consuming industries to build support for its eventual repeal.

**Consumer Scorecard, As of Sept. 2002**

| | Win | Loss |
|---|---|---|
| Steel | | |
| US imposes tariffs on steel imports | | x |
| ITC votes "no injury" on cold-rolled dumping | x | |
| Lumber | | |
| US imposes AD/CVD duties | | x |
| 1st WTO ruling on CVD duties | x | |
| Byrd Amendment | | |
| Amendment passes Congress | | x |
| Customs implements it | | x |
| WTO finds it illegal | x | |
| US decides to appeal WTO ruling | | x |
| Trade Bill | | |
| GSP renewed for 5 years | x | |
| Dayton-Craig amendment modified | x | |
| ATPA, AGOA, CBTPA expanded* | x | |
| Fertilizer | | |
| ITC, DOC launch fertilizer dumping investigation | | x |

* Andean Trade Preferences Act (ATPA), African Growth and Opportunity Act (AGOA), Caribbean Basin Trade Partnership Act (CBTOPA).

On another front, the recently-enacted Trade Act of 2002 contained a number of provisions that benefit consuming industries and was, virtually across the board, a "win" for those sectors of the economy that use or otherwise rely on imported products. For example, the bill extended for five years duty-free treatment for imports from selected developing countries – the U.S. Generalized System of Preferences (GSP) program. It significantly changed a provision (the Dayton-Craig amendment) that would have tied U.S. negotiators' hands at the upcoming round of multilateral trade negotiations on trade remedy rules. These rules need to be addressed, both for the benefit of American exporters as well as importers, and the Dayton-Craig amendment as originally drafted would have precluded that. Finally, the trade bill expanded preferences for imports from countries in the Andean, sub-Saharan African and Caribbean regions, benefits that will lower the cost of leather goods, apparel, footwear and other products of importance to consumers and those who sell to them.

Finally, farmers and others who buy fertilizer are finding their sourcing and pricing of a certain nitrogen fertilizer disrupted by an AD investigation. But while they pay the ultimate price (higher costs, reduced supply), farmers can only protest such cases at the margins. A bill promoted by CITAC, the "Transparency and Fairness Trade Act," would remedy this situation so that in future cases, farmers and all downstream consumers can fully participate in the process and ensure that they are not adversely affected by shortages.

The war is not over. Consuming industries face more battles on these and other issues in the months ahead. CITAC aims to ensure that policy makers consider the views of consuming industries in all actions affecting the well-being of these important sectors of the American economy.