The original documents are located in Box 23, folder “Specialty Steel” of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

March 15, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JOHN CARLSON

FROM: ROGER PORTER RP

SUBJECT: Specialty Steel

The Office of the Special Representative for Trade Negotiations has provided the following attached documents:

(1) A proposed schedule for Congressional consultations

(2) A draft press release -- which will be issued by STR and is presently being put into final form

(3) A specialty steel fact sheet

(4) Talking points on the specialty steel import decision and questions and answers.

STR will provide the White House Press Office with copies of their release for distribution to the White House Press Corps on an informational basis at tomorrow morning's briefing. Ambassador Dent, who is returning from Japan this evening, will hold a briefing on the decision for the press at STR tomorrow.

Attachments

SCHEDULE FOR CONGRESSIONAL NOTIFICATION
OF SPECIALTY STEEL IMPORT DECISION

1. Senate and House Leadership	-- To be contacted, informed, and supplied with background package (press release and fact sheet) by White House Congressional Liaison (Mr. Friedersdorf) between 9:00 a.m. and 9:30 a.m. Tuesday, March 16.
2. Chairmen and Ranking Minority Members, Senate Finance and House Ways and Means Committees	-- To be notified and briefed by STR (Ambassador Dent) between 9:00 a.m and 10:00 a.m.
Chairmen and Ranking Minority Members, Trade Subcommittees	-- By STR, 10:00-10:30 a.m.
3. Congressional group which called on President Friday, March 12	-- By White House, 10:00-11:00 a.m.
4. All Members who wrote letters to President and STR	-- By STR, 10:00-11:30 a.m.
5. Key Congressional Staff	-- By STR, 9:30-10:00 a.m.

DRAFT PRESS RELEASE

FOR RELEASE MARCH 16, 1976

PRESIDENT FORD ANNOUNCES IMPORT
RELIEF FOR SPECIALTY STEEL INDUSTRY AND WORKERS:
WILL ATTEMPT TO NEGOTIATE INTERNATIONAL SOLUTION

President Ford announced today that he has decided to grant import relief to the specialty steel industry. This is the first affirmative action taken under the escape clause provisions of the Trade Act of 1974.

The United Steelworkers of America and the Tool and Stainless Steel Industry Committee petitioned the U.S. International Trade Commission (USITC) on July 16, 1975 for import relief. On January 16, 1976 the USITC found that the industry was seriously injured substantially due to increased imports. During most of 1975, 25 percent or more of the industry's 30,000 person workforce were laid off and less than half of the industry's production capacity was utilized, causing profits to plummet. At the same time imports rose slightly in tonnage terms and significantly increased their share of the U.S. market. Thus, the President has determined that the industry and its workers need relief.

The President announced that the U.S. will attempt to negotiate orderly marketing agreements with key supplying countries for specialty steel products covered by the USITC's affirmative finding of injury. It is intended that these agreements limit imports over a three year period, while the domestic specialty steel industry recovers from the high unemployment and depressed operating levels of 1975. Should orderly marketing agreements not be negotiated successfully the President will proclaim import quotas for a period of three years to take effect no later than June 14, 1976. The quotas will be set at overall levels comparable to those recommended by the USITC.

This should be sufficient for the industry to recover a healthy employment and profit position. Relief will be reduced or discontinued when the President determines, with the advice of the USITC and the Secretaries of Commerce and Labor, that this recovery is taking place.

International consultations have been requested by the United States in the OECD to discuss the problems of our specialty steel industry and the proposed U.S. actions. The

United States has notified the specialty steel case under the General Agreement on Tariffs and Trade (GATT), and it is expected that consultations will take place under the provisions of the GATT. Bilateral discussions with key supplying countries will be initiated as soon as possible.

In recognition of the special problems of our specialty and carbon steel industry - the President has directed his Special Representative for Trade Negotiations, in the Multilateral Trade Negotiations, to negotiate on a sectoral basis solutions to the problems of cyclical distortions in steel trade, while liberalizing the conditions of this trade.

Finally, the President has ordered the Secretary of Labor to expedite processing of trade adjustment assistance petitions, to assist the large number of unemployed specialty steel workers. About 3400 workers of the 8500 laid off are already eligible for such assistance.

The decision not to implement at this time the USITC's proposed remedy of quotas for the next five years is based on several considerations. This remedy is too inflexible in view of the rapid expansions and contractions of the specialty steel market and is not well suited to the needs of the industry during recovery from a recession period. The U.S. Government also desires to avoid unilateral restrictive action by trying to resolve specialty steel import problems through agreements with the other major nations involved. In this manner, the disruption to trade can be reduced and the special concerns of other nations can be taken into account, while the injury to the domestic industry is remedied.

SPECIALTY STEEL CASE FACT SHEET

Specialty steel imports amounted to nearly $200 million in 1975. This represented a nearly two-fold increase compared with 1970 imports of about $110 million.*

In tonnage terms, imports of stainless and alloy tool steel in 1975 were the second highest level since 1968. Import penetration rates were about 20% in 1970, 1971, and 1975, substantially higher than for the intervening years.

Domestic production and shipments more than doubled from 1970 to 1974. However, in 1975, a decline of roughly 45% occurred. Employment trends over the last several years have also been generally upward. However, in 1975, approximately 8500 workers were in lay-off status representing approximately 25% of the industry's work force.

The specialty steel industry is geographically concentrated in the eastern half of the United States with the largest number of plants located in Pennsylvania. Substantial production also is found in New York, Ohio, Maryland, Michigan and Indiana. Pennsylvania in particular has been hard hit by cut-backs in domestic shipments.

The specialty steel industry is suffering to a large extent from the domestic recession and is expected to recover substantiall as the domestic economy recovers. Long-run prospects for the U.S. market appear favorable with a higher growth rate likely than for carbon steel products. Further, the domestic industry appears to be cost competitive with Japan and the EC, the principal sources of imports aside from Sweden. A major question mark on the horizon is Korea which has purchased a large specialty steel facility from the U.S. and plans to begin production in late 1976, which could lead to exports to the U.S. market amounting to roughly 1/5 total U.S. imports.

The USITC case involves only specialty steel and not the much larger carbon steel industry. Specialty steel imports account for only 5% of U.S. steel imports by value and 1% in tonnage terms. However, the entire steel industry suffers from similar problems, cyclical swings in demand resulting in excess capacity in periods of recession, aggravated by governmental actions abroad. While the impact on domestic specialty steel production has been much sharper than with respect to carbon steel, the effect on the whole steel industry has been substantial.

* This case covers $200 million in 1975 trade, compared with total steel imports of $4.5 billion, and total U.S. imports of $103 billion.

During 1975 the U.S. specialty steel industry reduced its capacity and employment to a greater extent than foreign specialty steel industries. This apparently reflects differences in national policies regarding employment. Foreign governmental policies encourage the maintenance of employment levels despite recession whereas U.S. industry reduces production to match demand.

The specialty steel industry has urged the U.S. Government for many years to grant protection against import competition. Such pressure in 1971 led to negotiation of stainless steel subceilings under the steel voluntary restraint agreements (VRAs) with Japan and the European Community. Experience under those restraints indicates that Japan did not fill the levels allocated -- probably due to high demand in other world markets -- and that the EC probably exceeded the levels provided for under the VRA.

TALKING POINTS ON SPECIALTY
STEEL IMPORT DECISION

1. This is the first USITC finding under the Trade Act of 1974 that a United States industry is being injured by imports and the first recommendation to the President for import relief under the Act.

2. The President is responding to the U.S. International Trade Commission's finding of injury to domestic industry, and has prescribed import relief.

3. The President has decided to seek the avoidance of offsetting measures by foreign suppliers (principally Japan, the European Community and Sweden) against U.S. exports -- which are increasingly important to the recovery of the domestic economy -- by first seeking to negotiate an orderly marketing agreement with our trading partners in these specialty steel products.

4. If agreements are not successfully concluded within 90 days, the import relief decided by the President will be quantitative restrictions (import quotas) set at overall levels comparable to those recommended by the USITC.

5. Import relief will last for a three-year period unless the domestic industry recovers earlier, or steel products become the subject of a sectoral trade agreement in the multilateral trade negotiations.

6. The relief provided covers a period sufficient for the industry to recover a healthy employment and profit position. That point will be determined taking into account the advice of the USITC and the Secretaries of Commerce and Labor, as provided by law.

7. The reason the President chose application of the quotas for three years, rather than five as recommended by the USITC, is that he considered five years too inflexible in view of rapid expansions and contractions of the specialty steel market, and not well suited to the needs of the industry during recovery from a recession period.

8. If orderly marketing agreements are not concluded successfully, the import quotas will automatically be applied no later than in mid-June.

9. The President has ordered expedited processing of adjustment assistance to domestic workers.

10. The U.S. steel industry and labor petitioners in this case also requested an international steel sector negotiation.

11. These actions are fully responsive to the views of industry, labor and the Congress, while taking into account the national interest and our international obligations as required under the Trade Act of 1974.

Q: How much trade is involved in this action?

A: Of $4.5 billion of total U.S. steel imports, specialty steel accounts for $200 million in trade, and about one percent of total domestic steel tonnage imported.

Q: How badly is the U.S. industry suffering from import competition and in what condition are foreign industries?

A: The U.S. industry has experienced very large declines in production and employment during the past year with unemployment rates in excess of 25% and capacity utilization rates below 50%. As a result, many communities, particularly in Pennsylvania, have been hard hit by unemployment, and many firms in the industry have experienced very low profits or operated unprofitably during 1975. While industries of other countries have also experienced setbacks these appear to have been less severe than in the United States. In particular, employment levels abroad have not fallen nearly as far as they have in the United States.

Q: What are recent import shipment and import penetration levels in the United States?

A: In 1975 imports of the products covered by the President's decision totaled 153,400 tons. This represented an increase of about 2,000 tons over 1974, but is still somewhat lower than the peak year 1971 when imports exceeded 159,000 tons. Domestic shipments in 1975 were off by 40-45% and as a result the import share of the domestic market nearly doubled from 10 to 20%. It should be noted that import penetration of 20% was also achieved in an earlier recession in 1970 and 1971. It has been argued that import levels have fallen off less than domestic shipments due to the lag in delivery times. However, imports during the last 3 months for which data are available (Nov. 1975-Jan. 1976), have been at an annual rate of approximately 154,000 tons suggesting little change from the annual levels for 1975. Although there is evidence that domestic shipments and domestic consumption are recovering from the depressed 1975 levels and that workers are beginning to be recalled in the industry, nevertheless operating rates are still low and unemployment is still very high.

Q: What products are covered by the President's decision?

A: The President's decision covers only those products on which the USITC reached an affirmative finding under the escape clause provisions of the Trade Act of 1974. It does not include some products generally considered as specialty steel but is limited to 21 specific (7-digit) items of the Tariff Schedule of the United States and portions of 6 other items. Specifically excluded from the action are stainless steel ingots, blooms, and billets; stainless steel pipe and tube; and stainless steel wire.

Q: What are the escape clause provisions of the Trade Act of 1974?

A: Escape clause provisions provide import relief to domestic industries that are suffering serious injury or the threat thereof, substantially caused by increased imports. Actions under the escape clause provisions are initiated by a petition to the USITC which then conducts an investigation and reports its findings to the President within 6 months. If the USITC finds injury due to substantially increased imports, it recommends a remedy(ies) to the President. Within 60 days of the USITC report, the President must determine whether import relief is in the national economic interest and if so, what form of relief he will provide from those authorized by the Trade Act.

Q: What is meant by import relief?

A: The Trade Act provides for import relief in any of the following forms:

1. Increase in tariff rates by a maximum of 50% ad valorem
2. Tariff rate quotas (i.e. tariff increases applied to imports in excess of a specified volume)
3. Quantitative restrictions or import quotas
4. Negotiating of orderly marketing agreements with exporting countries and
5. Any combination of the above forms of relief

Q: What relief has been requested by petitioners in this case?

A: The stainless and tool steel industry committee and the United Steelworkers of America had requested the imposition of quotas somewhat more restrictive than those recommended by the USITC and the negotiation of an international agreement that would provide a permanent system to safeguard the domestic industry.

Q: What relief was recommended by the USITC?

A: The USITC recommended to the President imposition of quantitative restrictions for a five-year period. Quotas would be imposed by product category and total imports of each category would be allocated to individual country suppliers on the basis of their average import share during the 1972-1974 period. If quotas provided in any given year were not filled by particular suppliers, the shortfall would be reallocated to other suppliers. Imports during the first 6 months of any given year would not exceed 60% of the calendar year quota. The specific quota levels proposed by the USITC are as follows:

Product	1976 (in short tons)	1977-1980 Minimum	1977-1980 Maximum*
Stainless Steel			
Sheet and Strip	79,000	73,000	13%
Plate	13,000	11,900	15%
Bar	19,600	19,600	13%
Rod	16,000	15,900	52%
Alloy Tool Steel	18,400	18,400	18%
TOTAL	146,000	138,900	

*Amount equal to specified percent of preceding year's apparent consumption. Maximum is estimated to be somewhat greater than 1976 quota level, assuming modest growth in consumption.

Q: Why did the President not accept the USITC's advice?

A: There are a number of problems with the remedy proposed by the USITC. First, it is not sufficiently flexible in view of the very wide expansions and contractions that occur in the specialty steel market for example, during a period of rapid expansion. The USITC import levels would be constrained from rising rapidly, and therefore, when the domestic industry is operating near capacity levels, consumers would be denied import supplies. Also, should a recession occur, imports would not be effectively constrained because quota levels would be based on consumption in the previous year which would be a peak demand period.

The second concern with respect to the USITC remedy is that the foreign policy consequences would be particularly adverse. The particular structure for country allocations under that system has a substantial impact on certain countries although in other cases it provides for import levels which probably cannot be realistically achieved.

Thirdly, there are some technical problems with the USITC recommendation such as the ommission from the alloy tool steel quota of approximately 6% of U.S. imports that are reported under partial U.S. tariff items.

Q: Why aren't the quotas being imposed now?

A: If the form of relief provided by the President had been simply quantitative restrictions, then these restrictions would have to be put into effect no later than March 31, 1976. However, in this case, the form of relief announced by the President is the negotiation of an international solution, first through temporary orderly marketing agreements, and then through a sectoral negotiation in the MTN. The quota system provided is merely a contingency in the event that such agreements cannot be negotiated. The Trade Act provides 90 days for negotiation of orderly marketing agreements. In the event that our efforts are unsuccessful, it requires that import relief be put into effect no later than June 14, 1976.

Q: Why does the President set quotas for only 3 years whereas the USITC recommended 5 years?

A: The President has determined that the import problem of the specialty steel industry is tied to cyclical conditions in the domestic market and abroad. Such conditions are expected to be of short duration and import relief is designed to protect domestic industry until markets recover sufficiently to permit normal competitive factors to take precedence over temporary cyclical distortions. The current prospects for the industry are considered favorable and it is expected that recovery will be substantially accomplished within 3 years. It should be noted however, that under the authority of the Trade Act the President must seek the advice of the USITC and the Secretaries of Commerce and Labor before removing or reducing import relief. If the President determines that a further period of relief is needed, he may extend the relief for an additional 3 years (or in this case until well into 1982).

Q: What is meant by healthy levels of employment and profit that could trigger reduction or elimination of import relief?

A: While specific quantitative criteria have not been established, it is clear that the industry must significantly increase employment and operating levels before its operations can be considered to have returned to healthy levels. While this question is somewhat subjective, the President has no intention of removing import relief unless the industry is operating on a very sound basis.

Q: How will individual countrys' shares of quotas be determined?

A: It is not certain how quotas would be allocated to individual countries at this time. Such shares could be based on recent historical performance to the extent possible within overall constraints or global quotas could be set on a first-come, first-served basis.

Q: What are the overall levels to be used if import quotas are imposed on June 14, 1976?

A: It is premature at this time to discuss precisely what levels might be imposed should our efforts to negotiate orderly marketing agreements be unsuccessful. Certainly such quotas would be in the same order of magnitude as those recommended by the USITC. For 1976, the USITC recommended an import level of 146,000 tons. It is difficult to estimate what levels would be set by the USITC formula for years subsequent to 1976 because these would be based on consumption levels. It is estimated that quotas under the ITC formula might be set as high as 160,000 tons in 1977 and 1978.

Q: What are the inflationary effects of import relief provided?

A: Any possible inflationary effects are very difficult to predict particularly because at this time we are uncertain as to the exact form and level of relief that will actually take effect by June 14. It is unlikely that such effects will be substantial because stainless and tool steel products are normally a very small proportion of the costs of products in which they are used. (The Bureau of Labor Statistics wholesale price index weight for these products is only .00175).

Q: What benefits are provided by trade adjustment assistance for workers?

A: Trade adjustment assistance for workers in the specialty steel industry will be of greatest benefit in providing income during periods where workers are laid off. Trade adjustment assistance provisions provide for payments for up to 1 year of as much as 70% of average weekly wages provided that that amount does not exceed the average wage for all manufacturing. In some cases the period of assistance is extended beyond one year. This benefit is particularly valuable for workers in this industry because many have been laid off for a substantial period of time and their unemployment insurance benefits or their SUB union benefits have expired.

Q: What benefit to the industry and its workers will result from import relief?

A: Import relief is expected to contribute to the recovery of the industry from its depressed employment and operating levels. It is expected that worker recalls will be accelerated reducing unemployment levels, and that higher profit rates will be realized which will have beneficial effects on industry investment and research and development. It is difficult to estimate the extent of such benefits in quantitative terms.

Q: At what levels would imports be permitted under OMA's?

A: Import levels under a series of orderly marketing agreements probably would be flexible enought to take into account the trends in principal supplying countries. While this would result in import levels somewhat greater than those which would occur under unilateral restraints, overall trade from all countries would be held below levels which have been historically achieved in the U.S. market.

Q: Why negotiate OMA's when quotas appear to have the same effect?

A: The process of negotiating OMA's provides considerably more flexibility in responding to special problems of both the domestic industry and of individual supplying countries. It reduces the adverse consequences on U.S. foreign policy interests and also reduces or eliminates the risk of retaliation by other countries or the payment of compensation to those countries in the form of reduced protection for other U.S. industries.

Q: With which countries will orderly marketing agreements be negotiated?

A: We intend to negotiate with a sufficient number of countries to account for a major share of imports of specialty steel. We will take into consideration both historical import performance, and planned performance to the extent that such information is available. Major suppliers are Japan, Sweden, and the European Community. The Trade Act authorizes the enforcement of negotiated orderly marketing agreements with respect to countries not signing such agreements (if agreements are reached with countries accounting for the major share of U.S. imports). These countries together would meet that test.

Q: How will this action be received by our major trading partners, particularly exporters of specialty steel? What is this going to do to our overall relationships with the EC, Japan and Sweden?

A: First, our trading partners should recognize that our specialty steel industry suffered a much larger decline in production and a much larger number of worker layoffs, and depressed earnings, than their industries did as a result of the recession. Our domestic specialty steel industry reduced its production to match demand by 45 percent and unemployment soared to 40 percent. Foreign nations, although facing a similar recessionary decline in demand, did not reduce their production and employment. For example, the Japanese specialty steel industry maintained a productive level of 70 percent and the Swedish industry reduced production by only 9 percent. The Japanese also maintained employment above our levels. The results of these policies were demonstrated in an increase of shipments of specialty steel to the United States during 1975 over 1974, despite the serious curtailment of domestic production and demand.

The EC is also reported to have resolved its steel trade problems informally and unofficially. This is not a means for dealing with our unemployment problem or undercapacity production or plummeting earnings. Any steel arrangements that we enter into will be pursuant to our import relief laws, based upon a finding of serious injury from imports.

But we are making every attempt in this case to resolve our problems, as well as those of our trading partners, through international negotiation, rather than through unilateral action, or reaction. We have a maximum of three months under the Trade Act in which to work out orderly marketing agreements with our trading partners, to tide us over until we can attack the basic world steel problems through a sectoral negotiation in the trade talks in Geneva. We think this is a reasonable and responsible action, which fully takes into account our international obligations. We are discussing this matter both bilaterally and through the OECD, as pursuant to our commitments at both Rambouillet and in the OECD.

Q: Why have consultations been requested in the OECD?

A: These consultations are consistent with U.S. participation in the OECD Trade Pledge signed initially in May 1974 and reconfirmed in May 1975. The Trade Pledge calls for consultations with other OECD members when measures are contemplated that will restrict imports. While the Pledge does provide an exception for escape clause cases, the U.S. feels that the spirit of the Trade Pledge is best served by conducting such consultations.

Q: Will the U.S. be required to grant compensation and if so, what effect will it have?

A: The extent to which claims for compensation are made is dependent on the form and level of relief. It is not clear at this time whether, or how much compensation will be involved under the proposed actions of the President. The U.S. stands ready to consult on the issue of compensation with countries which may be adversely affected by any U.S. trade restrictions on steel. Normally, when orderly marketing agreements are negotiated, the supplying countries agree to waive claims for compensation.

Q: Can the Congress override the President's decision and how long does it have to do so?

A: The Trade Act provides for Congressional action to disapprove the President's decision within 90 working legislative days of the date of the President's announcement. The override is effected by a majority vote of those present and voting in both Houses. The period during which such a concurrent resolution of disapproval could be considered in this case, might stretch into August or September depending on Congressional schedules. Should the Congress override the President's decision, the 5-year quota recommendation of the USITC would have to be implemented within 30 days of the Congressional action.

Q: What will be done in the MTN on a sectoral basis?

A: The President has directed the Special Representative for Trade Negotiations to negotiate the problems of the steel industry on a sectoral basis in the Multilateral Trade Negotiations. The emphasis of such effort would be to reduce cyclical distortions of trade, such as has occurred in the specialty steel case, while at the same time liberalizing trade in steel products. The timing and nature of such sectoral negotiations on steel in the MTN is dependent upon the willingness of other countries to participate and at this time it is not clear what progress can be made.

ADDITIONAL TALKING POINTS ON SPECIALTY STEEL IMPORT DECISION

1. Differences Between a "Voluntary Restraint Agreement" (VRA) and an "Orderly Marketing Agreement" (OMA):

A VRA is a voluntary undertaking by supplier(s) to restrain exports. An OMA is a negotiated agreement between exporting and importing countries to regulate their trade in a subject item(s).

A VRA may or may not be a negotiated agreement with the formal legality of a trade agreement or other international agreement. An OMA is a formal negotiated agreement.

Previous international steel VRAs, to which the U.S. was a party, raise a number of questions under our antitrust laws. The Trade Act of 1974 (Section 607) even immunized against liability for the prior steel VRA.

An EC-Japan steel VRA has been widely reported, although officially not acknowledged.

2. OMA Advantages:

OMAs preserve the principle of internationally negotiated solutions to world trade problems, rather than unilateral responses and retaliation -- with all the problems of compensation and counter-retaliation, and the threat of escalation of problems into trade war proportion.

3. Relationship Between OMA and Sector Negotiation:

There is a direct bridge between a specialty steel OMA and a steel sector negotiation in the MTN. Most steel producers abroad as well as in the U.S. favor a sectoral negotiation. This does not necessarily mean that such a trade agreement would be "protectionist" or restrictive. In fact, it might be much more expansive and outward looking than the coverage of steel products under more general tariff or non-tariff agreements.

A temporary international negotiation of an OMA could logically lead into a broader steel sector negotiation within the context of the MTN.

FOR RELEASE 3:00 P.M. PRESS RELEASE #220
TUESDAY, MARCH 16, 1976

OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

PRESIDENT FORD DETERMINES IMPORT RELIEF FOR SPECIALTY STEEL INDUSTRY AND WORKERS; WILL ATTEMPT TO NEGOTIATE INTERNATIONAL TRADE AGREEMENTS

President Ford has determined to grant import relief to the specialty steel industry, Ambassador Frederick B. Dent, the President's Special Representative for Trade Negotiations announced today. This is the first affirmative action taken under the escape clause provisions of the Trade Act of 1974.

The United Steelworkers of America and the Tool and Stainless Steel Industry Committee petitioned the U.S. International Trade Commission (USITC) on July 16, 1975 for import relief. On January 16, 1976 the USITC found that the industry was seriously injured substantially due to increased imports. During most of 1975, 25 percent or more of the industry's 30,000 person workforce were laid off and less than half of the industry's production capacity was utilized, causing profits to plummet. At the same time imports rose slightly in tonnage terms and significantly increased their share of the U.S. market.

The President has directed the Special Representative for Trade Negotiations to attempt to negotiate orderly marketing agreements with key supplying countries for specialty steel products covered by the USITC's affirmative finding of injury. It is intended that these agreements limit imports over a three year period, while the domestic specialty steel industry recovers from the high unemployment and depressed operating levels of 1975. Should orderly marketing agreements not be negotiated successfully the President will proclaim import quotas for a period of three years to take effect no later than June 14, 1976. Such quotas would be set at overall levels comparable to those recommended by the USITC.

This should be sufficient for the industry to recover a healthy employment and profit position. Relief will be reduced or discontinued when the President determines, with the advice of the USITC and the Secretaries of Commerce and Labor, that this recovery is taking place.

International consultations have been requested by the United States in the OECD to discuss the problems of our specialty steel industry and the proposed U.S. actions. The United States has notified the specialty steel case under the General Agreement on Tariffs and Trade (GATT), and it is expected that consultations will take place under the provisions of the GATT. Bilateral discussions with key supplying countries are being initiated.

In recognition of the special problems of the specialty and carbon steel industry, the President has directed the Special Representative for Trade Negotiations, in the Multilateral Trade Negotiations, to negotiate on a sectoral basis solutions to the problems of cyclical distortions in steel trade, while liberalizing the conditions of this trade.

Finally, the President has directed the Secretary of Labor to expedite processing of trade adjustment assistance petitions, to assist the large number of unemployed specialty steel workers. About 3400 of 8500 workers laid off are already eligible for such assistance.

The decision not to implement at this time the USITC's proposed remedy of quotas for the next five years is based on several considerations. This remedy is too inflexible in view of the rapid expansions and contractions of the specialty steel market and is not well suited to the needs of the industry during recovery from a recession period. The United States Government also desires to avoid unilateral restrictive action by trying to resolve specialty steel import problems through agreements with the other major nations involved. In this manner, the disruption to trade can be reduced and the special concerns of other nations can be taken into account, while the injury to the domestic industry is remedied.

Cederberg
Lundine

H205 Speaker

H148 O'Neill

H107 McFall

2454 Burton Phil

H232 Rhodes

2112 Michel

1101 Anderson, John

2206 Devine Samuel

2439 Edwards Jack

2228 Conable

1336 Schneebeli Herman

301 Gaydos Joseph

1729 Regula

120 Spence Floyd

2135 Downing Thomas

1440 Kindness Thomas

1233 Mottl Ronald

2458 Duncan, (Tenn.) John

124 Beard, (Tenn.) Robin

229 Sarasin Ronald

2110 Flynt (flatware) John

1221 Tim Lee Hall

1436 Ashbrook John

2104 Dent John

409 Fish

1226 Gilman Benjamin

2457 Harsha Wm

2264 Hays

2229 Horton Frank

428 Lent Norman

2464 McEwen, Robert

434 Miller, C.

1527 Mitchell, Don

1711 Myers (Pa.) Gary

1133 Peyser, Peter

2302 Stratton, Samuel

206 Walsh, William

2334 Wydler, John

2183 Morgan, Thomas

1407 Risenhoover, Theodore

2405 Steed, Tom

225 Jones, (Jim) James

2416 Jarman John

1108 English, Glenn

Schuster
Rinaldo
Green, Wm
Floyd Fithian
J. Edw. Roush
~~Goldwater~~
Jack Kemp

Wm Whitehurst
Phil Sharp
Wm Moorhead
~~Sam Stratton~~
~~Ed Crittenden~~
Mazzoli
~~Tom Bevill~~

William Cohen
David Emery
ack 2/13
Cannon-handling
FEB 12 1976

Enclose report by Dr. Gerold K. V. Klein of Brunswick, Maine, dealing with the Emergency Medical Services Act Amendments of 1975 and the Burn Facilities Act of 1975. "In a recent hearing before a subcommittee of the Interstate and Foreign Commerce Committee, Dr. Klein discussed the urgent need to separate Emergency Medical Services from the Block Grant Program. Although this position is in disagreement with your recent budget proposals, we sincerely hope that you will reconsider your approach after examining Dr. Klein's arguments against decentralizing a program which is so important to our national security and survival."

H. John Heinz, Lawrence Coughlin, William Goodling, Edwin Eshleman, Albert Johnson, Joseph McDade, Richard Schulze

FEB 17 1976
ack 2/19
Dent-handling

Send detailed letter urging acceptance of the International Trade Commission's recommendation that quotas be placed on specialty steel imports.

Robert Kastenmeier, Chairman, Subcommittee on Courts, Civil Liberties, and the Administration of Justice; and Thomas Railsback, Ranking Minority Member on this Subcommittee. JM

ack 2/20
Jack Marsh-handling
FEB 19 1976

Write in regard to the February 18 news conference in which the President stated that he expected to meet soon with Congressional leaders to map out legislation to provide judicial safeguards against electronic surveillance and mail openings, and that he had recommended that the Attorney General work with Congress to establish legislation requiring court approval of wiretapping in national security cases. Note that the Department of Justice informed them on June 26, 1975, that the Executive branch opposed any requirement of judicial approval in national security electronic surveillance situations. "We commend you for reversing this position and look forward to working with you, the Attorney General and other Members of Congress, in developing better controls on national security surveillance. To that end, we are enclosing draft legislation embodying our latest efforts to provide judicial oversight of national security wiretapping while at the same time leaving room for the legitimate needs of the intelligence community. We expect that our subcommittee will act favorably on this draft in the near future, and with your support it could soon become law, bringing to a prompt close the current national debate on this issue."

John Dent, Leonor Sullivan, Joseph Addabbo, Mendel Davis, Carroll Hubbard, John Dingell, Robert Roe, Robert Mollohan, Robert Nix, Gus Yatron, James Hanley, Joseph Gaydos, Leo Zeferetti, John Murtha, Thomas Morgan, Frank Thompson, Joshua Eilberg, Wayne Hays, Joseph Vigorito, Tom Bevill, Stewart McKinney, Dominick Daniels, Paul Sarbanes, Charles Carney (~~for a total of 24 co-sign~~ers)

ack 2/20
Amb Dent-handling
FEB 19 1976

Urge acceptance, without change, of the International Trade Commission's recommendations with regard to imports of [illegible]

SPECIALTY STEEL CASE FACT SHEET

Specialty steel imports amounted to nearly $200 million in 1975. This represented a nearly two-fold increase compared with 1970 imports of about $110 million.*

In tonnage terms, imports of stainless and alloy tool steel in 1975 were the second highest level since 1968. Import penetration rates were about 20% in 1970, 1971, and 1975, substantially higher than for the intervening years.

Domestic production and shipments more than doubled from 1970 to 1974. However, in 1975, a decline of roughly 45% occurred. Employment trends over the last several years have also been generally upward. However, in 1975, approximately 8500 workers were in lay-off status representing approximately 25% of the industry's work force.

The specialty steel industry is geographically concentrated in the eastern half of the United States with the largest number of plants located in Pennsylvania. Substantial production also is found in New York, Ohio, Maryland, Michigan and Indiana. Pennsylvania in particular has been hard hit by cut-backs in domestic shipments.

The specialty steel industry is suffering to a large extent from the domestic recession and is expected to recover substantially as the domestic economy recovers. Long-run prospects for the U.S. market appear favorable with a higher growth rate likely than for carbon steel products.

The USITC case involves only specialty steel and not the much larger carbon steel industry. Specialty steel imports account for only 5% of U.S. steel imports by value and 1% in tonnage terms. However, the entire steel industry suffers from similar problems, cyclical swings in demand resulting in excess capacity in periods of recession, aggravated by governmental actions abroad. While the impact on domestic specialty steel production has been much sharper than with respect to carbon steel, the effect on the whole steel industry has been substantial.

During 1975 the U.S. specialty steel industry reduced its capacity and employment to a greater extent than foreign specialty steel industries. This apparently reflects differences in national policies regarding employment. Foreign governmental policies encourage the maintenance of employment levels despite recession whereas U.S. industry reduces production to match demand.

* This case covers $200 million in 1975 trade, compared with total steel imports of $4.5 billion, and total U.S. imports of $103 billion.