The original documents are located in Box 11, folder "Economy - Trade Stainless Steel Flatware" of the Philip Buchen Files at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

April 26, 1976

MEMO FOR: PHIL BUCHEN

FROM: KEN LAZARUS

SUBJECT: Seidman Memo/Stainless Steel Table Flatware Escape Clause Case

Suggested Response:

No objection.

Approve X ______ Disapprove ______

P.

THE WHITE HOUSE

WASHINGTON

April 23, 1976

MEMORANDUM FOR PHILIP W. BUCHEN
JAMES M. CANNON
MAX FRIEDERSDORF
JOHN O. MARSH
BRENT SCOWCROFT

FROM: L. WILLIAM SEIDMAN LWS

SUBJECT: Stainless Steel Table Flatware Escape Clause Case

A memorandum from Ambassador Dent on the stainless steel table flatware escape clause case is attached. I would appreciate your comments and recommendations on this memorandum no later than c.o.b. Monday, April 26.

No objection — PW Buchen 4/26/76

Attachment

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

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MEMORANDUM FOR THE PRESIDENT APR 21 1976

SUBJECT: Escape Clause Case - Stainless Steel Table Flatware

On March 1, 1976 the U.S. International Trade Commission reported to you its finding, by a vote of 5 to 1, that the domestic stainless steel flatware industry is being seriously injured by increased imports.

On the question of remedy, three Commissioners recommended increased protection under a tariff rate quota (TRQ); one Commissioner recommended import relief under another form of TRQ; and two Commissioners, including one who found negatively on injury, recommended only adjustment assistance. Since there was no majority finding on the matter of remedy, your decision in the case cannot be subject to an effective Congressional override.

Under the provisions of the Trade Act of 1974 your decision as to remedy must be made by April 30, 1976.

We have had representations from six members of Congress on flatware. Representatives Roe (NY), Johnson (PA), Allen (Ala), Whitehurst (VA), and Mitchell (NY) support the industry's request for tariff relief. Senator Brooke (Mass) opposes higher duties on flatware over 25 cents a piece.

This case has been considered in the interagency Trade Policy Committee structure in accordance with section 242(b)(2) of the Trade Expansion Act of 1962. Agencies were unanimous in recommending as the appropriate remedy that you direct the Secretary of Commerce and the Secretary of Labor to give expedited consideration to petitions for adjustment assistance filed with them by the industry, its workers, and communities impacted by flatware imports. Therefore, it is recommended that you determine that the granting of import relief is not in the national interest. I concur in these recommendations.

Approve: ______________

Disapprove: ______________

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For your information, I am attaching a copy of the paper on this case prepared by the Trade Policy Staff Committee. Also attached for use if you accept the above recommendations are: (1) draft letters to the Secretary of Commerce and the Secretary of Labor on adjustment assistance; (2) a draft press release announcing your decision; (3) a draft decision memorandum which would be published in the Federal Register; and (4) draft letters to the President of the Senate and the Speaker of the House of Representatives reporting your decision to the Congress.

Frederick B. Dent

Attachments

TRADE POLICY STAFF COMMITTEE

ACTION RECORD

DATE: April 19, 1976

DOCUMENT: 76-19

SUBJECT: Task Force Report on Stainless Steel Flatware

SUBMITTED BY: Task Force

ATTENDANCE:

Agency	
STR	Allen H. Garland, Chairman; Doris Whitnack
Agriculture	James Benson
Commerce	William Pounds; William Cavitt; Sterling Nicholson
Defense	
Interior	Howard Andersen
ITC	John Boyd; John DePauw
Labor	Gloria Pratt; John Kinyon
State	William Clark; William Diroll
Treasury	John Ray; William Barreda
OMB	Steve Farrar
NSC	Barbara Bowie

COMMITTEE DECISION:

Paper approved following TPRG review.

COMMITTEE COMMENT:

CF

Carolyn Frank
Secretary

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I. PROBLEM

The U.S. International Trade Commission (USITC) on March 1, 1976 reported to the President its finding, by a vote of 5 to 1, that increased imports of certain stainless steel flatware are a substantial cause of serious injury to the domestic industry producing like or directly competitive articles. The flatware covered by the affirmative finding enters the United States under TSUS 650.08, 650.09, 650.10, 650.12, 650.38, 650.39, 650.40, 650.42 650.54, 650.55, and 651.75. The Commission found in the negative, 5 to 1, on flatware classified under TSUS 650.21, 650.49 and 650.56.

There was no majority finding on the question of remedy. Three Commissioners recommended a new tariff rate quota (TRQ); one recommended another TRQ; and two recommended adjustment assistance as the appropriate remedy. Since there was no Commission finding on remedy, the decision of the President in this matter will be subject to Congressional override only if no remedy is provided.

The Trade Policy Staff Committee (TPSC) has been asked for its recommendations as to what action the President should take in this case. The statutory deadline for such action is April 30.

II. RECOMMENDATIONS

That the President be advised to provide expedited adjustment assistance as the remedy for the injury found by the Commission. This recommendation was considered and approved unanimously by the Trade Policy Review Group.

III. BACKGROUND

Key background data are summarized below in fact-sheet form.

A. Industry Profile

1. Fifteen manufacturers operating 19 plants. About half of the production is in New York state with almost all the rest in New England, New Jersey, California, and Ohio.

2. Two firms accounted for 82 percent of the value and 68 percent by quantity of U.S. shipments (1974). The share in 1971 was 79 percent and 69 percent, respectively. (Oneida's share rose while Insilco showed a major drop.)

   a) Oneida Ltd. - 1974 sales $52 million or 70 percent of U.S. shipments (56 percent by quantity). Premium sales about 1/3; low cost hotel and restaurant ware 40 percent; remainder relatively high cost for consumer market.

   b) Insilco - 1974 sales $10.8 million or 12 percent of U.S. shipments, both by value and quantity. Retail market 44 percent; commercial or institutional sales 38 percent.

   c) Thirteen smaller firms - shipments equal 32 percent of total by quantity, 18 percent by value. Sales to retail market $5.6 million, or 17 percent of total retail sales. Commercial and institutional (C&I) sales $8.3 million or 42 percent of that market. Share of total shipments remained about the same from 1971 through 1974 by quantity but declined slightly by value.

3. Market:

   a) Retail - 45 to 50 percent of U.S. producers' sales. Bulk in sets priced $15-$20.

   b) Commercial & Institutional - sales about $20 million or 26 percent of total.

   c) Premium (promotional) sales $20 million or 27 percent of total sales.

B. Domestic Production

1. Production dropped significantly in 1971 and thereafter remained relatively stable until 1975.

2. Capacity increased 2.8 million dozen from 1971-75 or nine percent. Oneida claims operations in 1975 were about 60 percent of capacity. Average for the small producers was 40 percent but the USITC estimates 64 percent for the industry.

3. Producers' inventories have fluctuated but the ratio to shipments was about 25 percent in 1973-74. In 1975 the ratio rose substantially reflecting recessionary pressures.

C. Average Value of Domestic Shipments and Imports by U.S. Producers

The range of grades and product-mix of ssf varies substantially among domestic producers. Average value per piece is shown below for 1974 domestic shipments, with data on imports by U.S. producers included for comparative purposes:

	Domestic Shipments	Imports Within Quota	Imports O/Q	Grades a/ Dom.	Grades a/ Imports
Oneida	$ .37	.11	.09	A-C	A's, B
Insilco	.29	.15	.08	A-C	A's
Reed & Barton	.78	--	--	C	--
Gorham	.72	--	--	B+,C	
Imperial Knife	.32	.09	.08	B,B+C	A's
Royal	.22	--	--	A1,AW	A's
EKCO	.21	.13	.08	A1,A2	A's
Utica	.13	.15	--	A1,A2	B
Majestic	.11	.13	--	A1,A2	A's,B
Durable	.10	--	--	A1,A2	A's
Vogue	.10	--	--	AW,A	A's
Calder	.07	--	--	AW,A	A's
Paige	.09	--	--	AW,A	A's
Hudson	.07	.14	.12	AW,A	A's

a/ There are seven grades (AW, A, A1, A2, B, B+ and C) depending on the stainless steel alloy from which the flatware is produced and its thickness, weight, grading and finishing. AW is the lowest grade, economy flatware, and C is the highest quality class.

Recent evidence indicates that U.S. firms have improved their ability to compete with imports and are increasing domestic output in the 12 cents to 24 cents/piece range.

D. Price Movements

The consumer price index rose 29 percent from 1972 to 1975. Prices of ssf sets generally rose more:

	Wholesale Price 1975	% Inc. over 1972
Domestically produced	$35.98	69%
Imports by non-producers	31.12	73
Imports by U.S. producers	14.15	27

Prices of open stock pieces (domestic) on the retail market rose less than sets from 1972-75: teaspoons - 58%; knives - 48%

Wholesale prices for teaspoons and knives (forks not available) for the restaurant market in 1975 and increases over 1972 were:

Teaspoons - domestic - 9¢, up 50 percent

- imported - 6¢, no increase

Knives - domestic - 54¢, up 170 percent

- imported - 31¢, up 11 percent

E. Employment

Number of employees declined in 1970-71 but remained fairly stable thereafter until 1975, when it dropped sharply.

	1969	1971	1974	Jan-Sept. 1974	Jan-Sept. 1975
Av. no. employees	3915	3269	3298	3274	2647
Oneida	2179	2071	2258	2260	1839
Insilco	1050	609	452	440	430
Other	686	589	588	574	378
Manhours (000)	6003	4894	5143	3627	2823

Oneida accounted for 69 percent of employees but only about 53 percent of production and manhours in 1974. The "other" firms had about 18 percent of the employees but 33 percent of production and 34 percent of manhours. In 1974-75 productivity per man-hour for Oneida and Insilco was lower than for any year after 1968; for other firms the average was higher than in earlier years.

F. Tariff Treatment

Problems of ssf imports have been before the Executive Branch for many years. (Chronology attached). The latest action to increase protection was a tariff rate quota put in effect October 1, 1971 after negotiations with Japan, the EC (of 6) and the UK. The quota level of 48.6 million pieces per quarter was increased by 6 percent, effective October 1, 1974, following an increase in domestic consumption. The quota is allocated by countries as follows: Japan - 68 percent; Taiwan - 13 percent; Korea - 10 percent; EC - 3 percent; Hong Kong - 3 percent; UK - 1 percent; other - 2 percent.

The average ad valorum equivalent of the trade agreement and over quota (O/Q) rates on quota-type flatware in 1975 (9 mos.) were:

		Average - Quota & O/Q entries 1974
Quota-type:		
Spoons imported at the--		
Trade-agreement rate (949.04)	17.0%)	31.7
Overquota rate (949.08)	40.0)	
Knives and forks:		
With handles of nonaustenitic (chrome) steel: 2/		
Knives imported at the--		
Trade-agreement rate (949.0040)	18.8)	32.6
Overquota rate (949.0620)	58.5)	
Forks imported at the--		
Trade-agreement rate (949.0060)	23.5%)	47.1
Overquota rate (949.0630)	72.6)	
With handles of austenitic (nickel) steel:		
Knives imported at the--		
Trade-agreement rate (949.0240)	30.8)	66.7
Overquota rate (949.0640)	70.7)	
Forks imported at the--		
Trade-agreement rate (949.0260)	23.4)	54.5
Overquota rate (949.0650)	69.4)	

The AVEs in 1975 for flatware that would be put under quota by the Commission were:

Non-quota-type covered by injury finding:	
Spoons (650.55)	8.5%
Knives:	
With handles of nonaustenitic (chrome) steel (650.09)	7.4
With handles of austenitic (nickel) steel (650.12)	8.9
Forks:	
With handles of nonaustenitic (nickel) steel (650.39)	7.1
With handles of austenitic (nickel) steel (650.42)	9.0

G. Imports

1. By quantity:

	Quota type Dozens (000)	Quota type %Total	Non-Quota type Dozens (000)	Non-Quota type %Total	Total Dozens (000)
1968	13,996	86.7	2139	13.3	16,135
1969	24,986	92.4	2063	7.6	27,049
1970	34,442	93.2	2523	6.8	36,965
1971	24,979	92.3	2077	7.7	27,056
1972	23,262	88.7	2962	11.3	26,224
1973	26,228	85.6	4402	14.4	30,630
1974	28,332	85.2	4915	14.8	33,247
1975	26,689	77.1	7916	22.9	34,602

2. By value

	$(000)	%Total	$(000)	%Total	$(000)
1968	15,041	74.8	5,066	25.2	20,107
1969	27,150	82.2	5,866	17.8	33,016
1970	40,450	85.0	7,119	15.0	47,569
1971	27,991	84.3	5,231	15.7	33,222
1972	24,325	74.1	8,498	25.9	32,823
1973	29,584	67.0	14,553	33.0	44,137
1974	32,923	68.0	15,510	32.0	48,433
1975	30,014	57.2	22,466	42.8	52,480

3. Ratio of overquota shipments to total imports of quota-type ssf

1972 - 34%   1974 - 48%
1973 - 47%   1975 - 42%

4. Principal Suppliers

(a) Quota type - percent of total quota type imports.

	Japan Quantity	Japan Value	Korea Quantity	Korea Value	Taiwan Quantity	Taiwan Value
1968	68	72	9	6	14	9
1969	68	73	10	7	13	8
1970	65	70	12	9	14	9
1971	58	68	13	10	23	15
1972	49	61	20	16	27	19
1973	33	46	31	26	32	23
1974	33	44	33	29	32	24
1975	46	56	29	24	24	18

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(b) Non-quota type - percent total non-quota type imports

	Japan		Korea		Taiwan	
	Quantity	Value	Quantity	Value	Quantity	Value
1968	78	56	--	--	--	--
1969	75	53	--	--	--	--
1970	79	55	--	--	--	--
1971	82	55	--	--	--	--
1972	83	61	--	--	--	--
1973	87	72	--	--	--	--
1974	89	80	1	--	4	2
1975	65	55	2	3	7	5

(c) All types - percent of U.S. imports

	Japan		Korea		Taiwan	
	Quantity	Value	Quantity	Value	Quantity	Value
1968	70	69	8	5	13	7
1969	68	70	9	6	12	7
1970	66	68	11	10	14	8
1971	60	66	13	9	21	13
1972	53	61	18	12	25	15
1973	40	54	27	18	29	17
1974	42	54	27	20	28	17
1975	51	56	23	15	20	12

(d) Overquota imports, mainly from Korea and Taiwan, have been large:

	Overquota - all sources million pieces	% of overquota imports		
		Korea	Taiwan	Japan
1974	174	52	47	0.7
1975	136	54	39	7

5. Nine U.S. producers are also importers. Shipments of imports by such producers were:

(a)	Pieces (000 doz.)	% total shipments of imported ssf
1971	7659	37.5
1972	6600	33.0
1973	7174	31.9
1974	7123	28.4
Jan-Sept.		
1974	5391	27.6
1975	4709	24.1

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(b) Imports by domestic producers have accounted for about 13 percent of the U.S. market since 1972. (see below)

(c) Price range of imports by producers - Over 80 percent, by quantity, and 71 percent by value, sold for under $3 dozen in 1974. Volume under $1 dozen or over $5 was very small. Average net value for all price ranges was $2.43 dozen.

6. Exports - Some by Oneida but total negligible.

H. Ratio of Imports to U.S. Production, etc.

	All types	Quota-type	Non-quota type
1968	64%	49%	7%
1969	107	91	8
1970	150	129	9
1971	148	121	10
1972	132	103	13
1973	149	116	19
1974	167	135	23
1975 (9 mos.)	229	173	44

I. Percent Distribution of U.S. Market (by quantity)

Quota & Non-Quota Types

	1969	1972	1974	1975 (9 mos.)
Oneida	22.5%	27.2%	25.1%	20.4%
Domestic	20.4	23.3	21.8	16.9
Imports	2.1	3.9	3.3	3.5
Insilco	20.5	12.9	10.0	8.9
Domestic	19.0	9.0	4.6	4.5
Imports	1.5	3.9	5.4	4.4
Other US producers	14.6	20.1	16.8	15.8
Domestic	12.5	14.5	12.4	10.9
Imports	2.1	5.6	4.4	4.9
Imports by non-prod.	42.4	39.8	48.1	54.9
Total imports	48.1	53.2	61.2	67.7
Total dom-shipments	51.9	46.8	38.8	32.3

J. Costs

Steel accounts for at least half of the cost of production of domestic ssf. U.S. producers stated imported steel cost 20 percent less than domestic steel but steel from Japan cost 56¢/lb. while Korean and Taiwanese producers paid only 32¢/lb. It is not clear from the record that those prices are for the same type of steel. Average Japanese export price data for hoop, strip, bar, and rod steel show prices to the United States were generally higher than to Korea and Taiwan but, again, the products may not be comparable within the categories.

Labor accounts for about 11 to 13 percent of U.S. costs of production and about eight percent of costs in Taiwan.

Comparative cost data from INSILCO for two low end patterns (Grades A1 and A2) show the firm's manufacturing costs in the U.S. are far above the landed duty paid value (LDPV) of imports within quota from its Taiwan plant:

	U.S. Cost	LDPV from Taiwan witnin quota	In-quota Tariff (AVE)	Add. duty required to equalize LDPV from Taiwan and U.S. cost 1/
A-1 Grade				
Teaspoon	$1.77	1.00	17.0%	96%
Fork	2.33	1.57	30.7	53
1-piece Knife	6.96	2.95	26.3	178
A-2 Grade				
Teaspoon	1.85	1.17	17.0	76
Fork	2.24	1.72	30.7	40
1-piece Knife	7.26	3.49	26.3	140

1/ The maximum increase permitted under the Trade Act is 50 percentage points above the Col. 1 rate.

K. Profitability

Since 1970, four firms have left the industry. While Oneida has consistently shown profits, Insilco and a number of smaller firms have shown net operating losses in recent years on their operations producing stainless steel flatware. Of 12 firms reporting, seven had such losses in 1973 and 1974. Results in 1975 were even less favorable based on part year data.

	Net Sales (000)		Ratio net op. profit (or loss) to net sales - percent		
	Oneida	Others	Oneida	Other	All producers
1969	34,436	33,386	13.7	1.2	7.5
1970	34,665	30,148	12.2	1.0	7.0
1971	35,992	25,394	11.6	(0.2)	6.7
1972	41,161	24,015	15.3	(1.0)	9.3
1973	43,803	24,218	12.7	(1.8)	7.5
1974	50,768	23,355	11.7	(4.9)	6.4
1975(part year)	28,376	14,168	7.8	(13.9)	0.6

Profitability by company was:

	Net Sales 1974	Ratio of net op. profit (or loss) to net sales 1973	1974	1975 3/
Calder, Inc.	531	2.6	1.5	--
Durable Stainless Flatware Co.	507	(2.3)	(0.4)	(9.0)
Ekco Housewares Co.	1,516	15.2	13.9	19.5
Gorham Division of Textron, Inc.	454	(28.2)	(42.3)	(37.0)
Imperial Knife Co., Inc.	3,235	(7.4)	(8.9)	(14.3)
International Silver Co.	9,846 1/	(2.2)	(9.0)	(26.6)
Majestic Silver Co.	1,141	(0.3)	(0.3)	(5.9)
Oneida, Ltd.	50,768	(12.7)	11.7	7.8
Paige Industrial Corp.	407	5.7	10.8	6.7
Reed & Barton Corp.	1,208	(0.4)	(21.3)	(17.8)
Royal Silver Manufacturing Co., Inc.	954	(1.6)	(1.1)	(14.2)
Utica Cutlery Co.	3,556 2/	4.5	6.4	6.4
Total or average	74,123	7.5	6.4	.6

1/ Includes sales of imported 1 piece knives sold in sets with domestically produced spoons and forks. The sales value of such knives is estimated to be about $1.0 million in 1974 and $250,000 in 1975.

2/ Includes sales of imported 1 piece knives sold in sets with domestically produced spoons and forks. The sales value of such knives was $200,000 in 1971, $389,000 in 1972, $742,000 in 1973, and $571,000 in 1974.

3/ Data for the interim 1975 accounting year are for 11 producers (exclude Calder, Inc.). The 1975 accounting period for each of the 11 producers ranges from 8 months to 12 months and averages 9.2 months.

IV. SECTION 202(c) CONSIDERATIONS

In determining whether to provide import relief and what method and amount to provide in an escape clause case, the President is required by section 202(c) of the Trade Act to take into account all relevant considerations, including nine which are specified in the Act.

1. Information and advice from the Secretary of Labor on adjustment assistance for workers

Under the Trade Act of 1974, three petitions for worker adjustment assistance in the stainless steel flatware industry have been certified. As of January 31, 1976, 580 out of 1,275 applicants had been determined eligible for benefits. Over the next 12 months, two groups totaling about 180 workers may apply for worker adjustment assistance.

From 1970 to 1975, employment of stainless steel table flatware production workers declined some 23 percent, from 3,457 in 1970 to 2,673 in 1975. However, the decline from 1970 to 1974 was only about 6 percent, indicating that the recession influenced the 1975 total. Layoff and recall data for the most part substantiated these trends. It is expected that if present economic trends continue, workers should continue to be recalled to their jobs so that within the next six months employment should be close to the 1974 level.

New York State has been most affected by layoffs in the stainless steel flatware industry. The affected areas of the state have experienced unemployment rates significantly higher than the national average, resulting in diminished reemployment prospects for the separated workers. Some of the other areas of the U.S. where layoffs have occurred in the stainless steel flatware industry also have experienced unemployment rates higher than the national average.

The Comprehensive Employment and Training Act (CETA) programs in New York State, the area most adversely affected by layoffs, are not capable of meeting the needs of the displaced workers in view of the high local rates of general unemployment. The actual levels of enrollment in these programs exceeded the expected levels, indicating no current vacancies. In some of the other less impacted areas where unemployment of stainless steel table flatware workers has occurred, the experience of enrollments exceeding expected levels was also evident.

2. Information and advice from the Secretary of Commerce on adjustment assistance for firms

To date, two stainless steel flatware manufacturers have been certified to apply for firm adjustment assistance under earlier legislation, but only one subsequently applied for and received adjustment assistance. No petitions have been submitted by flatware producers for certification under the Trade Act of 1974.

If a more restrictive tariff rate quota system is imposed, probably the fewest number of firms, if any, would consider applying for adjustment assistance. More firms would apply if adjustment assistance were the only remedy adopted. For the above reasons, it is uncertain how many might petition and qualify for certification; however, it is possible that three to five firms might be certified.

3. Probable effectiveness of import relief

The effectiveness of import relief as a means to promote adjustment is open to question. Such relief has been in effect for 12-1/2 out of the past 16-1/2 years, yet still the industry is seeking the imposition of further and more stringent relief measures on the grounds that the current relief has not been adequate, despite high over-quota rates of duty. In this regard, still higher rates of duty are unlikely to close more than a few gaps between the U.S. and foreign costs because of the specialization which has occurred in the industry with economy and medium-to-high grade flatware being produced in the U.S., and low-end flatware for the institutional market produced abroad. Indeed, the domestic wholesale costs of certain flatware are so much greater than the landed duty paid costs of comparable imports that even the maximum permissible tariffs under the law could not close the gaps. For these and other reasons noted elsewhere in this paper, the effectiveness of tariff increases as a means to promote adjustment is questionable.

One of the reasons for this pessimistic assessment is the efforts which already have been made by certain firms to adjust to import competition. Four firms (Oneida, Insilco, Imperial and EKCO) appear to have adjusted -- although unsuccessfully in the case of Imperial -- generally by producing quality flatware for the retail market in their U.S. plants and by sourcing their low-end flatware for the institutional market from plants abroad. Three other firms (Utica, Majestic and Hudson), as well as some of the previous four firms cited, appear to have adjusted by producing certain economy forks and spoons in U.S. plants where they have cost advantages and importing knives in the same patterns because of the substantial cost advantages of producing knives abroad.

The remaining seven firms (Reed and Barton, Gorham, Royal, Durable, Vogue, Calder and Paige) have taken no apparent measures to adjust to import competition. Indeed, in the case of Royal, that firm was certified eligible for adjustment assistance, but when advised by consultants of the changes necessary to update their plant and equipment to be on a par with efficient producers, the management of Royal decided against such changes for unspecified reasons. On the other hand, Utica applied for and received adjustment assistance in 1971-72 in the form of a loan guarantee and of technical assistance and has been improving its profits in most years since then.

4. The effect of import relief on consumers

The two proposals by USITC Commissioners to increase protection by an adjustment in the present tariff-rate quota system would involve increased costs to consumers, without necessarily improving the efficiency in operation or the competitiveness of U.S. producers. The proposals will hit especially hard at flatware coming in over the quota. In the past, these items have been able to absorb the additional duty and still remain competitive in the U.S. market. The proposed revised levies will further increase the unit cost of imported flatware. Since the average unit value cost of the import-good has been much lower than the U.S. product, the average cost to the consumer will increase. This will result in either (1) a reduction in the quantity of imports supplied, leading to an increase in the average price to consumers as the higher - priced U.S. goods gain a larger share of the market; or (2) a rise in the average price to consumers as the average price of imports increases due to the additional tariffs -- even though imports remain competitive and do not reduce their market share. Due to a lack of a breakdown in the USITC data of the types of items entering over the quota limits, it is difficult to quantify exactly how the competitive position of foreign firms will be affected by the proposed levies.

We do not anticipate any price increases due to supply shortages caused by a drop in imports. U.S. industry is currently producing at an average of about 60 percent of capacity and thus could increase its output significantly. Inventories also amount to a large share of current U.S. producer shipments. Any decline in imports could thus easily be covered by U.S. supplies. However, this would entail an additional cost to consumers. Given the large difference in average unit value costs between import and domestically-produced goods, it is likely that the major effect of the increase in the tariff rate quota charges would be higher average prices for U.S. consumers.

Specifically, the recommendation of Commissioners Moore, Bedell, and Parker would both (1) increase over the current tariff-rate quota system in force the coverage of within-quota imports to include all imports at their existing rates of duty regardless of their unit values and (2) increase duties on over-quota entries. It would maintain national quotas at previous levels, so that many of the imports from Taiwan and South Korea would still be subject to the higher over-quota duties. Assuming that the renewed growth in the U.S. economy will restore demand for stainless steel flatware to the levels of 1974, we estimate that the proposed additional duties will result in more than a 10 percent increase in the cost to consumers of imported flatware. For items coming in over quota alone, this would result in added charges of over $1.6 million.

In the USITC report, several Commissioners noted the "chronic nature" of the problems of domestic producers. They used this rationale to exclude any element of degressivity in the application of the proposed import relief. However, this fact also highlights the point that such relief probably will not significantly improve the competitive position of U.S. firms after such relief expires. The added costs to consumers of the proposed actions would not result in more efficient U.S. production and would thus entail a deadweight loss to consumers.

The recommendation of Commissioners Leonard and Minchew recognize this problem, however, and they have proposed adjustment assistance for the U.S. industry instead of tariff-rate quotas. Adjustment assistance does not reduce any of the consumer benefits of imports, and it has the additional advantage of promoting a more efficient allocation of productive resources.

The proposal for adjustment assistance could thus provide an improved climate for the rest of the U.S. industry to meet the challange of foreign producers. Such a course could provide real and long-term benefits for the consumer in terms of lower prices and a more open and competitive market in the future.

5. Effect of relief on U.S. international economic interests

Implementation of the restrictions proposed by four USITC Commissioners would have adverse consequences on United States international economic interests, such as those reflected in United States declarations at the United Nations Conference on Trade and Development, the OECD, the Tokyo Ministerial Meeting, and more recently at Rambouillet. They call for greater cooperation with less developed countries to assist in their economic development, a more open international exchange of goods, and governmental resistance to protectionism or other inward looking policies in formulating measures to stimulate internal economic expansion. Our recent decision to impose restrictions on imports of specialty steel, the pending USITC proposal for action on non-rubber footwear, and the possibility that the Commission may recommend action on a substantial list of other products under the import relief provisions of the Trade Act have evoked expressions of concern abroad that the United States may be moving away from a liberal trade policy. We are seeking to allay such fears at every appropriate opportunity. In such a perspective the adoption of the increased restrictions on stainless steel flatware would be unfortunate. Our trading partners would be quick to point out that the domestic industry has already been the beneficiary of special tariff action over most of the past twenty years, that the option of adjustment assistance was available as an alternative to further tariff action, that such assistance was considered a more appropriate solution by one group of Commissioners, and that its adoption would have permitted action to be taken to assist the industry without adversely affecting the interests of our trading partners.

Japan, Taiwan, and Korea are the dominant sources of stainless steel flatware imports, each supplying about a third of the United States import market. Producer representatives from each of those countries, with the support of their governments, have strongly protested proposals by Commissioners for increased protection. The Japanese, for example, point out that their presently exempt historical trade in higher unit value flatware would become subject to the new more restrictive tariff rate quota and that imports of such ware are not adversely affecting domestic producers. The Taiwan and Korean producers do not believe a tariff rate quota is justified and have strongly objected that the proposal is highly discriminatory since the proposed country quota allocations fall substantially short of reflecting their established supplier position in the United States market. As a result, the bulk of their shipments would be subject to the highest tariff rates. In making such representations, Korea and Taiwan also point out that restrictions on imports, such as those proposed by the Commission on footwear and flatware, undermine efforts they have been making, with United States assistance, to develop viable self-sustaining national economies.

6. Impact of compensation on U.S. industries

Under Article XIX of the GATT, major suppliers could claim compensation if protection were increased on ssf, and if acceptable compensation were not agreed upon, such suppliers could retaliate.

The proposals of the USITC Commissioners would bring under the TRQ, flatware over 25¢ a piece which had a trade value of over $22 million in 1975. Most of the impact of this new protection would fall on Japan, since Korea and Taiwan are minor suppliers in this value range and the imports from the EC would be entered within the existing quota allocation, which has not been filled by their lower value flatware.

The United States has already paid compensation to Japan for the existing TRQ. Thus, as extension of the current tariff provisions would require no new negotiations and if the TRQ were phased out, would give rise to a U.S. claim against Japan (assuming that the tariff on the U.S. compensation items was not raised).

7. Geographic concentration of flatware imports

At present, imports of stainless steel table flatware enter the United States mainly through east and west coast ports. There is no apparent geographic concentration of imported flatware marketed in the United States.

8. U.S. market as a focal point for other countries' exports by reason of trade restraints abroad

While the United States is a major market for ssf exports from Japan, Taiwan, and Korea, the record contains no evidence that foreign trade restraints have diverted exports to the United States. For Japan, voluntary restraints have been applied to trade with the United States (at least until mid-1975). In the case of Korea, the share of total ssf exports going to the United States has declined steadily from 90 percent in 1970 to about 23 percent in 1975.

9. Economic and social costs incurred by taxpayers, communities, and workers of import relief on stainless steel flatware

Without an increase in tariff-rates on overquota shipments, the percentage of overquota imports to total U.S. supply would continue to increase markedly. Even with the current tariff-rate quota system in force, shipments coming in from Taiwan over quota still drastically undercut U.S. products (teaspoons by 34-44 percent and knives by 62-83 percent). Current restrictions obviously do not deter imports, and thus without further relief for U.S. producers imports should continue to grow and gain an even greater share of the market than already achieved.

This of course would have a sharp impact on U.S. production and employment. Since 1970, four firms have left the industry. Seven of the twelve firms reporting to the USITC suffered losses in 1973 and 1974. This trend seems to have deepened in 1975. Failure to provide relief for U.S. flatware producers will probably result in a further consolidation of the industry. The impact on communities should not be very significant, however, as the total employment in U.S. industry is less than 3000 workers. In addition, we should note that the largest firm, Oneida, which accounts for an average of about 70 percent of U.S. production and employment in the U.S. industry, has maintained a strong profit position. Any limited unemployment would thus probably result from the consolidation or termination of operations of the weaker firms.

The maintenance of production in the U.S. flatware industry through import relief measures would not come without costs to the U.S. consumer, however. Obviously the higher costs of imported flatware caused by an increase in tariff protection would pass through very quickly to retail sales. The result would be a sharp rise in the average unit cost of flatware sold in the U.S. market, with a cost to the U.S. consumer of around $1.6 million.

V. OPTIONS

A. Proposals of USITC Commissioners for Increased Import Relief

Provide greater protection via either the TRQ recommended by Commissioners Moore, Bedell, and Parker or the TRQ recommended by Commissioner Ablondi (Appendix). Both of these TRQs would remain fully in effect for five years.

Considerations

1. The industry would support the increase in protection for five years.

2. Abolition of country allocations as recommended by Commissioner Ablondi would eliminate the cash transfer to foreigners implicit in country quotas. A global quota would also give all foreign suppliers an equal chance to compete for the within-quota entries (Taiwan and Korea claim the present allocation is unfair and does not take into account their late entry into the market. Japan notes it has cooperated with the U.S. by restraining exports and argues it should therefore continue to receive its historical share of any TRQ). On the other hand, a global quota has, in the past, created a "rush to the docks" with the quota filled in the first few days.

3. The Commissioners do not spell out their rationale for the particular TRQs they proposed, but it is obvious that four of the six voting on remedy concluded that present tariff protection was not adequate and adjustment assistance was not sufficient to remedy the injury.

4. The Commissioners' TRQ proposals would put under quota ssf over 25¢ a piece. The Task Force considered that there was not adequate evidence to support injury in this price range.

5. The proposed TRQs would provide unneeded protection to a significant part of the domestic industry, which is operating at a reasonable level of profit.

6. An increase in import protection for five additional years for an industry which has been "temporarily" protected by high duties for

most of the last 18 years could be considered by our trading partners as contrary to the OECD trade pledge and the spirit of Rambouillet, and could be cited by those who charge U.S. trade policy is shifting toward protectionism. In this regard, the foreign representatives have already raised strong objections to the Commission's finding of increased imports, injury, and substantial cause.

7. Compensation would probably have to be paid to Japan and Korea (Taiwan, as a non-GATT member, cannot claim compensation).

8. Higher prices would adversely affect consumer interests.

9. Higher prices could harm domestic producers by speeding up the displacement of ssf by plastic tableware in some uses. Such displacement would probably be most harmful to the smaller, less profitable firms.

10. Failure to provide for expeditious adjustment assistance does not recognize the special needs of some of the smaller companies.

B. Adjustment Assistance Without Import Relief

Provide expedited adjustment assistance and allow the current import relief, in effect since 1971, to terminate as scheduled on September 30, 1976.

Considerations

1. The basic purpose of the escape clause provisions is to assist injured industries to adjust to changing market conditions. As a general principle, adjustment assistance is preferable to import relief, provided that the former can effectively remedy such injury.

2. The need for assistance to adjust to import competition appears to be limited to a small number of firms out of the fifteen domestic producers in the stainless steel flatware (SSF) industry. Adjustment assistance could pinpoint the individual needs of those firms and provide appropriate assistance.

3. Adjustment assistance is likely to be an effective remedy for several reasons: (a) adequate funds are available; (b) the number of firms needing assistance is small and manageable; (c) adjustment assistance has been successful for the Utica Cutlery Co. and the prospect for other firms is good; (d) machinery used for producing ssf is readily and inexpensively adaptable to many other products; and (e) the number of workers employed by these firms is small and their skills are readily adaptable to other products along with the machinery.

4. Adjustment assistance is likely to be an effective remedy for import injury because the differences between the domestic wholesale costs of certain flatware are so much greater than the landed duty paid costs of comparable imports that even the maximum permissible tariffs under the law could not close the gap on some types of flatware.

5. Import relief has been in effect for this industry for most of the time since 1959. Some firms have taken affirmative actions and successfully adjusted to market conditions.

6. The existing TRQ appears to have contributed to the ability of the largest firm in the industry to acquire an increasing share of the total market (57 percent in 1974), partly because its imports are mainly within quota while smaller producers have had to pay over quota duties if they wished to import. Elimination of the TRQ would thus put the smaller firms on a more equal competitive basis with the largest U.S. firms.

7. Consumers would benefit if the reduced duties were passed on by importers.

8. Termination of the TRQ and use of adjustment assistance to remedy injury would help to refute criticism abroad that the United States is becoming protectionist.

9. Failure to provide increased import relief as four Commissioners have recommended would be interpreted by some as a failure to take account of the interests of the U.S. industry as provided for in the Trade Act of 1974.

C. Adjustment Assistance with a Phase Out of the Existing TRQ

Provide adjustment assistance and phase out the TRQ as follows:

May 1, 1976 - April 30, 1977 - retain status quo on level and rates

May 1, 1977 - April 30, 1978 - reduce over quota rates (OQR) by 1/3 of the amount by which the OQR exceeds the trade agreement rate (TAR)

May 1, 1978 - April 30, 1979 - reduce OQR by another 1/3

May 1, 1979 - TRQ terminated and trade agreement rates restored on all quota items.

Considerations

1. Provides the adjustment assistance benefits of Option B.

2. Avoids a large, abrupt removal of protection, which could cause market disruption, and allows a breathing spell for adjustment assistance to yield results.

3. Represents a reasonable compromise between those who consider the industry has received special high protection long enough and the USITC finding of injury, with four Commissioners recommending increased protection for five years.

4. Puts the industry on notice that it must adjust within the next three years.

5. Retention of present country allocations avoids difficult problems which would be associated with reallocating country shares. Japan, which has generally kept its exports within the quota allocation, would protest any reduction of its share; while Taiwan and Korea, whose exports have far exceeded their allocation feel the quotas discriminate against newer entrants into the market. Under this option, the large reductions of over-quota rates in 1977-78 would help Taiwan and Korea substantially more than other suppliers.

6. Part of the industry would continue (until May 1, 1979) to receive more protection than it probably needs.

7. The phase-out would delay potential benefits to consumers..

APPENDIX H

Chronology

The chronology of events leading to the present stainless steel flatware situation is as follows. (The products concerned are knives, forks, and spoons with stainless steel handles, not over 10.2 inches in length. The product description was somewhat different in the Tariff Act of 1930):

1939	On January 1, duties on knives and forks reduced from 2¢ each plus 45 percent to 2¢ each plus 35 percent
1948	On January 1, duties reduced as follows: a) Knives and forks from 2¢ each plus 35 percent to 2¢ each plus 17.5 percent or 25 percent b) Spoons from 40 percent to 20 percent
1950-51	Duty on knives and forks reduced from 2¢ each plus 17.5 percent or 25 percent to 1¢ each plus 17.5 percent or 21 percent.
1956	On June 30, duty on spoons reduced from 20 percent to 17 percent, reduction effective in three annual stages
1957	On April 11, 1957 the Stainless Steel Flatware Manufacturers Association applied to the Tariff Commission for relief under Section 7 of the Trade Agreements Extension Act of 1951
1958	In January the Commission recommended withdrawal of trade agreement concessions
1958	On March 7, the President announced he was deferring action on the Commission's recommendation in light of Japan's voluntary limitation on exports to the United States. He asked the Commission to report again after 1958.
1959	In July the Tariff Commission submitted a supplementary report to the President
1959	On November 1, as a result of the Commission's reports, the President proclaimed tariff quota of 69 million pieces. Over-quota rates were set at 60 percent for spoons and 3¢ each plus 67.5 percent for knives and forks.

1961-63	Tariff Commission submitted 3 annual reports on November 1 of each year to comply with E.O. 10401 and section 351(d)(1) of the TEA.
1964	On June 24, the President requested a 351(d)(2) investigation
1965	On April 14, Tariff Commission submitted its report
1966	On January 7, the President proclaimed, retroactively to November 1, 1965, an increase in the tariff quota to 84 million pieces and reduced the over quota rates on knives and forks to 3¢ plus 15 percent or 20 percent and on spoons from 60 percent to 40 percent
1967	On October 11, the President allowed the escape clause to expire, restoring the MFN rates. In his press release he "asked the responsible federal departments to maintain surveillance over these industries (Ed. note - stainless steel flatware and cotton typewriter ribbon cloth) to determine if other assistance is appropriate at a later date."
1969	On April 10, the Stainless Steel Flatware Manufacturers Association requested reimposition of the tariff quota and rates in effect from November 1, 1965 to October 11, 1967
1969	On September 30, the United States reserved the right to renegotiate its concessions on flatware under "open-season" provisions of Article XXVIII
1969	On October 22, the Tariff Commission on its own motion instituted a section 332 investigation. Report was completed in December 1969
1969	On November 7, TIC issued notice in Federal Register requesting written views on proposed renegotiation of flatware concessions
1969	On December 3, TIC held meeting with Japan export Metal Flatware Industry Association
1970	On January 9, TIC held meeting with Stainless Steel Flatware Manufacturers Association
1970	On June 1, the Association testified before the Ways and Means Committee and advocated quotas

1970	On July 31, U.S. Mission in Geneva was instructed to inform the GATT that the United States intended to renegotiate its concessions on flatware
1970	On September 22, three Diet members visited the Special Trade Representative
1970	On December 11, the Tariff Commission found workers of International Silver Company, factories C, H and L of the Meriden - Wallingford area of Connecticut eligible for adjustment assistance. TEA-W-30
1971	On February 1, letters were exchanged between the Special Trade Representative and the Japanese Ambassador formalizing the agreement with Japan
1971	On May 14, the Tariff Commission found Royal Silver Manufacturing Company, Inc. of Norfolk, Va. eligible for adjustment assistance.
1971	On May 26, the Justice Department filed suit against INSILCO charging that INSILCO's acquisition of Stanley Roberts, Inc., the largest importer of stainless steel table flatware could lessen competition.
1971	On August 17, the Tariff Commission found the firm of Utica Cutlery Company of Utica, New York eligible for adjustment assistance. TEA-F-25
1971	On June 7 and 8 formal documents were signed with the UK, EC, and Japan in Geneva, concluding a trade agreement
1971	August 21, President proclaimed tariff-rate quota to be effective October 1
1971	On October 29, the Secretary of the Treasury denied the request of the Special Trade Representative that stainless steel flatware be exempt from the import surcharge
1971	On December 17, the Tariff Commission found that workers at the Utica Cutlery Company, Utica, New York, eligible for adjustment assistance. TEA-W-120
1973	Effective December 31, 1973, the International Silver Company divested itself of all holdings of Stanley Roberts, importers of stainless steel table flatware

1974 Tariff rate quota increased by 6 percent on October 1 after TAriff Commission reported that U.S. consumption had increased.

1976 USITC reports an affirmative finding in an escape clause case. Items covered by the injury finding: TSUS 650.08, 650.38, 650.10, 650.40, 650.09, 650.39, 650.12, 650.42, 650.54, 650.55 and, if included in sets, 651.75.

Findings and Recommendations of Commissioners Moore, Bedell, and Parker

We find and recommend that, to prevent or remedy the injury described in section 201(b) of the Trade Act, it is necessary to impose a tariff-rate quota system for the ensuing 5-year period applying to the knives, forks, and spoons the subject of our affirmative determination, with the existing rates of duty applying to imports of knives, forks, and spoons within the tariff quotas, and rates of duty herein specified applying to such imports outside the tariff quotas, and with the tariff quotas established and allocated to countries subject to rates of duty provided for in rate of duty column numbered 1 of the TSUS as hereinafter specified.

The proposed tariff-rate quota rates of duty are as follows:

	Within Quota	Outside Quota
Knives and forks		
Under 25¢ each:		
items 650.08, 650.38	1¢ each + 12.5%	1¢ each + 55%
items 650.10, 650.40	1¢ each + 17.5%	1¢ each + 55%
25¢ and over each:		
items 650.09, 650.39	0.5¢ each + 6%	0.5¢ each + 35%
items 650.12, 650.42	0.5¢ each + 8.5%	0.5¢ each + 35%
Spoons		
Under 25¢ each: item 650.54	17%	55%
25¢ and over each: item 650.55	8.5%	35%

The within-quota imports should be established and allocated as follows:

Country	Aggregate Quota by Calendar Quarter (single units)
Japan	34,980,000
Republic of China	6,678,000
Republic of Korea	5,088,000
Hong Kong	1,590,000
European Economic Community	1,590,000
United Kingdom	636,000
Other	954,000
Total	51,516,000

Findings and recommendations of Commissioners Leonard and Minchew

Commissioners Leonard and Minchew determine, pursuant to section 201(d)(1) of the Trade Act, that adjustment assistance as provided for in Title II, Chapters 2, 3, and 4 of that act can effectively remedy the serious injury to the domestic industry and recommend the provision of such assistance.

Findings and recommendations of Commissioner Ablondi

Commissioner Ablondi finds and recommends that it is necessary to continue the existing tariff rate quota system for the ensuing 5-year period applying to the knives, forks, and spoons the subject of this affirmative determination, with the existing rates of duty applying to imports of knives, forks, and spoons within the quotas and with rates of duty herein specified applying to such imports outside the quotas, and with the quotas established subject to the existing rates of duty provided for in rate-of-duty column 1 of the TSUS.

Imports entered within the specified quotas should be entered on a first-come basis without regard to the country of origin, with no more than 25 percent of any 1 year's quota to enter in any calendar quarter.

All imports outside the specified quotas quantities should be assessed with rates of duty as follows (exactly as is done now):

Knives and forks (items 650.08, 650.09, 650.10, 650.12, 650.38, 650.39, 650.40, and 650.42)------------------	2 cents each + 45% ad val.
Spoons (items 650.54 and 650.55)------	40% ad val.

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

DRAFT LETTER TO THE SECRETARY OF COMMERCE

Dear Mr. Secretary:

After reviewing the report of the United States International Trade Commission on its investigation TA-201-8 under section 201 of the Trade Act of 1974, I have determined that adjustment assistance could be an effective form of remedy for the serious injury which the Commission found the stainless steel flatware industry to be suffering as a result of increased import competition.

I am, therefore, directing you to give expeditious consideration to petitions for adjustment assistance filed with you under Title II, Chapters 3 and 4 of the Trade Act of 1974, by domestic firms producing stainless steel table flatware and by communities impacted by increased imports of such flatware.

Sincerely,

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

DRAFT LETTER TO THE SECRETARY OF LABOR

Dear Mr. Secretary:

After reviewing the report of the United States International Trade Commission on its investigation TA-201-8 under section 201 of the Trade Act of 1974, I have determined that adjustment assistance could be an effective form of remedy for the serious injury which the Commission found the stainless steel flatware industry to be suffering as a result of increased import competition.

I am, therefore, directing you to give expeditious consideration to any petitions for adjustment assistance filed with you under Title II, Chapter 2 of the Trade Act of 1974 by stainless steel flatware workers or their duly authorized representatives.

Sincerely,

DRAFT PRESS RELEASE

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

3M

President Ford Orders Fast Processing of
Adjustment Assistance Requests from
Stainless Steel Flatware Firms and Workers

President Ford, taking into consideration the national economic interest, has decided on expedited adjustment assistance as the appropriate means for helping the stainless steel flatware industry to deal with problems it faces from foreign competition. This decision was announced today by Ambassador Frederick B. Dent, the President's Special Representative for Trade Negotiations.

The President's decision follows a report from the U.S. International Trade Commission (USITC) on March 1, 1976 that the industry is being injured by increased imports. There was no majority recommendation for an appropriate and effective remedy. While the law provides that import relief may be given when the Commission finds that injury exists, such relief is authorized only for a limited period, during which the industry is expected to adjust to import competition. Except for the period October 1967 to October 1971, special tariff measures to protect manufacturers of stainless steel table flatware have been in effect since 1959.

The most recent special action, taken in 1971, established a five-year tariff-rate quota for flatware valued under 25 cents a piece, with duties for over-quota shipments ranging from

40 percent to more than 70 percent of the value of the imported articles. This tariff rate quota is scheduled to terminate on September 30, 1976.

Domestic production of stainless steel flatware remained fairly stable from 1971 through 1974 but dropped in 1975 as a result of the recession. Employment followed a similar trend. Imports meanwhile increased although there was a sharp drop in entries of quota-type flatware in 1975. Over half of the domestic producers are also importers, and in 1975 these producers accounted for about one quarter of total U.S. shipments of imported stainless steel flatware.

Japan, which has been voluntarily restraining its exports of quota-type articles to the United States, is the largest foreign supplier. Increased protection would entitle Japan to claim compensatory tariff concessions of equal trade value on products exported to it by the United States. Other major suppliers, particularly in lower value brackets, are Korea and Taiwan. Imports covered by the injury finding of the USITC amounted to $52 million in 1975 and, by quantity, took 68 percent of the U.S. market.

Under the existing special protection, some firms have made adjustments enabling them to compete with foreign suppliers, and one of the largest producers opposes continuation of special protection for the industry. While certain others among companies which requested relief have shown low profits or losses, they account for a much smaller share of the industry's total output and employment. Additional import restrictions would thus give unnecessary protection to firms that account for a large part of domestic output. Adjustment assistance, on the other hand, would focus on the specific problems of individual firms and groups of workers that need help, without increasing the burden on restaurants, hospitals, households and other users.

Information on such assistance can be obtained from the Department of Labor in the case of workers and from the Department of Commerce in the case of firms in the industry.

DRAFT DECISION MEMORANDUM

MEMORANDUM FOR

THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Pursuant to Section 202(b)(1) of the Trade Act of 1974 (P.L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC) dated March 1, 1976, concerning the results of its investigation of a petition for import relief filed by the Stainless Steel Flatware Manufacturers Association.

I have determined that expedited adjustment assistance is the most effective remedy for the injury suffered by the domestic stainless steel flatware industry and its employees. I have determined that provision of import relief is not in the national economic interest of the United States.

The stainless steel flatware industry is currently receiving special import protection in the form of five-year tariff rate quota, which went into effect in 1971. Prior thereto, the industry received escape clause tariff protection from 1959 to 1967. The purpose of such special measures is to increase the amount of protection for a limited period during which the domestic industry is to make adjustments necessary to compete successfully with imports. The present tariff rate quota will remain in effect through September 30, 1976.

Under the existing level of special protection, some firms have made adjustments enabling them to meet foreign competition and one of the two largest producers opposes continuation of special protection. While certain others among the companies that requested greater tariff relief have shown low profits or losses, they account for a much smaller share of the industry's total output and employment. Additional import relief would thus give unnecessary protec- to firms that account for a large part of domestic output. Adjustment assistance, on the other hand, will focus on the specific problems of individual firms and groups of workers that need help, without increasing the burden on restaurants, households, and other users.

New import restraints would also have exposed U.S. industry and agriculture to claims for compensatory import concessions or retaliation against U.S. exports to the detriment of American jobs and exports.

With regard to the effect of import restraints on the inter- national economic interests of the United States, which I am required to consider under the Trade Act of 1974, I have concluded that such restraints would be contrary to the U.S. policy of promoting the development of an open, nondiscrim- inatory and fair world economic system which would, in turn, promote domestic growth and full employment.

I have directed the Secretaries of Commerce and Labor to give expeditious consideration to any petitions for adjustment assistance filed by firms producing stainless steel flatware articles on which the USITC found injury, by communities impacted by imports of such articles, and by their workers.

This determination is to be published in the Federal Register.

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

DRAFT LETTER SUBMITTING PRESIDENTIAL REPORT

Dear Mr. Speaker:

In accordance with Section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my determination that import relief for the U.S. stainless steel table flatware industry is not in the national economic interest, and explaining the reasons for my decision.

The Honorable Carl Albert
Speaker of the U.S. House of
Representatives
Washington, D. C. 20515

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

DRAFT LETTER SUBMITTING PRESIDENTIAL REPORT

O/N

Dear Mr. President:

In accordance with Section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my determination that import relief for the U.S. stainless steel table flatware industry is not in the national economic interest, and explaining the reasons for my decision.

The Honorable Nelson A. Rockefeller
President of the Senate
Washington, D. C. 20510

ADJUSTMENT ASSISTANCE REMEDY

Stainless Steel Table Flatware

1/

As required by Section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to the Congress setting forth my determination to provide adjustment assistance to the U.S. stainless steel table flatware industry producing flatware covered by the affirmative finding of March 1, 1976 of the United States International Trade Commission (USITC) under section 201(d)(1) of the Trade Act. As my decision does not provide import relief to that industry, I am setting forth both the reasons why I have determined that import relief is not in the national economic interest and other actions I am taking to help the flatware industry, workers, and communities.

I have decided, considering the interests of both the American consumers and producers, that expedited adjustment assistance is the most effective remedy for the injury to the U.S. stainless steel table flatware industry and its employees as a result of imports.

My decision was based upon my evaluation of the national economic interest. A remedy involving import restraints would have resulted in higher prices for American consumers at a time when lowering the rate of inflation is essential.

Import restraints would also have exposed industrial and agricultural trade to compensatory import concessions or retaliation against U.S. exports. This would have been detrimental to American jobs and damaged U.S. exports.

Adjustment assistance can benefit the smaller enterprises which have been seriously injured. Import relief would disproportionately benefit firms which produce a substantial part of domestic output, and which are able to compete with imports.

Adjustment assistance is consistent with the President's efforts to control inflation, including costs to all consumers, which import restrictions would raise.

In considering the effect of import restraints on the international economic interests of the United States, as required by the Trade Act of 1974, I have concluded that such restraints would be contrary to the U.S. policy of promoting the development of an open, nondiscriminatory and fair world economic system. The goal of this policy is to expand domestic employment and living standards through increased economic efficiency.

I have directed the Secretaries of Commerce and Labor to give expeditious consideration to any petitions for adjustment assistance filed by stainless steel flatware firms producing articles covered by the USITC report, and their workers, and communities.