

Client Advisory

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Investigation Requires Importers to Review Classification of Steel Products

The Bush Administration announced a comprehensive initiative in June 2001 to address the challenges facing the U.S. steel industry. The initiative contains three separate components. First, the President directed the United States Trade Representative (USTR) to initiate negotiations with trading partners of the United States to eliminate the inefficient excess capacity in the steel industry. Second, the USTR is to initiate negotiations on rules that govern steel trade in the future and to eliminate the underlying market-distorting subsidies that led to the current conditions. Third, the U.S. International Trade Commission (ITC) will conduct a full-scale investigation of the impact of steel imports on the U.S. steel industry pursuant to Section 201 of the Trade Act of 1974.

The investigation conducted by the ITC is designed to determine whether certain steel products are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to domestic industries producing like or directly competitive products. An affirmative determination by the ITC law allows the United States to escape from its obligations under international trade agreements for a limited amount of time. The overall investigation must be completed by December 19, 2001. The ITC must then recommend a remedy to the President, who determines what relief, if any, will be imposed. Possible remedies include an *increase in duty*, imposition of a *quota*, imposition of a *tariff-rate quota* (e.g., a two-level tariff under which goods enter at a higher duty after the quota is filled), trade adjustment assistance, or any combination of such actions. The decision concerning the form of relief ultimately granted is made by the President.

The steel products included in the investigation are:

- Certain carbon and alloy flat products
- Certain carbon and alloy long products
- Certain carbon and alloy pipe and tube
- Certain stainless steel and alloy tool steel products

The specific Harmonized Tariff Schedules of the United States (HTSUS) tariff provisions affected by the investigation can be found at <http://www.kmzr.com/pdf/HarmonizedTariff.pdf>. KMZ Rosenman reminds importers of steel products to check the list to know whether this investigation may affect the cost and/or availability of these products. Importers of products covered by the investigation should contact KMZ Rosenman for further guidance on how to protect their ability to import their products. KMZ Rosenman will continue to monitor developments affecting steel imports and will send out future updates as events warrant.

Excluded from the Section 201 investigation are a number of products, including steel products currently covered by another Section 201 case on wire rod and line pipe, as announced on February 16 and February 18, 2000 (65 Fed. Reg. 8621). Also excluded are those wire rod and line products that were specifically excluded in Section 201 relief (65 Fed. Reg. 8621) on these products.

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