

The Honorable Stephen Koplan
Chairman
United States International Trade Commission
500 E. Street, SW
Washington, D.C. 20436

Dear Chairman Koplan:

On June 5, 2001, President Bush announced a comprehensive initiative to respond to the challenges facing the U.S. steel industry. As part of that initiative, President Bush directed me to request the U.S. International Trade Commission to initiate an investigation under section 201 of the Trade Act of 1974 ("Trade Act") of the effect of steel imports on the U.S. steel industry.

America's steel industry and its more than 200,000 workers play an important role in our nation's economy, providing high-quality products to the manufacturing, construction and energy sectors. Steel mills support additional jobs in related industries and in the businesses that serve steel workers and their families. The U.S. steel industry has been affected by a 50-year legacy of foreign government intervention in the market and direct financial support of their steel industries. The result has been significant excess capacity, inefficient production, and a glut of steel on world markets.

Today, the U.S. steel industry is suffering financially, with marked declines in profits, returns on investment, and market share. As a result, many firms have sought bankruptcy protection. When these difficulties result in plant closings or layoffs, local economies can be devastated. This is particularly true in small communities that depend heavily on steel jobs for their survival.

Accordingly, at the President's instruction, I request that the Commission promptly initiate an investigation under section 202 of the Trade Act 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 the domestic industries producing like or directly competitive products. Attachment I lists the imported products subject to this request.

Please be advised that if the Commission makes an affirmative determination under section 202(b)(1)(A) of the Trade Act, or a determination that the President may consider to be affirmative under section 330(d)(1) of the Tariff Act of 1930, as amended (19 U.S.C. § 1330(d)(1)) ("affirmative determination"), the President may request additional information from the Commission under section

203(a)(5) of the Trade Act. In particular, with respect to each

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affirmative determination, if the Commission makes a negative finding under section 311(a) of the North American Free Trade Agreement Implementation Act (19 U.S.C. § 3371(a)) with respect to imports of the relevant steel products from Mexico and/or Canada, the President may request the Commission to report on whether increased imports of those products from all sources other than Mexico and/or Canada, as the case may be, are a substantial cause of serious injury or threat of serious injury to the domestic industry. The President also may request the Commission to report on the developments that resulted in the relevant steel products being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry and whether those developments were unforeseen.

Furthermore, if the Commission makes an affirmative determination, I will be particularly interested in receiving the Commission's views on the actions to be undertaken by the relevant domestic industry to make a positive adjustment to import competition, including proposals in any adjustment plan or commitment submitted to the Commission under section 202(a) of the Trade Act (19 U.S.C. § 2252(a)).

In closing, section 201 of the Trade Act is a valuable trade law mechanism and is entirely consistent with international trade rules. When a section 201 investigation leads to temporary relief from import competition, it can provide time for affected industries to enhance their competitiveness and, in the long run, restore market forces and free trade. Moreover, a thorough investigation of the condition of the domestic steel industry is important to the President's three-part steel initiative, which includes negotiations with our steel trading partners to reduce excess global steel capacity and to establish additional disciplines on subsidies and other market-distorting practices.

I appreciate your thoughtful consideration of this request and look forward to receiving the Commission's report as soon as possible.

Sincerely,

Robert B. Zoellick