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Producers
Association

ITC Hearing - A First for Consumers

For the first time ever during an International Trade Commission (ITC) hearing, the number of legislators testifying on behalf of steel consumers was above those testifying on behalf of the petitioners.

During a recent hearing on stainless steel sheet and strip, four Members of Congress offered testimony in support of steel consumers - Reps. Joseph Knollenberg (R-9-MI), Mike Pence (R-6-IN), Geoff Davis (R-4-KY) and Donald Manzullo (R-16-IL).

Davis, who represents both steel consumers and producers, stated that what he wanted was simply for the Commission to consider the interests of all parties - including consuming industries.

Knollenberg made a number of points in his

testimony. "It's true that some steel consumers will be testifying here today," he stated. "But it's not because the Commission offered them their own panel to talk about how these duties are hurting them. Instead steel consumers here today have to testify on time however they can find it, so they're testifying on time given to foreign producers," the Michigan legislator continued. He concluded that "The reality is this Commission gives greater standing to foreign producers than our own American consuming companies whose employees are living and working here in the United States. That's ludicrous. In the future, I hope you will give consumers their own panel." Knollenberg is also the author of a resolution that urges the Commission to fully consider steel consumers during sunset reviews. **AWPA**

PAGE 2

More Byrd Disbursements Planned

PAGE 3

Lamy Takes Over WTO

PAGE 4

Changed Circumstances for Wire Rod

PAGE 6

Interwire 2005

PAGE 7

WTO Clears Iran for Membership Talks

CAFTA Might Be In Trouble

The Central American Free Trade Agreement (CAFTA) passed one hurdle when the Senate Finance Committee, on a vote of 11-9, and the House Ways and Means Committee, by a vote of 25-16, both positively recommended approving the agreement. The committees' non-binding recommendations now go to the White House, which is preparing final CAFTA legislation to send to Congress. Once it does so, Congress has 90 days to ratify or reject the bill, but may not amend it.

However, uneasy about trade deficits, the rising economic clout of China and opposition from domestic sugar producers and unions, lawmakers are beginning to balk at approving the pact to open markets between the US and Central America. Congressional Democratic leaders say they do not think most Democrats will support the CAFTA if there is a vote in coming weeks. Republicans who

normally back trade deals are also expressing reluctance to approve the agreement.

At issue is an agreement to gradually eliminate tariffs and create duty-free trade between the US and El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica, and the Dominican Republic. The White House calls the deal a win for US businesses, noting that 80% of imports from the areas already enter the US duty-free under previous deals, while US exports can face tariffs of 40% or more. CAFTA would immediately eliminate duties on more than half the value of US farm exports to the region, and would gradually phase in other tariff reductions.

But the debate about the trade pact is reviving arguments about the merits of free trade, similar to the controversy about the much larger 1994 North American Free Trade Agreement (NAFTA) that

Continued on page 3

More Disbursements Planned Under Byrd Amendment

Once again, US Customs and Border Protection has invited applications from domestic manufacturers for the disbursement of Byrd Amendment funds for fiscal year 2005. Customs' public notice is more than 600 pages in length, and it contains a list of all outstanding anti-dumping and countervailing duty orders as well as the names of the domestic producers which filed or supported the original antidumping and countervailing duty petitions.

Included in Customs' notice are the orders against carbon and alloy steel wire rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad & Tobago, and Ukraine. Customs has identified potential recipients for this year's disbursements to include AmeriSteel, Birmingham Steel, Cascade, Connecticut Steel, Co-Steel Raritan, GS Industries, Keystone, North Star, Republic Technologies, and Rocky Mountain. These were the mills that were involved in the original investigations, and some have been closed (GS Industries) or acquired by other companies (North Star by Gerdau, Georgetown by Mittal) since that time. In fiscal year 2003, Customs made Byrd Amendment disbursements of almost \$3.5 million to ISG Georgetown,

Gerdau USA, Keystone, Connecticut and North Star.

Also included in Customs' notice are the orders against stainless steel wire rod from Brazil, France, India, Italy, Japan, Korea, Sweden, Spain and Taiwan. Customs has identified AL Tech, Armco, Carpenter, Republic Engineered Steels, and Talley as well as the United Steelworkers of America as potential recipients of the funds available or disbursements. In fiscal year 2003, Carpenter and Universal Stainless & Alloy (which acquired AL Tech's assets) received \$2.5 million in disbursements under the Byrd Amendment in connection with the orders against stainless rod.

On the retaliation front, Japan and South Korea are likely to proceed in imposing trade sanctions on US imports by the summer if the US Congress fails to take any steps by then to rescind the Continued Dumping and Subsidy Offset Act of 2000 (otherwise known as the "Byrd Amendment").

These two countries, which have the greatest retaliation potential, will probably move forward in applying sanctions before the congressional summer recess if no signal of movement against the provision is seen by then.

The targeted recess date is August 1, 2005.

Japan has \$72.4 million collected and disbursed to US firms from duty orders on its imports in 2004, giving it a retaliation potential of \$52.1 million in punitive duties. South Korea had \$44.7 million collected, giving it a retaliation potential of \$32.2 million. Next in the line is the European Union, with potential of \$27.9 million, followed by Mexico with \$20.9 million and Canada with \$11.2 million. All together, \$203.3 million was collected and disbursed to US firms in fiscal year 2004 from antidumping and countervailing duty orders on imports from the eight complainants in the WTO case. This gives them a combined retaliation potential of \$146.4 million.

However, the retaliation potential for Canada could shoot up enormously if US authorities start disbursing the huge amount of duties collected from anti-dumping and countervailing duties on Canadian softwood lumber. According to an International Trade Canada background document, \$3.5 billion in cash deposits have already been collected on Canadian softwood imports since the duty orders took effect and are continuing to be collected. **AWPA**

Two Senators Question Legality of Retaliation

Sens. Robert Byrd (D-WV) and Mike DeWine (R-OH) questioned whether the retaliation Canada and the European Union have imposed on US imports exceeds what was authorized by a World Trade Organization (WTO) arbitrator in a decision that found the Byrd Amendment to be WTO-illegal. This is the first time that any Members of Congress or US officials have publicly suggested that these countries might be imposing unauthorized levels of retaliation in response to the US failure to repeal the law.

According to a letter sent from the Senators to USTR Portman, "It is not clear that in this instance the amount of retaliation being imposed by Canada and the EU is correct. In fact, there is a legitimate question as to whether the amount of retaliation being imposed is in excess of that established by WTO arbitrators."

Canada, the EU and other co-complainants in the WTO decision on the Amendment were granted the right by a WTO arbitrator in 2004 to suspend

concessions or other obligations that cover a value of trade no higher than 72% of the annual disbursements under the Byrd law, under which duties in unfair trade cases are redistributed to the US companies that petitioned for the cases.

Under the US interpretation of this ruling, the formula would allow Canada to impose retaliation on US imports worth \$11 million. However, Canada announced it would impose a 15% tariff on US exports worth more than double that amount. **AWPA**

Lamy Takes Over WTO Leadership

Pascal Lamy, who until recently was the European Union's chief trade negotiator, is set to become director-general of the World Trade Organization (WTO) after his last remaining rival withdrew from the race. Barring some unforeseen revolt before the WTO general Council's formal decision, Lamy's four-year term will begin September 1, 2005.

But Lamy still faces an enormous challenge in mobilizing the consensus-oriented WTO to complete the Doha round and ensuring that the negotiations produce major results. As head of the Geneva-based body, which sets the rules for trade among its members and mediates their disputes, he would also act as one of the chief advocates for economic globalization, a daunting task in itself. But his success or failure will almost certainly hinge on how he handles the Doha talks.

The round, launched in the capital of Qatar a couple of months after the

September 11, 2001 terrorist attacks, is supposed to provide especially significant benefits for developing countries who were aggrieved that previous rounds tended to favor the interests of American and European companies. One demand of many developing countries is the elimination of, or at least a sharp cutback in, agricultural subsidies that often spur overproduction and depress prices for crops. Those demands are hotly resisted by powerful agricultural interests in rich countries, particularly in Lamy's native France.

Lamy has a particularly delicate tightrope walk to perform, some trade experts think. As director-general, he has little formal power beyond "moral suasion" in trying to forge consensus among the member nations. As an official who represented Europe's position on the main issues - he stepped down as the EU trade commissioner in November after a five-year term - he may enjoy both advantages and disadvantages. **AWPA**

US Gives WTO Funds

In an effort to assure that developing nations can participate in the Doha Development Agenda (DDA) trade negotiations, the US announced that it will contribute \$992,000 to the World Trade Organization (WTO).

USTR Rob Portman said in a statement that the money will go toward technical assistance aimed at integrating developing nations into multilateral trade. It also will help those nations meet their obligations, which can include assistance in preparing regulations and legislation to implement trade commitments, computer-based seminars on the WTO's trading system, and technical seminars on customs. The US donation brings the total contributions to WTO technical assistance for Doha to nearly \$5 million since 2001. **AWPA**

CAFTA Might...continued from page 1

eliminated barriers between the US, Mexico and Canada.

The outcome could be an important signal of whether protectionist pressures are building in Congress - and of the prospects for a successful conclusion to a broad round of World Trade Organization (WTO) talks.

The CAFTA deal is relatively small in market terms. It is expected to expand US exports by just \$1.9 billion a year when fully implemented in coming decades and add just 0.01% to the overall US economy, according to an International Trade Commission study. But it is one of the most prominent trade votes since Congress, in a 2002 squeaker, gave President Bush trade promotion authority to negotiate trade deals. Since that 2002 vote, the US trade deficit has ballooned from \$421.7 billion to \$617 billion, and manufacturers have shed millions of jobs.

On top of everything else is partisan politics. Many Democrats, whose votes are essential to passing CAFTA, are leery of the White House after bitter fights about everything from Social Security to the confirmation of federal judges. Additionally, business lobbyists calculate that as many as 50 House Republicans - out of 231 - now appear inclined to oppose the treaty.

Roughly 20 Democrats are needed for passage because of this significant number of Republicans who have indicated their firm opposition to the CAFTA. Unfortunately some reliably pro-trade Democrats, such as New Democrat Coalition Chairwoman Ellen Tauscher (CA) and Rep. Joe Crowley (NY), a business ally on some issues who aspires a party leadership slot, have said they will oppose CAFTA.

On a positive note for supporters, Reps. Solomon Ortiz (D-TX) and Silvestre Reyes (D-TX) are leaning

toward voting for the CAFTA. This would bring the number of firm Democratic votes to six. Reps. Henry Cuellar (TX), Norm Dicks (WA), William Jefferson (LA), and Jim Moran (VA) have already publicly committed to supporting the trade deal.

Because the CAFTA is in trouble, a prominent business leader recently laid it on the line: Business groups are prepared to cut off campaign contributions to House members who oppose the pact. "If you are going to vote against it, it's going to cost you," Thomas J. Donohue, president and CEO of the US Chamber of Commerce, warned during a meeting on Capitol Hill.

Both sides agree that without a major push from the White House and the GOP leadership, CAFTA is likely to become the first major trade deal to be defeated in more than 40 years and a major embarrassment for the Administration. **AWPA**

INSIDE Washington

by Janet Kopenhaver
AWPA Director of Government Affairs

TRADE

■ Changed Circumstances for Wire Rod

On April 26, 2005, the US Commerce Department began a "changed circumstances" review of the antidumping duty order against carbon and alloy steel wire rod from Ukraine. This review was requested by the Government of Ukraine, and its purpose is to determine whether Ukraine should be considered as a market economy country in future US antidumping proceedings. In the original investigation that led to this antidumping order, Commerce treated Ukraine as a non-market economy country and imposed a dumping duty of 116.37% on all Ukrainian producers and exporters of wire rod.

A determination by Commerce that Ukraine is a market economy would probably make it easier for Ukrainian rod mills to achieve a lower dumping margin in annual administrative reviews of the antidumping order. Since the next review of this order may be requested in October 2005, this changed circumstances request is well timed.

■ Portman Confirmed as USTR

Representative Rob Portman (R-OH) was unanimously confirmed by the Senate as the new US Trade Representative. He was immediately sworn in and flew to Paris to meet with counterparts seeking to break a deadlock holding up progress in the WTO Doha negotiations.

Portman comes from a strong manufacturing district in Ohio and understands the problems manufacturers face. He is well-known and highly respected on both sides of the aisle in Congress. His confirmation had been threatened by a "hold" placed by Indiana Senator Evan Bayh, who sought assurances that a countervailing duty bill concerning China would be debated and voted on.

Bayh agreed to lift his hold after conceding that his action had elevated attention to the need to provide offsets to Chinese subsidies.

During his confirmation hearings, Portman said that his top priorities are seeking congressional approval of the CAFTA, stronger enforcement of existing agreements globally and especially with China, and moving forward with the Doha Round.

■ Doha Moves Forward

At a recent APEC trade meeting in Korea, Asian trade ministers gave a significant boost to the WTO Doha round by endorsing a formula for industrial tariff cuts that would compel many developing countries to sharply lower high tariffs on manufactured goods. The ministers issued a statement approving the so-called "Swiss" formula for tariff cuts that would require countries with high industrial tariffs (i.e., India and Brazil) to reduce duty levels by larger margins than countries like the United States that already have low tariffs. This development was the result of strong Korean and US leadership at the meeting. While Korean industry, like the US industry, has a keen interest in reducing high tariffs in developing countries, the Korean government had previously been unwilling to press this position publicly.

ENVIRONMENTAL

■ TRI Shows Decline in Releases

EPA's 2003 Toxics Release Inventory (TRI) shows that the amount of toxic chemicals released into the environment by reporting facilities continues to decline, with total reductions of 42% since 1998 and a 6% decrease from 2002 to 2003.

TRI tracks the chemicals and industrial sectors specified by the

Emergency Community Right to Know Act of 1986. The Pollution Prevention Act (PPA) of 1990 also mandates that TRI collect data on toxic chemicals treated on-site, recycled, and burned for energy recovery. Together, these laws require facilities in certain industries to report annually on releases, disposal and other waste management activities related to these chemicals.

The TRI data and background information are available to the public at <http://www.epa.gov/tri/tridata/tri03/index.htm>. Communities can also quickly and easily identify local facilities and chemical releases by using the TRI explorer mapping tool available at <http://www.epa.gov/triexplorer>.

LEGISLATION

■ China Bills

Several bills have been introduced in the Congress that deal with China. HR 2414, introduced by Mike Rogers (R-MI), would require the Secretary of the Treasury to analyze and report on the exchange rate policies of the People's Republic of China, and to require that measures consistent with the obligations of the US under the World Trade Organization (WTO) be taken to offset any disadvantage to US producers resulting from China's exchange rate policies.

In general, the Secretary of the Treasury shall, upon the enactment of this Act and annually thereafter, determine whether China maintains the rate of exchange between its currency and the US dollar in a manner that interferes with effective balance of payments adjustments or confers a competitive advantage in international trade that would not exist if the currency value were set by market forces.

The Secretary shall also submit to the

House Committees on Ways and Means and Energy and Commerce; and the Senate Committee on Finance a report on the Secretary's analysis and findings.

In any case in which a report includes a rate of undervaluation, the President shall seek authorization in the WTO through expedited dispute settlement to offset the subsidy in the undervalued currency through the implementation of across-the-board equivalent tariffs based on the rate of undervaluation on the importation into the US of all products from China; and to take measures to offset the disadvantage resulting from such undervaluation to exports to China of goods and services of the US.

This bill was referred to the House Ways and Means Committee.

Another House bill - HR 1498 - was introduced by Rep. Tim Ryan (D-OH). This legislation would clarify that exchange-rate manipulation by the People's Republic of China is actionable under the countervailing duty provisions and the product-specific safeguard mechanisms of US trade laws.

Specifically, it amends the Tariff Act of 1930 regarding countervailing duty investigations to revise the definition of countervailable subsidy to include exchange-rate manipulation. Additionally, it applies the definition of "exchange-rate manipulation" to the Government of the People's Republic of China or any other public entity within its territory.

The measure was also referred to the House Ways and Means Committee.

On the Senate side, Sen. Joseph Lieberman (D-CT) introduced S 377, the Fair Currency Enforcement Act of 2005 that would require negotiation and appropriate action with respect to certain countries that engage in currency manipulation. Specifically, it directs the President to begin bilateral and multilateral negotiations for a 90-day period with those governments of nations determined to be engaged most egregiously in

currency manipulation; seek a prompt and orderly end to such currency manipulation; and ensure that the currencies of these countries are freely traded on international currency markets, or are established at a level that reflects a more appropriate and accurate market value.

It also directs the President, at the end of the negotiation period, if agreements are not reached to end currency manipulation, to promptly institute proceedings under the relevant US and international trade law with respect to those countries that, based on ITC findings, continue to engage in the most egregious currency manipulation; and seek appropriate damages and remedies for the nation's manufacturers and other affected parties.

The bill was referred to the Senate Committee on Finance.

■ Trade Law Bill

Sen. Debbie Stabenow (D-MI) introduced a bill (S 817) that would amend the Trade Act of 1974 to create a Special Trade Prosecutor to ensure compliance with trade agreements. It was referred to the Senate Committee on Finance.

■ WTO Resolution Rejected

The House of Representatives overwhelmingly rejected a move to withdraw the United States from the World Trade Organization (WTO), but by a slightly smaller margin than a similar vote five years ago. In a 338-86 vote, the House rejected a resolution that would have dropped Congress' approval for continued US participation in the WTO. A similar resolution failed in 2000 by a vote of 363-56.

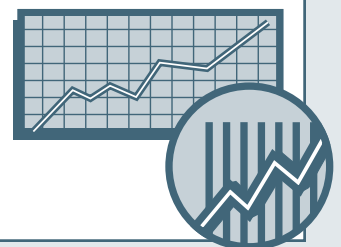
After the Bush Administration sent an analysis in April on the value of US participation in the global body, Reps. Bernard Sanders (I-VT) and Ron Paul (R-TX) introduced a resolution calling on the US to withdraw from the WTO. As mandated by Congress, the United States evaluates the WTO agreement every five years.

Even WTO supporters said the organization presents many problems, including the lack of progress on ongoing negotiations, formally called the Doha Development Agenda, and a dispute-resolution system they described as overreaching. They nevertheless said withdrawing from the WTO would be a mistake. **AWPA**

Have You Looked at Industry Statistics Lately?

AWPA members can obtain numerous statistical reports on the AWPA website - including the shipment data formerly mailed in WireLine. Statistics on the site now are data through the month of April.

Go to the Members Site on the AWPA website at www.awpa.org. To access the private Members Site, you need your Member ID and password. If you do not have your Member ID, please contact database@awpa.org. Your password is your last name in lower case letters.



MEETINGS & Membership News

by Emily Bardach, Director of Meetings & Membership

INTERWIRE 2005 AWPA Members Hear About China

Attendees at the AWPA breakfast meeting at INTERWIRE 2005 in Atlanta heard a senior official of the National Association of Manufacturers (NAM) outline the association's goals for responding to the challenges raised by China in the international marketplace. Stephen Gold, NAM Vice President, noted that China has become the world's third largest trading economy, and it is on the verge of overtaking Germany to become runner-up to the United States in this category. At the same time, the US has its largest trade imbalance with China, and this bilateral deficit with China has increased from \$83 billion in 2001 to \$162 billion in 2004.

To deal with this growing imbalance - which Gold described as "unsustainable" - the NAM has adopted a six-point program to restore balance and fairness in US-China trade relations. First and foremost, China must revalue its currency by 40%. Through a deliberate policy of manipulation, China has pegged its currency to a fixed rate of 8.28 yuan to the dollar in order to stimulate its economy and boost exports. Gold pointed out that the Treasury Department would soon be releasing its semi-annual report to Congress on international exchange rate policies and that NAM was hopeful that this issue would be forcefully addressed.

(NOTE: Since the breakfast, the semi-annual Treasury Report to Congress was released, and it contained the toughest language yet on China's undervalued currency peg to the dollar. In releasing the report, Treasury Secretary John Snow said that it was time for China's 12-year peg to the dollar to end.

He called on China to make an immediate and significant intermediate step as they move eventually to a market-determined currency.

He concluded that if current trends continue without substantial alteration, China's policies will likely meet the technical requirements of the statute for designation. NAM expressed disappointment that Treasury did not designate China for currency manipulation and immediately begin negotiations, but said it was pleased at the tough language and the firmness with which the Treasury indicated it would act if China did not soon end its extreme undervaluation.)

Second, the NAM wants the Bush Administration to press China to eliminate counterfeiting of products - from movies and software to auto parts and pharmaceuticals.

Third, the United States must retain non-market economy (NME) status for China in the enforcement of our anti-dumping laws. Fourth, China must eliminate artificial barriers against imports through the guise of administrative directives, regulatory policies, and technical standards. Fifth, US exports to China must be increased by 300% during the next three years. This can be accomplished through the expansion of the US Government's export promotion and financing programs, reductions in China's high industrial tariffs, and further steps to open the Chinese market to imports.

Finally, the NAM urges the Administration to promote fair competition by applying US countervailing duty laws and safeguard measures against Chinese subsidies.

For more information about Gold's presentation and the NAM's goals concerning China, the US economy and world trade, please visit www.awpa.org/private/meetings/. **AWPA**

CALENDAR OF AWPA EVENTS

2005

September 19-21 Government Affairs Conference

Westin Embassy Row
Washington, DC

November 8-9 Fall Operations Managers Meeting

Houston, TX
Host Tours:
Gerdau Ameristeel & MMI

2006

February 19-22 25th Anniversary Annual Meeting

Bellagio Hotel & Casino
Las Vegas, NV

WTO Clears Iran for Membership Talks

Members of the WTO agreed to allow Iran to open negotiations to join the body that governs international commerce. The US, which repeatedly had blocked Iran's long-held desire to join the WTO, raised no objections. The WTO takes such decisions by consensus.

Iran first applied to join the WTO in 1996, but the US blocked its application 22 times. For five years, Iran's application was never even discussed because of US objections. Since 2001, the application has been on the agenda of each of the WTO's quarterly General Council meetings, but on every occasion until now it was blocked by the US.

As a result of the decision Iran now has observer status and can sit in all WTO meetings. The Council also has created a working party for Iran's accession.

President Sets Administration's Top Trade Priorities

In remarks during the May 17th swearing in ceremony for USTR Rob Portman, President Bush set out his top three trade priorities: 1) Passage of the CAFTA; 2) Successful WTO Doha Round negotiations; and 3) Enforcement of trade agreements. On the Doha Round, the President stressed the need to

reduce tariffs on US manufactured goods exports, end unfair agricultural subsidies, and open the global market in services. On enforcement, the President said that countries who sign trade agreements need to live up to their terms. Bush particularly mentioned China, saying when China joined the WTO it agreed to the rules of international trade.

Allgeier Moving to Geneva

Deputy US Trade Representative Peter Allgeier has been assigned to serve in Geneva representing the United States at the World Trade Organization (WTO). Working at USTR since 1980, Allgeier served as deputy for four years, participating in WTO negotiations and overseeing US trade relations with the Western Hemisphere, Europe and the Middle East.

Ambassador Allgeier is expected to take up the post permanently in the fall, but in the meantime will divide his time between Geneva and his current responsibilities in Washington until his successor is in place.

NAM Collecting China Information

On June 1, 2005, the National Association of Manufacturers (NAM) will begin collecting information for its annual review of China's compliance

with its WTO obligations. Member companies and affiliated organizations that have experienced problems on China's compliance with its WTO obligations or WTO-related market-opening commitments are encouraged to provide relevant information to Bill Primosch (bprimosch@nam.org) in the international department. The NAM will present its report to the USTR's office and Department of Commerce in early September.

Bayh Joins Senate Manufacturing Caucus

US Senator Evan Bayh (D-IN) announced that he has joined the Senate's new Manufacturing Caucus. The Caucus was formed to spearhead Congressional efforts to address problems facing the country's manufacturing industry and try to reverse the job loss in the manufacturing sector. The bipartisan Caucus will work to identify root causes of the current manufacturing crisis and champion policies to help ensure that America's manufacturing base remains competitive. **AWPA**

WIRELine

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