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THE PRESIDENT HAS SENT

THE WHITE HOUSE

WASHINGTON

February 5, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: Specialty Steel

LWS

Handwritten initials



The Economic Policy Board Executive Committee reviewed the steel specialty issue at our meeting this Monday. We approved Ambassador Dent's recommendation that he explore in his meetings this week with representatives of the steel industry a U.S. initiative calling for accelerated steel sectoral negotiations in the MTN.

A memorandum from Ambassador Dent describing this approach is attached.


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THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS

WASHINGTON
20506

February 3, 1976

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Frederick B. Dent, STR 

Subject: Specialty Steel

The U.S. International Trade Commission has recommended to you the establishment of import quotas for specialty steel for the next five years. You must decide by March 16, 1976, whether or not you will provide the import relief as recommended. Many foreign governments have recommended against unilaterally imposed restraints on trade and on specialty steel in particular. Your views on import restraints are also well known.

Another domestic action currently affecting steel is the countervailing duty case filed by the U.S. Steel Corporation contending that the remission of the value-added tax by the European Community is a subsidy. The U.S. Steel Corporation is expected to file a case on this subject in the Customs Court within the foreseeable future. The EC is particularly concerned about the potential effects of this case creating chaotic conditions in our trading relations if appraisement is withheld following a Customs Court decision favorable to the U.S. Steel Corporation and is effective pending an appeal.

The U.S. steel industry and the Steelworkers Union jointly appealed to me for sectoral negotiations in the MTN covering steel. Unless there is an acceleration in the schedule of negotiations, however, this objective could not be realized until the overall negotiations are completed in 1977.

Internationally the European Commission has been under heavy pressure from its steel industry for protective action. As a result, voluntary restraint arrangements have been reached with Japan and several other nations limiting steel imports to Western Europe during the current year. Industry pressure continues for the establishment of a minimum price and other actions authorized under the Treaty of Paris which established the European Coal and Steel Community.

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EO 11652, 11652-2, 11652-3
NSC Memorandum for the President
By HR Date 9/11/12



~~CONFIDENTIAL~~

The existence of these factors offers the opportunity for an effective, imaginative solution to the current specialty steel case.

I propose seeing if the U.S. Steel Corporation would be willing to withhold the filing of their court case against the remission of the VAT providing agreement was reached with the EC regarding early initiation and completion of a sectoral negotiation in steel. The purpose of these negotiations would be to lower steel tariffs and obtain a safeguard provision for use of the steel industry at the low end of the steel economic cycle.

Secondly, obtain the support of the specialty steel segment of the industry for this negotiating effort while possibly obtaining temporary relief through a standstill agreement. The United Steelworkers Union, a party to the USITC case, would also be consulted concerning this matter.

With these domestic understandings achieved, an approach would be made to the highest levels of the EC to see if they would agree to support near-term initiation of the steel sectoral negotiations in the MTN with the objective of completing them next summer. Their assent would relieve them of concern over the VAT case and the pressures being brought to bear upon them by the European steel industry for unilateral action.

We would propose keeping the Japanese informed of these efforts and seek their support of the negotiations at the appropriate time.

We would make every effort to complete the steel sectoral negotiations next summer in order to be able to present the resultant agreement to the Congress for approval under Section 102 of the Trade Reform Act of 1974 this fall. The announcement of the agreement to conduct such negotiations would, in my judgment, add to the growing economic confidence both at home and abroad. It would resolve a very serious sectoral problem which threatens unilateral action both here and abroad of a protectionist nature and the sectoral agreement being sought would alleviate a cyclical problem which confronts all governments when the steel industry suffers an economic downturn. The sectoral agreement would also give the U.S. industry which is essential to our national security, the confidence to generate the sizeable amount of capital required for maintaining efficiency, improving its environmental performance, and the expansion necessary to support our growing economy.

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