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THE WHITE HOUSE

WASHINGTON

June 7, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

L. WILLIAM SEIDMAN

FROM:

JAMES E. CONNOR *JEB*

SUBJECT:

Implementation of the Specialty Steel  
Decision

Confirming telephone conversation this morning to your office, the President reviewed your memorandum of June 5, 1976 on the above subject and approved the following recommendation:

"The entry into force of the proposed orderly marketing agreement on specialty steel with Japan."

Regarding the total quota level, the following option was approved:

"Increase the quota level of specialty steel imports to 147,000 tons for 1976, 1,000 tons above the figure recommended by the USITC, with allocation of the quota as follows:

	(Thousands of Tons)
Japan	66.4
EC	32.0
Sweden	24.0
Canada	12.6
Others	12.0

The necessary memorandum to the Special Representative for Trade Negotiations authorizing him to sign the agreement was signed and is being forwarded to Robert Linder for appropriate handling.

Please follow-up with any additional action necessary.

cc: Dick Cheney  
Robert Linder

*full pkg  
to Bob Linder*

THE WHITE HOUSE

WASHINGTON

June 5, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Implementation of the Specialty Steel Decision

On March 16, 1976, you instructed the Special Representative for Trade Negotiations to seek orderly marketing agreements with the countries which are principal suppliers of specialty steel to the United States. You announced your determination that if agreements were not negotiated successfully you would proclaim import quotas for a period of three years to take effect on or before June 14, 1976, at overall levels comparable to those recommended by the U.S. International Trade Commission.

A memorandum from Ambassador Dent on the implementation of your specialty steel decision is attached at Tab A. In brief, Ambassador Dent reports that invitations to negotiate were extended to Japan, the European Community and Sweden. Only Japan, our principal supplier accounting for 51 percent of all U.S. imports of specialty steel in 1975, has indicated its willingness to sign an orderly marketing agreement.

The proposed orderly marketing agreement with Japan has been reviewed and approved through the Trade Policy Committee structure. The agreement provides for a reduction of Japanese shipments to the annual average share that Japan shipped during the 1971-1975 period with some flexibility for shifting between product categories. It is also proposed that quotas be provided for other countries, generally on the 1971-1975 base applied to Japan, with some additional consideration for our trade with Canada, which runs heavily in our favor, and with provision for new suppliers.

Ambassador Dent's memorandum has been staffed to the appropriate White House offices not included on the Trade Policy Committee. Their comments and recommendations are as follows:

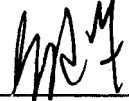
Counsel's Office	No objection
Max Friedersdorf	Concur with Dent recommendation

James M. Cannon                   Concur with the Trade Policy Committee recommendation that the President approve entry into force of the proposed orderly marketing agreement with Japan

John O. Marsh                    Approve Dent recommendation

Brent Scowcroft                 Approve the entry into force of the proposed orderly marketing agreement with Japan.

Recommendation: I recommend that you approve the entry into force of the proposed orderly marketing agreement on specialty steel with Japan.

Approve  \_\_\_\_\_ Disapprove \_\_\_\_\_

Ambassador Dent will be meeting with the key Japanese trade officials in Tokyo on June 8 and they expect to be informed of your decision at that time. This requires notification of Ambassador Dent by close of business June 7, which is the morning of June 8 Tokyo time.

The Government of Japan has requested a document signed by you authorizing Ambassador Dent to sign the specialty steel agreement. If you approve of the agreement, a memorandum to the Special Representative for Trade Negotiations authorizing him to sign the agreement is attached at Tab B. The signing would occur on Friday morning, June 11.

A memorandum from Brent Scowcroft concerning implementation of the specialty steel decision is attached at Tab C. He approves of the entry into force of the proposed orderly marketing agreement with Japan and the import restraint program but raises the issue of the level of total allowable imports.

The U.S. International Trade Commission (USITC) finding supported an aggregate import level of 146,000 tons of specialty steel. On March 16, 1976, you determined to seek orderly marketing agreements with countries supplying specialty steel to the U.S. market. You announced that if orderly marketing agreements were not negotiated successfully that you would proclaim import quotas for a period of three years at overall levels comparable to those recommended by the USITC.

All agencies agree that economic conditions have improved in the specialty steel industry since the USITC finding on January 16, 1976, and that these improved conditions warrant an

increase in the level of the total volume of imports permitted. However, agencies are divided on the amount of this increase above the 146,000 tons determined by the USITC in January.

Two options regarding the total quota level are presented for your consideration.

Option 1: Increase the quota level of specialty steel imports to 147,000 tons for 1976, 1,000 tons above the figure recommended by the USITC, with allocation of the quota as follows:

(Thousands of tons)

Japan	66.4
EC	32.0
Sweden	24.0
Canada	12.6
Others	12.0

Advantages:

- o The 147,000 ton level would provide more protection for the domestic specialty steel industry which continues to claim that its recovery prospects are uncertain.
- o The 147,000 ton level is closer to the USITC determined level and therefore is more in line with your March 16 determination that you would provide for a quota level "comparable" to the level recommended by the USITC.

Option 2: Increase the quota level of specialty steel imports to 149,000 tons for 1976, 3,000 tons above the figure recommended by the USITC with allocation of the quota as follows:

(Thousands of tons)

Japan	67.3
EC	32.0
Sweden	24.0
Canada	12.6
Others	13.1

Advantages:

- o The 149,000 ton level would increase availability of specialty steel marginally which could help reduce inflationary pressures during a period of rising demand.

- o The 149,000 ton level based on the above allocation would particularly benefit smaller suppliers such as Korea, Brazil, and Finland as well as Japan. These countries experienced the deepest cut in exports to the U.S. under the USITC figure.

Option 1 WR7 Increase the quota level of specialty steel imports to 147,000 tons for 1976, 1,000 tons above the figure recommended by the USITC, with allocation of the quota as follows:

	(Thousands of tons)
Japan	66.4
EC	32.0
Sweden	24.0
Canada	12.6
Others	12.0

Supported by: Special Representative for Trade Negotiations, Commerce, Labor

Option 2 Increase the quota level of specialty steel imports to 149,000 tons for 1976, 3,000 tons above the figure recommended by the USITC, with allocation of the quota as follows:

	(Thousands of tons)
Japan	67.3
EC	32.0
Sweden	24.0
Canada	12.6
Others	13.1

Supported by: NSC, CEA, Treasury, State

I am advised that Secretaries Kissinger and Simon will shortly be submitting to you a memorandum recommending a series of steps to terminate the import restraints on specialty steel as soon as possible. However, legally you are bound to implement import relief on June 14, 1976, in accordance with your determination of March 16, 1976.