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#10 Background Material For Steel Meeting, November 6, 2000 [AFL-CIO] [3]

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October 26, 2000

Hon. Charlene Barshefsky
Ambassador
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

Hon. Norman Y. Mineta
Office of the Secretary, Room 5854
U.S. Department of Commerce
14th & Constitution Avenue, NW
Washington, DC 20230

Dear Ambassador Barshefsky and Secretary Mineta:

We very much appreciate the concerns each of you have expressed regarding the American steel industry, but we must advise you the industry is now facing a catastrophe.

Steel imports in the first eight months of this year are even higher than they were in the disastrous peak year of 1998, which impelled the Administration to negotiate limitations on dumped steel imports from Russia. The attached table shows that imports from several non-WTO countries have increased 339% between 1995 and 2000, with most of the surge occurring this year. US steel producers, among the most efficient steel producers in the world, cannot cope effectively against this flood tide of imports from these countries which do not have to play by the same rules and threaten to destroy the American steel industry. The table also includes the decline in imports from Russia, which resulted from the comprehensive quota agreement.

Ambassador Barshefsky and Secretary Mineta, if you wish to retain a viable American steel industry, so essential to our economy, you must act now! The price-suppressing impact of a continuing flood-tide of dumped imports has pushed many otherwise healthy and competitive US steel companies to the brink. Without immediate, definitive action by the Administration, there will be shut-downs, bankruptcies and layoffs over the next year.

The undersigned urge you to impose meaningful restraints immediately on steel imports from offending non-WTO countries to pre-crisis levels, as there is little time to accomplish such relief. We also respectfully request ongoing meetings with you to make recommendations and monitor progress in this area.

Thank you for your immediate consideration of our request and for your support of this key American industry.

Sincerely,

Paul J. Darling, II
Chairman, Government Relations
Cold Finished Steel Bar Institute

H.L. Kephart
Chairman
Specialty Steel Industry of North America



David L. Carroll
Chairman
The Committee on Pipe and Tube Imports

Charles P. Sanida
Chairman
Steel Manufacturers Association

Attachment



US of Steel Mill Products (All Grades)								
ted Non-WTO Countries								
Net Tons								
			8 Mos.					
		8 Mos.	2000					
		2000	Annualized	1999	1998	1997	1996	1995
China*		1,067,660	1,601,490	769,572	632,274	476,916	478,390	406,601
Kazakstan		202,348	303,522	131,834	149,266	22,588	3,912	42,502
Moldova		301,583	452,375	362,035	314,061	117,070	61,959	73,267
Taiwan		1,005,909	1,508,864	965,858	491,956	188,956	97,211	130,200
Ukraine*		1,218,153	1,827,230	786,593	882,321	580,501	803,229	645,276
Total		3,795,653	5,693,480	3,015,892	2,469,878	1,386,031	1,444,701	1,297,846
* Cut to Length Plate subject to quota and price floor suspension agreement effective 11/1/97.								
f Steel Mill Products (All Grades)								
rom Russia**								
Net Tons								
Russia		941,551	1,412,327	1,253,894	5,273,589	3,319,000	1,660,066	1,499,036
** 5-year suspension agreement on hot rolled steel (quota and price floor) signed 7/13/99.								
5-year comprehensive agreement on 15 steel related products (quotas) signed 7/13/99.								
Cut to Length Plate subject to quota and price floor suspension agreement effective 11/1/97.								
Source: U. S. Department of Commerce Bureau of the Census								

[illegible]

f Finished Steel Mill Products (All Grades)							
ted Non-WTO Countries							
Net Tons							
			8 Mos.				
		8 Mos.	2000				
		<u>2000</u>	<u>Annualized</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
China*		962,577	1,443,866	735,667	615,227	473,698	478,215
Kazakstan		202,348	303,522	131,834	149,266	22,588	3,912
Moldova		293,380	440,070	362,035	314,061	117,070	61,959
Taiwan		1,005,857	1,508,786	965,397	491,670	188,909	97,207
Ukraine*		676,428	1,014,642	422,114	529,890	476,210	770,302
Total		3,140,590	4,710,885	2,617,047	2,100,114	1,278,475	1,411,595
* Cut to Length Plate subject to quota and price floor suspension agreement effective 11/1/97.							
inished Steel Mill Products (All Grades)							
rom Russia**							
Net Tons							
Russia		408,814	613,221	703,242	4,964,558	2,950,414	1,450,978
** 5-year suspension agreement on hot rolled steel (quota and price floor) signed 7/13/99.							
5-year comprehensive agreement on 15 steel related products (quotas) signed 7/13/99.							
Cut to Length Plate subject to quota and price floor suspension agreement effective 11/1/97.							
Source: U. S. Department of Commerce Bureau of the Census							

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Glossary of Steel Terms

Alloy Steel

An iron-based mixture is considered to be an alloy steel when manganese is greater than 1.65%, silicon over 0.5%, copper above 0.6%, or other minimum quantities of alloying elements such as chromium, nickel, molybdenum, or tungsten are present. An enormous variety of distinct properties can be created for the steel by substituting these elements in the recipe.

Antidumping Duties

These are special tariffs that may be imposed if: (a) the Department of Commerce finds that imported products are being sold in the United States at prices below those charged for like products sold in the country in which the imports originated (taking account of necessary adjustments for differences between home market and import sales); and (b) the U.S. International Trade Commission finds that affected U.S. industries are being injured by the imports in question. The duties imposed are assessed at a level (referred to as the “dumping margin”) that roughly offsets the difference between the U.S. price and the home market price. Dumping is loosely analogous to the domestic price discrimination that is banned by the U.S. Robinson-Patman Act. Rules governing the imposition of antidumping duties are set out in the WTO Antidumping Agreement.

Bars

Long steel products that are rolled from billets. Merchant bar and reinforcing bar (“rebar”) are two common categories of bars, where merchants include rounds, flats, angles, squares, and channels that are used by fabricators to manufacture a wide variety of products such as furniture, stair railings, and farm equipment. Rebar is used to strengthen concrete in highways, bridges and buildings.

Basic Oxygen Furnace

The basic oxygen furnace is used by integrated steel producers to produce crude steel from molten pig iron, scrap, and lime. In the basic oxygen process, a high speed jet of oxygen is blown directly on the surface of a mixture or “charge” of molten iron, scrap, and fluxes in a cylindrical furnace. Oxygen reacts with carbon to generate the heat necessary to melt the charge and remove the impurities and convert it to steel. Basic oxygen furnaces are used for high tonnage production of carbon steel.

Billet

A semi-finished steel form that is used for “long” products: bars, channels or other structural shapes. A billet is different from a slab because of its outer dimensions; billets are normally two to seven inches square, while slabs are 30-80 inches wide and 2-10 inches thick. Both shapes are generally continually cast, but they may differ greatly in their chemistry.

Blast Furnaces

The first step in integrated production is the reduction of iron ore to molten iron in a blast

furnace, using coal as a reducing fuel. In this process, a mixture of iron ore, limestone, and coke is charged into the furnace and subjected to a very high temperature. In the reaction that follows, molten iron is separated from the impurities in the ore. The molten iron is then released from the furnace for use in steelmaking operations.

Bloom

A semi-finished steel form whose rectangular cross-section is more than eight inches. This large cast steel shape is broken down in the mill to produce the familiar I-beams, H-beams and sheet piling. Blooms are also part of the high-quality bar manufacturing process: Reduction of a bloom to a much smaller cross-section can improve the quality of the metal.

Capacity Utilization

A key economic indicator of the industry's productivity. This term reflects the extent to which the industry is using its overall production capacity.

Carbon Steel

Carbon steel is the most widely produced steel, and essentially includes all steel other than alloy or stainless grades. Its mechanical properties are primarily defined by the carbon content.

Charge

The act of loading material into a vessel. For example, iron ore, coke and limestone are charged into a Blast Furnace; a Basic Oxygen Furnace is charged with scrap and hot metal.

Coils

Steel sheet that has been wound. A slab, once rolled in a hot-strip mill, is more than one-quarter mile long; coils are the most efficient way to store and transport sheet steel.

Coke

The basic fuel consumed in blast furnaces in the smelting of iron. Coke is a processed form of coal. About 1,000 pounds of coke are needed to process a ton of pig iron, an amount which represents more than 50% of an integrated steel mill's total energy use.

Cold Reduction

Finishing mills roll cold coils of pickled hot-rolled sheet to make the steel thinner, smoother, and stronger, by applying pressure, rather heat.

Cold Working (Rolling)

To create a permanent increase in the hardness and strength of the steel; changes in the structure and shape of steel are achieved through rolling, hammering, or stretching the steel at a low temperature (often room temperature).

Continuous Casting A method of pouring steel directly from the furnace into a billet, bloom, or slab directly from its molten form.

Countervailing Duties

These are special tariffs that may be imposed if: (a) the Department of Commerce finds that imported products are being sold in the United states as a result of subsidies provided to the

foreign manufacturer (or distributor) by a foreign government; and (b) the U.S. International Trade Commission finds that affected U.S. industries are being injured by the imports in question. The duties imposed are assessed at a level that roughly offsets the benefits provided by the subsidies. Rules governing the imposition of antidumping duties are set out in the WTO Agreement on Subsidies and Countervailing Measures.

Cut-to-Length

Process to uncoil sections of flat-rolled steel and cut them into a desired length. Product that is cut to length is normally shipped flat-stacked.

Edge Rolling (Edge Conditioning)

Rolling a strip of steel to smooth the edges. By removing the burr off the coil, it is safer for customers to manipulate.

Electric Arc Furnace

The electric arc furnace is used to make steel from scrap metal and, to a lesser extent, other iron-bearing products, using electricity. In this process, electrodes are lowered into a cylindrical furnace containing the scrap, and current is applied, generating heat to melt the metal. Electrical arc furnaces are used (primarily by mini-mills) to produce carbon steel as well as lower tonnage alloy and specialty steels. Because the electric arc furnace is scrap based, it does not require the large complex of facilities (*e.g.*, processing plants, coke ovens, blast furnaces) required in integrated production.

Ferrous

Metals that consist primarily of iron.

Finished Steel

The full range of steel mill products processed in rolling mills from semi-finished steel. Included are hot-rolled steel, cold-rolled steel, galvanized steel, structurals, rails, bar products, pipe and tube, wire rod, plate, and tin mill products.

Flat-Rolled Steel

Category of steel that includes Sheet, Strip, and Tin Plate, among others.

Galvanized Steel

Steel coated with a thin layer of zinc to provide corrosion resistance in underbody auto parts, garbage cans, storage tanks, or fencing wire. Sheet steel normally must be cold-rolled prior to the galvanizing stage.

Gauge

The thickness of sheet steel. Better-quality steel has a consistent gauge to prevent weak spots or deformation.

Hardening

Process that increases the hardness of steel, *i.e.*, the degree to which steel will resist cutting, abrasion, penetration, bending, and stretching.

Heat (of steel)

A batch of refined steel. A basic oxygen or electric furnace full of steel. One heat of steel will be used to cast several slabs, blooms or billets.

Heavy Structural Shapes

A general term given to rolled flanged sections that have at least one dimension of their cross sections three inches or greater. The category includes beams, channels, tees and zees if the depth dimension is three inches or greater, and angles if the length of the leg is three inches or greater.

Hot-Rolled Steel

A coil of steel rolled on a hot-strip mill. It can be sold in this form to customers or further processed into other finished products.

Hot-Strip Mill

A rolling mill of several stands of rolls that converts slabs into hot-rolled coils. The hot-strip mill squeezes slabs, which can range in thickness from 2-10 inches, depending on the type of continuous caster, between horizontal rolls with a progressively smaller space between them (while vertical rolls govern the width) to produce a coil of flat-rolled steel about a quarter-inch in thickness and a quarter mile in length.

Import Penetration

Import penetration is the ratio of imports to apparent consumption, expressed as a percentage. Semi-finished steel imports, which are processed into finished steel products by steelmakers, are sometimes excluded to avoid double counting.

Ingot

A form of semi-finished steel. Liquid steel is teemed (poured) into molds, where it slowly solidifies. Once the steel is solid, the mold is stripped, and the 25- to 30-ton ingots are then ready for subsequent rolling or forging.

Integrated Producer

An integrated steel mill is typically involved in all steps of steel production from processing iron ore and coal to producing a wide range of carbon and alloy end products. A principal feature is the blast furnace, which produces molten iron using coke, a coal derivative, as an energy source. The molten iron, along with scrap, is processed into steel in a basic oxygen furnace (though some integrated producers also own electric arc furnaces).

Iron Ore

Mineral containing enough iron to be a commercially viable source of the element for use in steelmaking. Except for fragments of meteorites found on Earth, iron is not a free element;

instead, it is trapped in the earth's crust in its oxidized form.

Mini-Mill

Mini-mills produce steel from scrap (or less frequently, iron products) in an electric furnace. Initially, these mills produced mostly lower valued products such as bars and rods but the development of the thin slab caster in the late 1980s helped them to move into flat products as well. Mini-mills are now one of the most important and fastest growing parts of the U.S. industry.

Pickling

Process that cleans a steel coil of its rust, dirt and oil so that further work can be done to the metal.

Pig Iron

The name for the melted iron produced in a blast furnace, containing a large quantity of carbon (above 1.5%). Named long ago when molten iron was poured through a trench in the ground to flow into shallow earthen holes, the arrangement looked like newborn pigs suckling. The central channel became known as the "sow," and the molds were "pigs."

Pipe and Tube

Technically a tube used to transport fluids or gases. However, pipe and tube are often used interchangeably in steel lexicon, with a given label applied primarily as a matter of historical use.

Plate

Sheet steel with a width of more than eight inches, with a thickness ranging from one quarter of an inch to more than one foot.

Reinforcing Bar (Rebar)

A commodity-grade steel used to strengthen concrete in highway and building construction.

Reversing Mill

The stand of rolls used to reduce steel sheet or plate by passing the steel back and forth between the rolls; the gap between the rolls is reduced after each pass.

Semi-Finished Steel

Molten steel is poured into a continuous caster to produce three semi-finished steel products: blooms, billets, or slabs. Alternatively, the molten steel is poured into an ingot mold to form ingots. These semi-finished products are processed at rolling mills to make finished products.

Sheet Steel

Thin, flat-rolled steel. Coiled sheet steel accounts for nearly one-half of all steel shipped domestically and is created in a hot-strip mill by rolling a cast slab flat while maintaining the side dimensions. The malleable steel lengthens to several hundred feet as it is squeezed by the rolling mill. The most common differences among steel bars, strip, plate, and sheet are merely their physical dimensions of width and gauge (thickness).



Slab

The most common type of semi-finished steel. Traditional slabs measure 10 inches thick and 30-85 inches wide (and average about 20 feet long), while the output of the recently developed "thin slab" casters is approximately two inches thick. Subsequent to casting, slabs are sent to the hot-strip mill to be rolled into coiled sheet and plate products.

Stainless Steel

The term for grades of steel that contain more than 10% chromium, with or without other alloying elements. Stainless steel resists corrosion, maintains its strength at high temperatures, and is easily maintained. For these reasons, it is used widely in items such as automotive and food processing products, as well as medical and health equipment.

Strip

Thin, flat steel that resembles hot-rolled sheet, but it is normally narrower (up to 12 inches wide) and produced to more closely controlled thicknesses. Strip also may be cut from steel sheet by a slitting machine (see Sheet Steel).

Structurals



Steel product group that includes I-beams, H-beams, wide-flange beams and sheet piling. These products are used in the construction of multi-story buildings, industrial buildings, bridge trusses, vertical highway supports, and riverbank reinforcement.

Substrate

Raw material used as an input for steel processing: For example, hot-rolled steel is the substrate for cold-rolling operations.

Taconite

Natural mineral containing less than 30% iron. It is the primary ore used in blast furnaces. Domestic supplies of iron-rich ores (greater than 50% iron) were largely depleted in the 1940s, so integrated steel companies now process the lower-grade taconite to make it useful.

Tin Mill

Continuous tin-plating facility to produce tin mill steel sheet to be used in food and beverage cans and other containers.

Wire Rod



Round, thin semi-finished steel length that is rolled from a billet and coiled for further

processing. Rod is commonly drawn into wire products or used to make bolts and nails. Rod trains (rolling facilities) can run as fast as 20,000 feet per minute«more than 200 miles an hour.

Yield

The ratio of the quantity of finished shipments to the total raw steel produced, adjusted for changes in inventory and any slabs that are purchased from outside.

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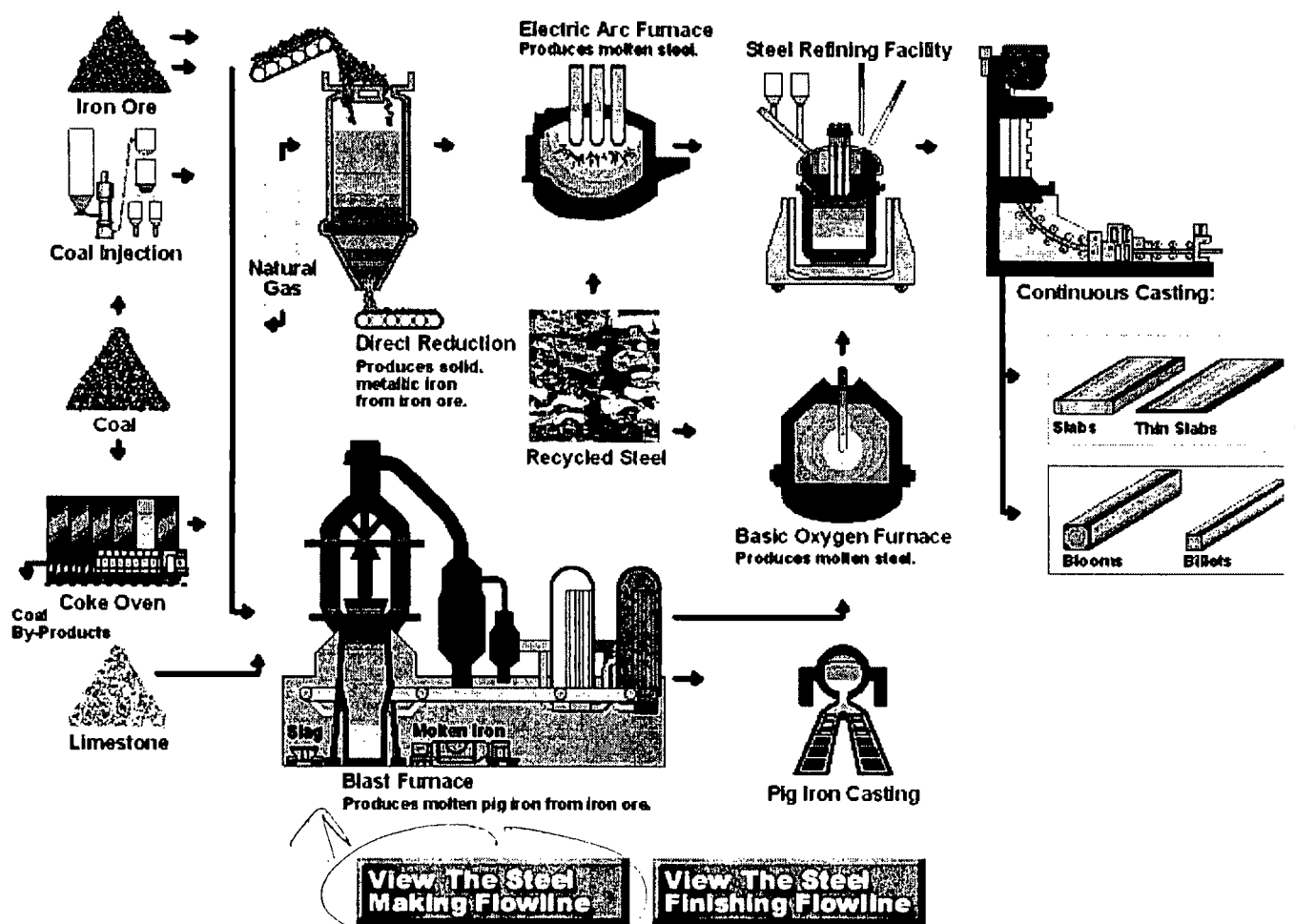
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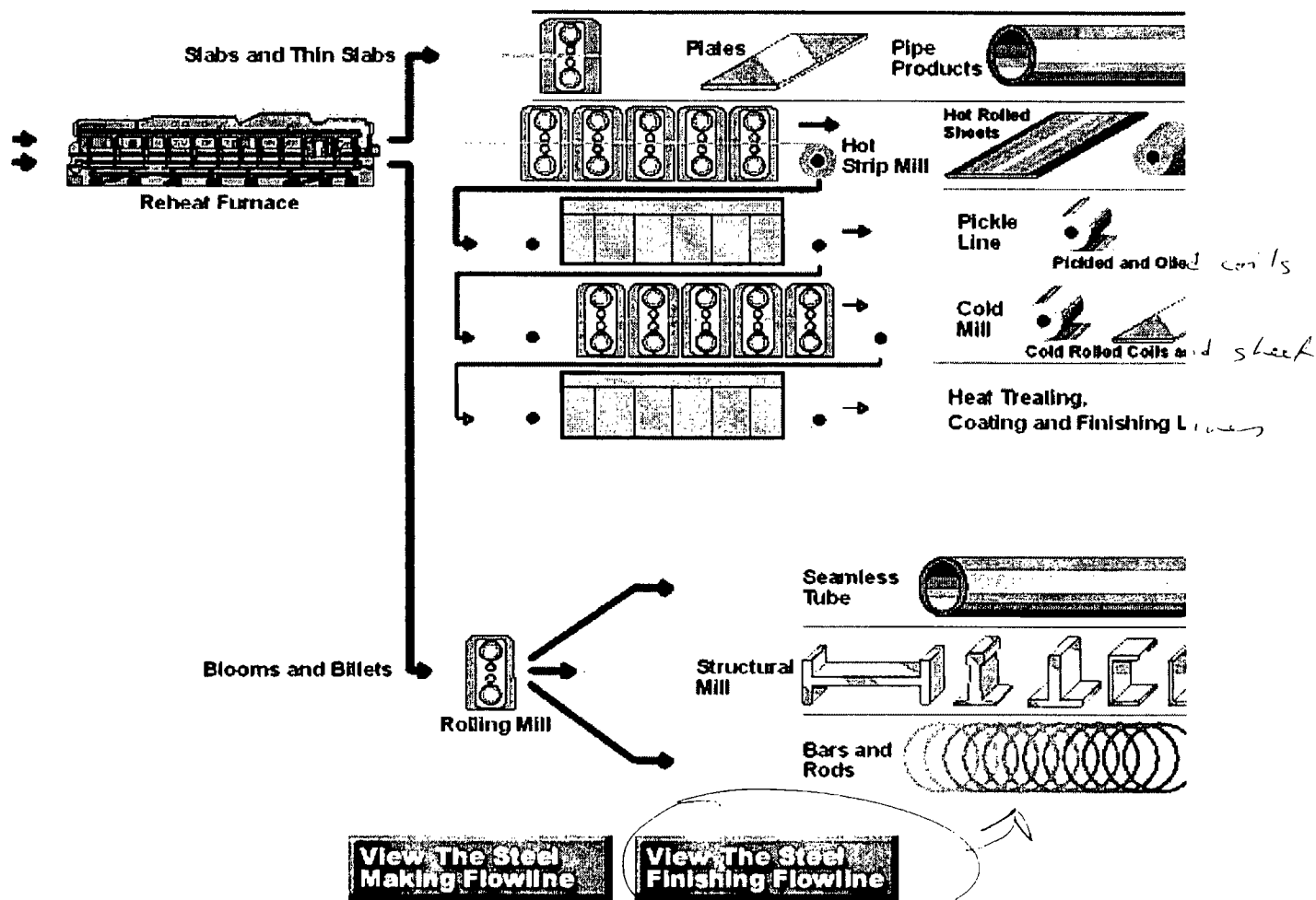
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U.S. Customs Service Steel Monitoring Center and Domestic Industry/OGA Interaction

As a direct response to intense pressure from the domestic steel industry, the Administration announced the White House Steel Action Program in August of 1999. One of the features of the Action Program was the creation of a Steel Monitoring Center (SMC) in the U.S. Customs Service. Located in Chicago, the SMC monitors imports of steel products monthly by reviewing the import values, quantities and average unit values. Comparing this data to historical trends, the SMC looks for inconsistencies in trade patterns that may indicate circumvention trade restrictions such as AD/CVD orders, tariff-rate quotas, or suspension agreements. Questionable imports are referred to port offices for verification and appropriate informed or enforced compliance action. The monthly review of steel imports also helps improve the accuracy of trade statistics reported to the Bureau of Census. The United States Trade Representative (USTR) and Treasury are also sent graphs of import trends at the tariff heading level and for certain steel products each month.

Crucial to the success of the SMC monitoring efforts is the interaction with the domestic industry and other government agencies. First, the domestic industry provides the SMC with the industry perspective to Antidumping and Countervailing Duty (AD/CVD) issues. Compliance with AD/CVD orders is of strategic importance to the competitive position of U.S. industries, a Customs trade enforcement priority, and is closely watched by domestic industry. Customs is responsible for enforcing 187 AD/CVD orders for steel and another 16 in the preliminary determination stage. The SMC and industry have jointly prioritized the vast number of AD/CVD cases to better direct Customs monitoring efforts towards imports with a significant risk. Regular meetings supplement the industry's perspective on AD/CVD and other trade concerns. The SMC plans semi-annual meetings with the SMC and field officers to insure that all Customs initiatives involving steel are identified and addressed in a coordinated and prioritized manner. Meetings with the domestic steel industry occur four times per year.

Second, the SMC has been responsive to domestic industry concerns by actively working with the USTR to monitor imports of certain line pipe and wire rod subject to the Presidential Proclamations of February 2000. Both documents implemented Tariff Rate Quotas (TRQs) for the products beginning March 1, 2000. For line pipe and wire rod, the SMC monitors products subject to the quota and excluded products by country of origin. The SMC reviews the data on a monthly basis and notifies the ports about obvious or perceived anomalies for verification. The relevant volumes of the monitored products are reported through to Customs Headquarters to the USTR and Treasury monthly by the SMC. In addition, the SMC addresses the risk of transshipment and misclassification to avoid high quota rates. Import Specialists in the ports are asked to review suspect entries. The SMC has recently referred 3 companies to port Enforcement Evaluation Teams (EET) for appropriate action.

Third, the SMC has aggressively reviewed allegations of circumvention raised by the domestic industry and other government agencies. Currently the SMC is looking into 4 concerns, 3 related to pipe and tube shipments and 1 for Brazilian flat rolled products. Although some allegations presented by the industry could not be confirmed, others have resulted in Customs actions. The SMC verified Indian wire rod was being shipped through the UAE and a request for a scope ruling has been sent to Commerce. The SMC was able to verify and correct errors in the trade statistics that erroneously indicated high volumes of Mexican steel imported in early 1999. The SMC has referred to the Office of Investigations an allegation of possible AD/CVD circumvention for shipments of Taiwanese stainless steel. The SMC has also worked closely with the Department of Commerce and Bureau of Census to address their concerns. Included among these were analytical studies for Commerce on shipments of Russian silicon electrical steel, Korean cut-to-length plate, and Japanese hot-rolled steel. The SMC worked with Census to update the list of probable countries of origin for steel production to improve trade statistics.

The SMC will continue to monitor all imports of steel and work closely with the domestic industry, Commerce and the USTR to identify potential circumvention with AD/CVD orders and other trade restrictions.

Prepared by: U. S. Customs Service
Steel Monitoring Center
11/03/00

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**STATUS OF STEEL LOAN GUARANTEE PROGRAM
AS OF NOVEMBER 2, 2000**

In June, the Board approved 4 companies: Wheeling-Pittsburgh (WV), Geneva Steel (UT), GS Technologies (NC), and Northwestern (IL). In August and September, the Board approved 3 more: Weirton (WV), Acme (IL), and CSC, Ltd. (OH). The Board turned down Erie Forge (PA), Qualitech (IN), and Gulf States Steel (AL). See attached sheets for loan amounts.

So far, none of the approved loans has closed. Citibank, which has about half of the loans, has been trying to renegotiate the terms of the guarantee. We reached agreement with Citibank. In order to change the guarantee, however, we have to amend the regulations. We just got everyone to sign off on the new reg, including OMB. We're hoping to get the reg out either today or tomorrow. Once the new reg is issued, Citibank still has to sign a formal guarantee agreement with the Board and then finish processing the loans. This may take a couple of weeks.

The Board will offer the same guarantee terms to the other banks. The other banks were allowing Citibank to take the lead on the negotiations with the Board.

In addition to changing the terms of the guarantee, the new reg also opens a second window for loan applications (Nov. 1 to March 31, 2001) and allows the Secretary to delegate authority for Board decisions to his designee.

Since their original approval, two of the companies have been faced with more financial difficulties, calling their loans into doubt. These are Wheeling-Pittsburgh and Northwestern. We hope that the new guarantee terms will help to move these loans along.

EMERGENCY STEEL LOAN GUARANTEE PROGRAM

To: Federal Reserve Board Governor Gramlich
 Department of Commerce Deputy Secretary Mallett
 Securities and Exchange Commission Commissioner Hunt

From: Jay E. Dittus, Executive Director
 Date: October 4, 2000

Subject: **STATUS REPORT - September 2000**

I. **Current Status**

Program Summary

All of the applications submitted by the February 28, 2000 deadline have now been acted on, and all applicants have been informed of the Board's action. Of the thirteen applications initially received, three were deemed not in compliance with the Act and Regulations and were rejected in March. Four guarantee applications were approved in June and three more in September, after the original applications were amended. The last three applications were rejected after the applicants were given an opportunity to withdraw or to amend their applications. In the end all chose to amend their applications in some fashion and have the Board take final action. Approved applications totaled \$550.5 million leaving unused statutory authority of approximately \$449.5 million. Available credit subsidy after final OMB adjustments should be \$75-85 million. The following table summarizes the program to date:

APPLICATIONS (DOLLARS IN MILLIONS)	NUMBER	LOAN AMOUNT	CREDIT SUBSIDY
Total	13	\$901.3	
Rejected	6	251.3	
Withdrawn**	-0-	99.5	
Approved	7	\$ 550.5	\$ 53.8
Authority		1,000.0	140.0
Unused Authority		449.5	86.2

* Preliminary, subject to final adjustment by OMB

** No application was totally withdrawn but three were reduced in amount.

Approved Applications

None of the approved guaranteed loans has closed, but GS Technologies Operating Company is ready once the form of guarantee question is resolved with Citicorp. Geneva Steel has an October 13, 2000 court date, if all goes well the company hopes to be able to close by the end of October. Northwestern Steel has reported that Bankers Trust is having trouble syndicating the loan and the bank indicates it is taking time to document the transaction and complete due diligence. Last Friday S&P notified staff it had just downgraded Wheeling-Pittsburgh Steel Company from B+ to CCC- as a result of an attempt by its parent to get bondholders to waive a cross default provision that would allow WHX to step back from the steel company. Citicorp had earlier alerted staff that events at the parent level could mean the loan might not close. Acme Steel is awaiting the result of proceedings in bankruptcy court related to WCI's offer to purchase certain of the company's steel assets before a final decision can be made on the guaranteed loan, and Weirton Steel is hoping to close on its guaranteed loan shortly.

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UPDATE ON INITIATIVES OUTLINED IN PODESTA LETTER

Commerce Secretary and USTR to undertake senior-level consultations with representatives of the Ukraine, Taiwan, India, China and other sources of rapidly increased imports.

- Under Secretary of Commerce Robert LaRussa has already traveled to Ukraine and Taiwan and completed the first in this series of consultations.
- Deputy USTR Esserman will be holding high level consultations with Indian government officials on November 3 in Washington and consultations with China are expected shortly.

Commerce Secretary and the Customs Service to examine whether and, if so, how circumvention of current import relief measures may be occurring.

- Commerce has developed several proposals to address circumvention; will forward to Customs for their review.

Treasury Department to contact the World Bank, EBRD, and other relevant multilateral development banks to seek a moratorium on lending that could substantially increase production capacity in the steel industry.

- Treasury has drafted and is circulating for clearance a letter to the multilateral development banks requesting the moratorium.

Issue study next year on: (1) the legacy costs from past steel industry downsizing; (2) the capital costs faced by the U.S. industry, and; (3) environmental regulation costs.

- Commerce has expedited the schedule for completing this study; it is now scheduled to be released in the spring of 2001.
- Commerce is working with Labor and EPA to develop information regarding these comparative costs and is looking into the possibility of some limited outside contract work to gather additional data.

Council of Economic Advisors to meet with industry to compile and fully analyze the economic state of the industry to try to determine the causes of current problems.

- Not yet scheduled.

National Economic Council to chair high level discussion on the future of the industry, its workers and the steps we can take together on their behalf.

- Scheduled for Monday, November 6. Meeting will include Becker and representatives from Bethlehem, LTV, National, Nucor, Steel Dynamics, USX and Weirton.

Review specific requested actions, including Section 201 relief as well as steel agreements with non-WTO countries.

- Possibility of agreements are still being examined. Most likely candidates for steel agreements continue to be Ukraine and Kazakhstan.

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**Посольство України
у Сполучених Штатах Америки
Embassy of Ukraine**

3350 M Street, N.W., Washington, D.C. 20007
Tel.: (202) 333-0606, FAX (202) 333-0817
website: <http://UKREMB.COM>

TRADE AND ECONOMIC MISSION OF UKRAINE

tel. 202-337-0293, fax 202-342-3874

October 31, 2000

Mr. R. LaRussa
Undersecretary of Commerce
United States Department of Commerce

Dear Mr. R. LaRussa,

Please find enclosed a letter dated October 26, 2000 from Mr. Viktor Kalnyk, Acting Minister of Economy of Ukraine, and its unofficial translation from Ukrainian.

As you will see from the letter, it follows on the recent bilateral consultations regarding trade in steel held in Kyiv on October 24, 2000.

Sincerely,

Yaroslav V. VOITKO,
Chief, Trade and Economic Mission

Enclosure: as stated, on 4 p.

Unofficial translation from Ukrainian

MINISTRY OF ECONOMY OF UKRAINE

October 26, 2000

#52-26-6(32)/437

Mr. R. LaRussa
Undersecretary of Commerce
United States Department of Commerce

Dear Mr. R. LaRussa,

The Ministry of Economy of Ukraine presents its compliments to the United States Department of Commerce and has the honor to inform of the following.

We are grateful for the information on exports to the USA of the products of Ukrainian metallurgical industry provided to us during the consultations which took place on October 24, 2000 in Kyiv.

We are convinced that these consultations were very well-timed, and the information provided was helpful, as it is necessary to develop a joint trade strategy between the USA and Ukraine, namely for trade in metal products.

The Ministry of Economy of Ukraine shares the concern of the United States Department of Commerce about the increased imports of steel products to the USA in 2000, including imports originating from Ukraine that could result in the imbalances at the US national market, domestic price drops for the metal products, and injuries to the national manufacturers of similar products.

At the same time the Ministry of Economy of Ukraine is also concerned with the possibility of initiating by US producers of new antidumping procedures (investigations) regarding the shipments of steel products of Ukrainian origin, as this could lead to the closure of the US market for the products manufactured by metallurgy industry of Ukraine and to inflict severe injuries to Ukrainian producers.

Thus, having analyzed the situation, the Ministry of Economy of Ukraine, acting jointly with the State Committee on Industrial Policy of Ukraine, has recommended to the national steel producers to review their marketing policies, to take measures to avoid the imports of steel products on the US market in volumes that could injure the steel industry in the USA in order not to lead to the initiation of antidumping (special) investigations.

It should be noted that the work done is already beginning to bring positive results, and as of today some Ukrainian producers have informed the Ministry of Economy of Ukraine about their decision to keep from increasing the shipment volumes of their products to the USA.

In particular, the Ukrainian producer "Krivorizhstal" has informed the Ministry of Economy of Ukraine about its decision to restrict the shipments of its metal products as well as its distribution channels in order to minimize the risk of practicing the unfair trade on the US domestic market in the USA and of initiation, as a result, of the new investigations against the products of this Ukrainian producer by the competent bodies in the USA.

Moreover, the enterprise has notified of **termination of any shipments of their products to the USA in November and December of this year.**

At the same time, please note that the metallurgical industry of Ukraine has been working under market conditions and purchasing raw materials and power resources at the world market prices; therefore, the exports of Ukrainian steel to the US market cannot be considered as the one effected at dumping prices. Also, taking into account a preliminary forecast of conditions for purchasing gas and power resources next year, one cannot exclude that it would be difficult for Ukrainian steel to compete on the US market.

We consider the practice of holding preliminary consultations and information exchange on domestic market situation of Ukraine and the USA, as well as trade flows between our countries, a necessary and useful one. We are confident that such consultations should be conducted on a constant basis in the future.

We would like to thank you for understanding of our situation and support to Ukraine by providing the technical assistance for antidumping investigations issues. In accordance with this program the US experts will visit Ukraine in November.

At the same time, we would request, in the context of technical assistance, to consider a possibility of establishing a consultative group (acting on the permanent basis) under the Ministry of Economy of Ukraine composed of American and Ukrainian specialists. Such technical assistance would provide Ukrainian specialists with an opportunity to study US experience of antidumping legislation enforcement.

The activity of such group would contribute to prevention of possible cases of unfair competition by Ukrainian products on the US market.

The Ministry of Economy of Ukraine avails itself of this opportunity to renew to the United States Department of Commerce the assurances of its highest consideration.

Respectfully,

Viktor M. Kalnyk,
Acting Minister of Economy
(signed)

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STEEL REPORT IMPLEMENTATION

In July 2000, the Department issued its report to the President on Global Steel Trade. The report, which examined the short- and long-term factors that led to the 1998 steel crisis, also included a number of recommendations designed to help address structural problems identified in the report. The following outlines the steps already taken to implement the report's recommendations.

Bilateral Engagement: US LaRussa met with government officials in Ukraine and Taiwan during the week of October 23 as part of the first round of high level bilateral steel consultations with these countries. On November 3, Deputy USTR Esserman will meet with the Indian Ambassador to discuss the dramatic increase in steel imports from that country. USTR is also setting up a meeting with China's Ambassador. Follow-up meetings will be held as necessary.

Examination of Potential Subsidies to Brazilian Iron Ore and Slab Producers: We are on track to have our subsidy analysis completed within the next few months. Several weeks ago, AS Cribb made a presentation about the steel report at a conference on iron ore in Minnesota, and a team from the Subsidy Enforcement Office (SEO) met with representatives of U.S. iron ore producers and workers to discuss their concerns over imports of iron ore and slab from Brazil. The SEO is working with State to send a team to Brazil in mid-November to gather more data on potential subsidies, including subsidization of ports, railroads, shipping lines and labor costs.

Expanded Early Warning Monitoring System: Census is expanding the import monitoring program to include certain steel inputs like iron ore and coke, as well as certain additional downstream steel products. It is unclear whether Census will be ready for next month's early release.

Revitalizing the OECD Steel Committee: Together with USTR, we are proposing that Committee members send higher-level delegations to reinvigorate the work of the Committee. In November, Under Secretary LaRussa will be making a presentation of the Steel Report and will be engaging in bilateral discussions concerning pressing steel issues. We are also asking the OECD to examine the impact of export credit financing on global steel overcapacity.

Moratorium on Multilateral Development Bank Lending for Steel Projects: Commerce has been working with Treasury to push for a moratorium on lending that increases steel capacity. Treasury used the World Bank/IMF Summit to press the G-7 to support our position on this issue and has drafted a letter to the multilateral development banks requesting a moratorium.

Federal Interagency Rapid Response Team to Address Impact of Unfair Trade: Commerce and Labor have agreed to refer workers and communities identified in AD/CVD petitions for immediate counseling about trade adjustment benefits and programs. Over the next two weeks, Labor and Commerce will finish a draft brochure explaining the respective programs of each agency, will establish a hyperlink among the DOL, EDA, and IA websites so that users can find all relevant information in one search, and will solidify the mechanism for sharing information. We are also considering the efficacy of bringing the ITC, Treasury, and SBA into the Team so that the outreach is even more comprehensive.

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cc: Corbett



U.S. Department of the Treasury

Office of the Deputy Assistant Secretary
Trade and Investment Policy
1500 Pennsylvania Avenue, N.W. Room 3203
Washington, D.C. 20220

FACSIMILE MESSAGE

DATE: October 25, 2000

TO: Gene Sperling

CC: David Beier
Al Larson
Robert LaRussa
Karen Tramontano

Number of pages (including cover sheet): 2

FROM: Daniel Lucich
Phone: (202) 622-2979 Fax: (202) 622-2774

SUBJECT: Draft Treasury Letter Requesting Moratorium on MDB Lending to Expand Steel Capacity

What is timing? BC
OK with me.
How about KT?
+ DB?
GS 10/24/00

Comments:

Dear Gene:

Please see attached draft letter that Treasury proposes to send to James Wolfensohn re moratorium on MDB lending to expand steel capacity.

I would be grateful if all recipients of this fax could send any comments or suggested changes to me as soon as possible so we can finalize the letter.

Regards,
Daniel Lucich
Daniel Lucich

DRAFT

Mr. James D. Wolfensohn
President
World Bank
1818 H Street, N.W.
Washington, DC 20433

Dear Jim:

The U.S. Department of Commerce recently submitted to the President a report, *Global Steel Trade: Structural Problems and Future Solutions*, which dealt with market distortions and trade barriers in the global steel industry. A major conclusion of the report was that interference by the governments of many steel-producing countries has resulted in substantial overcapacity in the world steel market. This finding is consistent with those of a 1999 report by the OECD, which states that world steelmaking capacity increased by almost 150 million MT in 1999. The London-based Iron and Steel Statistics Bureau (ISSB) estimated world excess capacity to be 250 and 275 million metric tons (MT) in 1997 and 1998, respectively.

I am sure you will agree that we all have an interest in ensuring that the overcapacity problem is not exacerbated. We believe that the most effective contribution the World Bank Group could make to this effort would be to declare a moratorium on lending for projects that substantially increase steel production capacity overseas. Such a measure would be fully in accord with the Bank's basic mandate of supporting only those projects that are economically justifiable and sustainable, as well as bring real value-added from an economic development perspective.

Of course, we would envisage exceptions being made for projects in the least-developed, IDA-eligible countries. Due weight would have to be given, as well, to the objective of encouraging the privatization of state-owned steel enterprises -- provided that the government involved is not providing subsidies in connection with the privatization.

This is a high-priority matter for my government, so I urge you to cooperate with us in stemming the further development of market-distorting steel production capacity. I look forward to hearing your reactions to the proposal for a moratorium on Bank and IFC lending for steel production I have outlined above.

Sincerely,

DRAFT

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The Current State of the Steel Industry

The economy for steel was very strong in the first half of 2000. However, in the second half to date, the output of the steel industry has slowed along with the larger economy. Demand has dropped off, as have domestic production and capacity utilization. Imports have sustained high levels but remain below those of the 1998 crisis period; the continuing steadiness of imports may reflect new orders from the previous, healthier period.

- **In the first half of 2000, demand and domestic supply were booming.** Apparent consumption for the first half of 2000 averaged 11.3 million metric tons a month. The same period also saw notably high domestic activity. Monthly domestic production of raw steel averaged 8.8 million metric tons. In the first quarter, producers shipped more steel than at any time in 26 years. Capacity utilization ran above 90 percent for most of the half, peaking at 94 percent in April and May. Consequently, the profits for integrated mills were up strongly in the first half of 2000 (excepting a large special charge by LTV Corporation), and the mini mills maintained their profits from the second half of 2000.
- **Likewise, imports increased significantly.** Compared to first half 1999, imports for January to June 2000 rose 18 percent, with February and April bringing the largest increases.
- **But import penetration remained stable compared to post-crisis 1999.** Import penetration for 1999 was 27 percent, compared to 32 percent over the crisis period. For the first half of 2000, import penetration was 28 percent, significantly higher than the pre-crisis period but well below the crisis levels.
- **However, domestic production and capacity utilization have since declined.** Monthly domestic production of raw steel averaged 8.2 million metric tons, falling below 8 million in October. Capacity utilization declined as well, from 90 percent in June to 81 percent in October. Steel mill and distributor inventories have begun to creep back up. Market surveys in June 2000 indicated that steel buyers planned to reduce purchases in the third quarter.
- **As have prices, albeit slowly.** Producer prices for blast furnaces and steel mills recovered partially from the crisis period, rising to around 93 percent of their pre-1998 level in May 2000. Since June, prices have begun to fall again, averaging -0.5 percent a month.
- **Employment remains stagnant.** Employment fluctuated around 226.7 thousand workers, reaching 228 thousand in June 2000 and dropping to 225.3 thousand in September.
- **Imports are still high but growth is moderate compared to first half 2000.** Since May, imports have been higher than similar periods in 1999, but are generally increasing at a lower rate than earlier in the year.
- **And import prices, while increasing through May, are beginning to fall.** Import prices rose through the first half of 2000 to reach pre-crisis levels while dollar value per metric ton largely fell compared to 1999. Both prices and unit value declined slightly from June to September. Since May, however, the unit value of imports has been up sharply from the same period in 1999.
- **The new imports are not coming from the 1998 countries.** Whereas the origin of imports from the top 15 producers has changed, shifting to China and India among others, their aggregate imports remained relatively constant compared to 1999. Smaller countries in Eastern and Western Europe were largely responsible for the increase in 2000.

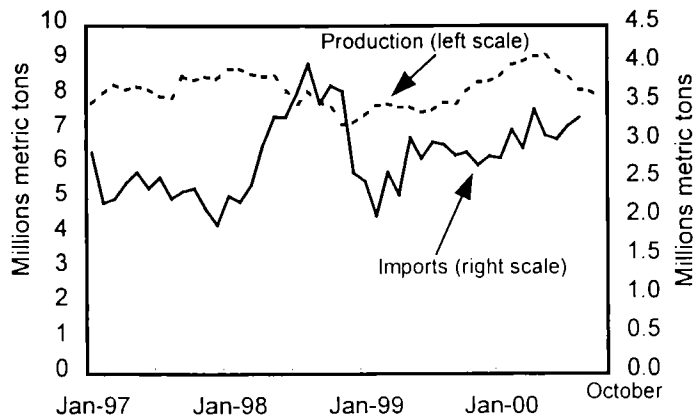
- **Current imports may reflect a lag between new orders and shipments.** Depending on the originating country, it can often take between 2 and 6 months for a new order to arrive at a coastal mill. Since there was a strong economy for steel in early 2000, the current flow of imports (which include a significant semi-finished component) may be due in part to the filling of orders made during those early months.

The 1998 Crisis (Defined as the period from April 1998 to January 1999)

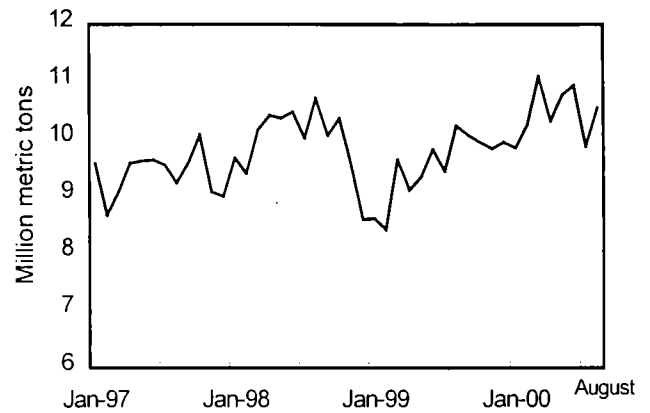
In 1998, high levels of relatively inexpensive imports pushed domestic manufacturers out of a market where demand was stable, sparking the crisis. In contrast to the second half of 2000, production and capacity utilization initially remained high. Import penetration soared, reflecting a rise in the overall market share of imported steel.

- **Imports rose astronomically and remained high.** From January 1997 to March 1998, monthly imports averaged 2.4 million metric tons. From April to August 1998, imports grew at an average rate of 8 percent a month, peaking with August imports of 4 million metric tons. Thereafter, until December, monthly imports remained above 3.5 million metric tons.
- **And import prices and value per ton declined consistently and rapidly.** Import prices declined at an average rate of close to 1 percent a month over the crisis period and continued to fall into the first quarter of 1999. The dollar value of a metric ton of imports also fell sharply, from \$454 in April 1998 to \$382 in November.
- **While demand was stable and substantial.** Apparent consumption remained robust throughout the period, hovering around 10.8 million metric tons before declining to 8.9 million metric tons in December 1998 and January 1999.
- **So import penetration went up significantly.** Import penetration was 23 percent in March of 1998, jumped sharply to 27 percent in April, and then hit 37 percent in November.
- **Under pressure from high levels of cheap imports, domestic production faltered.** Steel mills shipped an average of 8.1 metric tons a month from June 1997 to June 1998. In July 1998, shipments began to fall, eventually hitting 6.8 metric tons in January 1999. Domestic production dropped from an average of 8.4 million metric tons in the June 97-98 period to an average of 7.7 million metric tons from July 1998 to January 1999. Capacity utilization plummeted from 91 percent in the first month of the crisis to 77 percent in the last.
- **After some delay, producer prices also slackened.** Producer prices for blast furnaces and steel mills declined at an average rate of 0.2 percent a month from April to August 1998. From August 1998 to the end of the crisis period, prices dropped at an average rate of 1.5 percent a month.
- **Likewise, employment also experienced a marked late decline.** Employment in the early crisis months stayed around August's level of 234 thousand workers. After August, employment dropped rapidly to 228 thousand workers in January 1999.

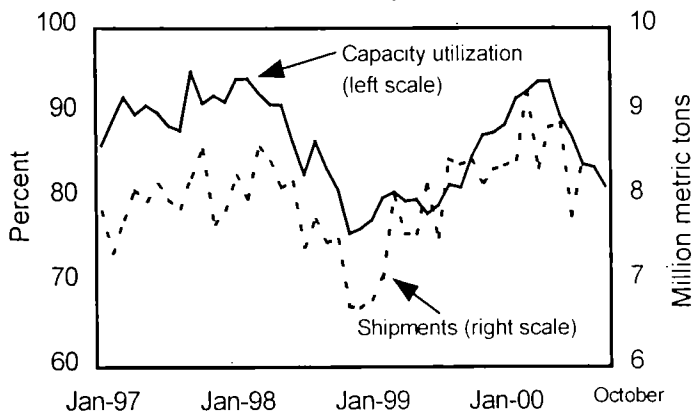
Steel Production and Imports



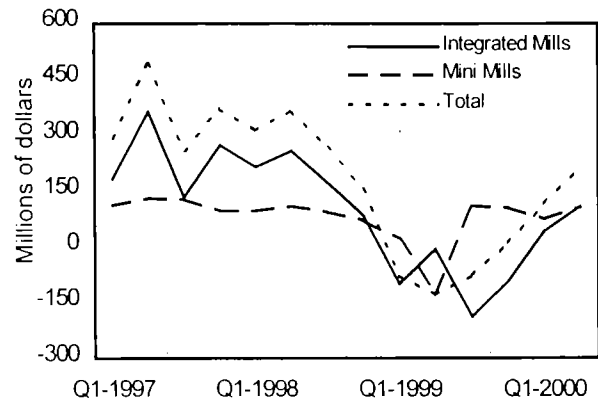
Apparent Consumption



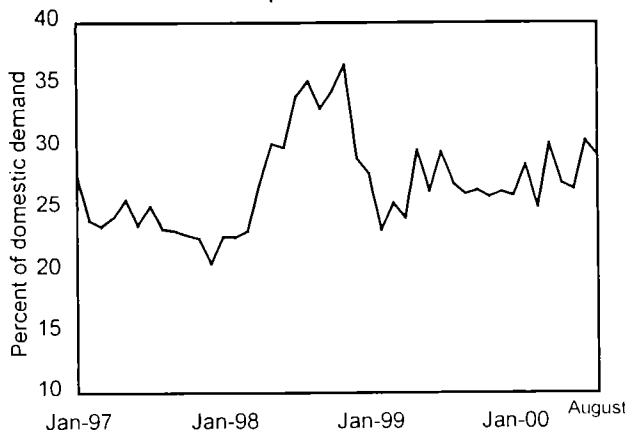
Capacity Utilization of Raw Steel and Steel Mill Shipments



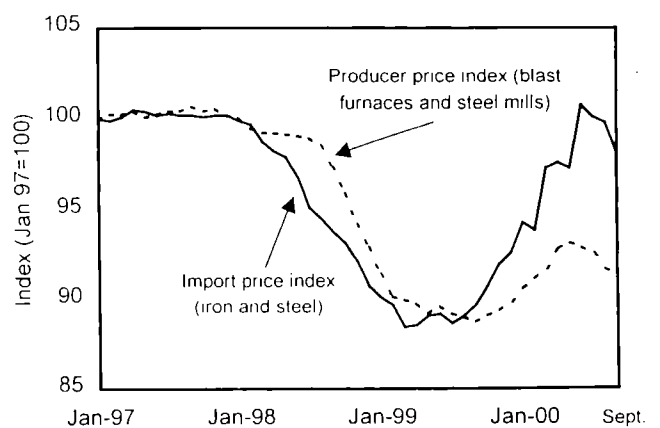
Steel Company Net Profits



Steel Import Penetration



Steel Prices



Production, shipment, and capacity utilization data from AISI; import data from Census; profits data from Bloomberg; price indices from BLS. Import penetration calculated from AISI import data, which differs slightly from Census. Profits chart excepts a ~\$200 million special charge from LTV Corporation in Q2.

Summary of Steel Data Series

	Import Quantity (millions of metric tons)	Import Penetration (percent)	Monthly Average Capacity Utilization (percent)	Average Weekly Domestic Steel Production (millions of metric tons)	Employees in Blast Furnaces and Steel Mills (SIC331; thousands)	Import Price Index (Iron and Steel)	Producer Price Index (Blast Furnaces and Steel Mills)
Jan-97	2.851	27.8	86.2	1.806	236.5	100.0	100.0
Feb-97	2.189	24.0	89.1	1.874	235.5	99.9	100.3
Mar-97	2.250	23.6	91.8	1.932	235.4	100.1	100.3
Apr-97	2.450	24.3	89.8	1.896	234.1	100.5	100.4
May-97	2.592	25.7	90.9	1.919	233.8	100.4	100.1
Jun-97	2.385	23.6	90.0	1.902	235.5	100.2	100.3
Jul-97	2.529	25.2	88.5	1.856	234.2	100.3	100.4
Aug-97	2.251	23.4	88.0	1.844	234.4	100.2	100.4
Sep-97	2.345	23.3	94.8	1.988	234.6	100.2	100.7
Oct-97	2.387	22.9	91.1	1.960	234.6	100.1	100.4
Nov-97	2.122	22.7	92.0	1.986	235.3	100.2	100.6
Dec-97	1.914	20.6	91.3	1.970	235.1	100.2	100.2
Jan-98	2.294	22.8	93.9	2.036	234.8	99.9	100.1
Feb-98	2.211	22.8	94.0	2.040	234.0	99.7	99.5
Mar-98	2.435	23.2	92.4	2.003	233.9	98.8	99.2
Apr-98	2.955	27.1	91.0	1.986	233.4	98.2	99.2
May-98	3.329	30.3	90.9	1.986	234.0	97.9	99.1
Jun-98	3.321	30.0	86.6	1.891	235.8	96.8	99.0
Jul-98	3.630	34.1	82.8	1.808	234.1	95.1	98.9
Aug-98	4.008	35.3	86.7	1.893	233.8	94.5	98.5
Sep-98	3.502	33.1	83.4	1.821	233.4	93.8	97.4
Oct-98	3.728	34.5	80.9	1.778	231.6	93.1	95.9
Nov-98	3.656	36.6	75.8	1.667	229.5	92.2	94.2
Dec-98	2.596	29.0	76.4	1.680	230.6	90.7	92.9
Jan-99	2.485	27.8	77.4	1.729	228.2	90.1	91.4
Feb-99	2.034	23.3	80.0	1.792	228.1	89.7	90.2
Mar-99	2.601	25.5	80.6	1.807	228.2	88.4	90.0
Apr-99	2.302	24.3	79.6	1.783	227.0	88.6	89.8
May-99	3.053	29.8	79.8	1.787	227.2	89.1	89.2
Jun-99	2.779	26.4	78.1	1.750	227.2	89.2	89.6
Jul-99	2.997	29.6	79.1	1.763	227.6	88.7	89.2
Aug-99	2.963	27.0	81.5	1.815	228.1	89.1	89.0
Sep-99	2.822	26.3	81.2	1.809	226.8	89.7	88.8
Oct-99	2.866	26.6	84.8	1.889	226.8	90.7	89.1
Nov-99	2.697	26.0	87.4	1.948	227.9	92.0	89.4
Dec-99	2.814	26.4	87.7	1.954	228.1	92.6	89.9
Jan-00	2.783	26.1	88.6	1.990	227.3	94.3	90.6
Feb-00	3.160	28.6	91.7	2.064	226.4	93.9	91.1
Mar-00	2.920	25.2	92.6	2.085	227.3	97.3	91.7
Apr-00	3.423	30.3	93.6	2.123	226.6	97.6	92.8
May-00	3.087	27.1	93.7	2.127	226.4	97.3	93.1
Jun-00	3.036	26.6	89.6	2.034	228.0	100.7	92.9
Jul-00	3.211	30.5	87.3	1.977	226.7	100.1	92.5
Aug-00	3.316	29.4	83.9	1.899	226.6	99.8	91.7
Sep-00	-	-	83.6	1.892	225.3	98.0	91.4
Oct-00	-	-	81.0	1.850	-	-	-
SOURCE:	CENSUS	AIISI	AIISI	AIISI	BLS	BLS	BLS

**Producer
Price Index
(Iron and
Steel)**

100.0
100.9
100.6
100.2
100.4
100.5
101.0
101.0
101.0
101.0
101.4
101.2
101.2
100.9
100.2
100.0
99.8
99.6
99.0
97.7
96.0
93.7
92.1
91.2
90.8
90.7
90.0
89.9
90.1
90.7
90.4
90.8
90.8
91.1
92.0
93.3
94.3
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93.7
93.1
92.7
92.4

BLS

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FACT SHEET**STEEL IMPORTS FOR SEPTEMBER 2000
DECREASE 20 PERCENT FROM AUGUST 2000****October 26, 2000**

Newly released preliminary government figures covering steel imports for the month of September show that steel imports decreased 20 percent from August 2000 levels.

Total Steel Mill Products

The preliminary data released today show that overall steel imports in September 2000 decreased 20 percent compared to August 2000. The decrease in September's imports was due primarily to a decrease in imports of hot-rolled steel, rebar and semifinished steel products. September imports of finished steel products fell 20 percent compared to August, while imports of semi-finished steel fell 18 percent.

September 2000 imports of steel mill products were down 6 percent compared to September 1999 and down 24 percent compared to September 1998. September 2000 imports of finished steel imports were down 3 percent compared to September 1999 and down 31 percent compared to September 1998.

Imports of overall steel mill products during the first nine months of 2000 are up 15 percent compared to the same period in 1999 and are roughly the same compared to same period in 1998, due in part to large increases in imports of semifinished steel which are used by the steel industry to produce finished steel products. January through September 2000 imports of semifinished steel were up 14 percent compared to the same period in 1999 and are up 33 percent compared to the same period in 1998. Finished steel imports during the first nine months of this year were up 15 percent compared to the same period in 1999 but down 7 percent compared to the same period in 1998.

Hot-Rolled Steel

September 2000 imports of hot-rolled steel fell 30 percent compared August 2000. September 2000 imports of hot-rolled steel were down 27 percent compared to September 1999 and 57 percent compared to September 1998.

Imports of these products during the first nine months of 2000 are up 38 percent compared to the same period in 1999 but down 22 percent compared to the same period in 1998.

Cold-Rolled Steel

September 2000 imports of cold-rolled steel decreased 12 percent compared to August 2000. September 2000 imports of cold-rolled steel were down 17 percent compared to September 1999 and down 35 percent compared to September 1998. Imports of these products during the first nine months of 2000 are down 18 percent compared to the same period in 1999.

Cut-to-Length Plate

September 2000 imports of cut-to-length plate decreased 27 percent compared to August 2000. September 2000 imports are up 85 percent compared to September 1999 but down 67 percent compared to September 1998. Imports of these products during the first nine months of 2000 are up 4 percent compared to the same period in 1999.

Corrosion-Resistant Steel

September 2000 imports of corrosion-resistant steel increased 4 percent compared to August 2000. Imports of these products during the first nine months of 2000 are down 5 percent compared to the same period in 1999.

Wire Rod

September 2000 imports of wire rod decreased 11 percent compared to August 2000. Imports of these products during the first nine months of 2000 are up 5 percent compared to the same period in 1999.

Heavy Structural

September 2000 imports of heavy structural decreased 18 percent compared to August 2000. Imports of these products during the first nine months of 2000 are up 30 percent compared to the same period in 1999.

Rebar

September 2000 imports of rebar decreased 42 percent compared to August 2000. Imports of these products during the first nine months of 2000 are up 4 percent compared to the same period in 1999. These products are the subject of recently initiated antidumping and countervailing duty investigations.

Hot-Rolled Bar

September 2000 imports of hot-rolled bar decreased 23 percent compared to August 2000. Imports of these products during the first nine months of 2000 are up 23 percent compared to the same period in 1999.

Standard Pipe

September 2000 imports of standard pipe decreased 38 percent compared to August 2000. Imports of these products during the first nine months of 2000 are up 53 percent compared to the same period in 1999.

Oil Country Tubular Goods (OCTG)

September 2000 imports of OCTG increased 11 percent compared to August 2000. Imports of these products during the first nine months of 2000 are up 486 percent compared to the same period in 1999.

Semifinished Steel

September 2000 imports of semifinished steel decreased 18 percent compared to August 2000. Imports of these products during the first nine months of 2000 are up 14 percent compared to the same period in 1999. Imports of these products are used by U.S. steel companies to produce finished products.

These figures are being provided on an expedited basis and will continue to be released on this schedule each month, consistent with the President's Steel Action Program of August 1999 and the Report to the President on Global Steel Trade of July 2000. The data released today are preliminary and are likely to change somewhat between now and the release of the final September statistics next month. October preliminary figures will be released on November 22, 2000.

Note: With November 1999's release, Census issued revisions to certain country totals within product categories for 1998 and the first nine months of 1999. Only individual country totals within certain product categories were affected by these revisions, the grand totals for these product categories were not affected. These revisions have been incorporated into this fact sheet and the accompanying data tables. Detailed reports containing the 1998 and January to June 1999 revisions are available on the Census Bureau web site.

U.S. Imports: Steel Mill Products - August to September Comparisons*Quantities in metric tons*

	August 2000	September 2000*	% Change <u>Aug to Sept*</u>
Steel Mill Products	3,315,900	2,665,449	-19.62%
Semi-Finished Steel	754,547	616,863	-18.25%
Finished Steel	2,561,353	2,048,586	-20.02%
Hot-Rolled Steel**	641,046	446,959	-30.28%
Cold-Rolled Steel***	280,659	248,340	-11.52%
Cut-to-Length Plate	127,246	93,346	-26.64%
Corrosion-Resistant+	172,175	179,680	4.36%
Wire Rod	299,929	266,903	-11.01%
Heavy Structurals	174,225	142,656	-18.12%
Rebar	171,155	98,679	-42.35%
Hot-Rolled Bars	152,187	117,721	-22.65%
Standard Pipe	120,076	74,041	-38.34%
OCTG	49,416	54,992	11.28%

Preliminary data**Includes hot-rolled sheet and strip and plate in coils.*****Includes cold-rolled sheet and strip and black plate.**+Includes galvanized hot-dipped, galvanized electrolytic and other metallic coated sheet and strip.*

U.S. Imports: Steel Mill Products From All Countries*Quantities in metric tons**all revised and updated*

	<u>Jan '98-Sept '98</u>	<u>Jan '99-Sept'99</u>	<u>Jan '00-Sept '00</u>	% Change '99 to '00	% Change '98 to '00
Steel Mill Products	27,685,555	24,037,408	27,600,023	14.82%	-0.31%
Semi-Finished Steel	4,828,385	5,617,274	6,419,490	14.28%	32.95%
Finished Steel	22,857,170	18,420,134	21,180,533	14.99%	-7.34%
Hot-Rolled Steel**	7,342,391	4,153,777	5,751,799	38.47%	-21.66%
Cold-Rolled Steel***	2,857,360	2,733,610	2,246,234	-17.83%	-21.39%
Cut-to-Length Plate	1,405,887	663,365	686,738	3.52%	-51.15%
Corrosion-Resistant+	1,408,068	1,709,023	1,617,621	-5.35%	14.88%
Wire Rod	1,621,223	1,916,397	2,012,657	5.02%	24.14%
Heavy Structurals	1,878,325	1,064,895	1,386,701	30.22%	-26.17%
Rebar	853,769	1,297,136	1,348,472	3.96%	57.94%
Hot-Rolled Bars	1,079,407	999,946	1,230,532	23.06%	14.00%
Standard Pipe	633,037	566,446	864,752	52.66%	36.60%
OCTG	267,790	78,967	462,556	485.76%	72.73%

Preliminary data**Includes hot-rolled sheet and strip and plate in coils*****Includes cold-rolled sheet and strip and black plate**+Includes galvanized hot-dipped, galvanized electrolytic and other metallic coated sheet and strip.*

U.S. Imports: Steel Mill Products From All Countries*Quantities in metric tons**all revised and updated*

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Preliminary data**Includes hot-rolled sheet and strip and plate in coils*****Includes cold-rolled sheet and strip and black plate**+Includes galvanized hot-dipped, galvanized electrolytic and other metallic coated sheet and strip.*

U.S. Imports: Steel Mill Products - September Comparisons
Quantities in metric tons

	<u>Sept 1998</u>	<u>Sept 1999</u>	<u>Sept 2000*</u>	<u>% Change '99 to '00</u>	<u>% Change '98 to '00</u>
Steel Mill Products	3,501,878	2,822,445	2,665,449	-5.56%	-23.89%
Semi-Finished Steel	551,138	711,693	616,863	-13.32%	11.93%
Finished Steel	2,950,740	2,110,752	2,048,586	-2.95%	-30.57%
Hot-Rolled Steel**	1,040,996	613,409	446,959	-27.14%	-57.06%
Cold-Rolled Steel***	381,648	299,639	248,340	-17.12%	-34.93%
Cut-to-Length Plate	283,478	50,480	93,346	84.92%	-67.07%
Corrosion-Resistant†	170,686	201,861	179,680	-10.99%	5.27%
Wire Rod	171,382	209,923	266,903	27.14%	55.74%
Heavy Structural	234,777	68,384	142,656	108.61%	-39.24%
Rebar	73,346	157,532	98,679	-37.36%	34.54%
Hot-Rolled Bars	107,888	127,611	117,721	-7.75%	9.11%
Standard Pipe	65,869	60,260	74,041	22.87%	12.41%
OCTG	26,367	14,741	54,992	273.05%	108.56%

*Preliminary data.

**Includes hot-rolled sheet and strip and plate in coils.

***Includes cold-rolled sheet and strip and black plate.

†Includes galvanized hot-dipped, galvanized electrolytic and other metallic coated sheet and strip.

PORTS OF STEEL MILL PRODUCTS: TOP 15 SOURCES (2000)
Quantities in Metric Tons

	1998	1999	2000 (ann)	% Change 1999 to 2000
Canada	7,272,897	7,762,838	5,058,846	-34.83%
Brazil	2,475,979	3,444,604	3,539,726	2.76%
Mexico	2,825,738	3,191,632	3,287,228	3.00%
Korea	3,092,542	2,669,878	2,748,443	2.94%
Japan	6,074,374	2,777,971	2,032,209	-26.85%
Germany	1,594,625	1,573,035	1,828,286	16.23%
Ukraine	805,940	713,585	1,653,506	131.72%
China	571,083	698,144	1,442,760	106.66%
Taiwan	476,184	876,212	1,367,718	56.09%
Russia	4,777,483	1,137,514	1,280,678	12.59%
India	363,766	531,162	1,128,186	112.40%
Australia	873,694	850,085	875,972	3.05%
France	990,284	1,045,467	826,617	-20.93%
United Kingdom	849,346	539,858	669,959	24.10%
South Africa	591,373	535,268	605,622	13.14%
Sub-total	33,635,308	28,347,253	28,345,752	-0.01%
ALL COUNTRIES	37,666,050	32,414,196	37,191,356	14.74%

IMPORTS OF STEEL MILL PRODUCTS: TOP 5 PRODUCT INCREASES (2000)
Quantities in Metric Tons

	1998	1999	2000 (ann)	Vol Change 1999 to 2000	% Change 1999 to 2000
Hot-Rolled Steel	10,608,241	6,011,617	7,898,688	1,887,071	31.39%
Semifinished Steel	6,146,948	7,783,389	8,663,375	879,986	11.31%
Heavy Structurals	2,518,343	1,288,065	1,861,562	573,497	44.52%
OCTG	311,307	154,375	595,374	440,999	285.67%
Standard Pipe	829,332	777,177	1,182,911	405,734	52.21%
Sub-total	20,414,171	16,014,623	20,201,909	4,187,286	26.15%
TOTAL STEEL	37,666,050	32,414,196	37,191,356	4,777,160	14.74%

EXPORTS OF HOT-ROLLED STEEL: TOP 5 SOURCES (2000)
Quantities in Metric Tons

	1998	1999	2000 (ann)	Vol Change 1999 to 2000	% Change 1999 to 2000
India	91,804	434,037	968,729	534,692	123.19%
Taiwan	210,653	463,678	920,310	456,632	98.48%
Korea	710,545	751,183	810,984	59,801	7.96%
China	90,685	416,387	536,649	120,262	28.88%
Netherlands	409,226	355,860	520,358	164,498	46.23%
Sub-total	1,512,913	2,421,144	3,757,030	1,335,885	55.18%
All Countries	10,608,241	6,011,617	7,898,688	1,887,071	31.39%

EXPORTS OF SEMIFINISHED STEEL: TOP 5 SOURCES (2000)
Quantities in Metric Tons

	1998	1999	2000 (ann)	Vol Change 1999 to 2000	% Change 1999 to 2000
Brazil	1,643,583	2,698,726	2,860,814	162,088	6.01%
Mexico	1,461,236	1,663,523	1,664,900	1,376	0.08%
Ukraine	319,720	330,650	737,168	406,518	122.94%
Russia	280,348	499,543	713,543	213,999	42.84%
Australia	745,715	549,335	495,468	(53,867)	-9.81%
Sub-total	4,450,602	5,741,777	6,471,891	730,114	12.72%
All Countries	6,146,948	7,783,389	8,663,375	879,986	11.31%

PORTS OF HEAVY STRUCTURALS: TOP 5 SOURCES (2000)
Quantities in Metric Tons

	1998	1999	2000 (ann)	Vol Change 1999 to 2000	% Change 1999 to 2000
Canada	256,282	202,782	290,121	87,339	43.07%
Germany	124,042	82,658	224,219	141,560	171.26%
Spain	189,898	128,076	192,680	64,603	50.44%
United Kingdom	171,599	89,396	163,937	74,541	83.38%
Poland	40,019	57,812	131,415	73,603	127.31%
Sub-total	781,841	560,725	1,002,371	441,646	78.76%
All Countries	2,518,343	1,288,065	1,861,562	573,497	44.52%

REPORTS OF OCTG: TOP 5 SOURCES (2000)
Quantities in Metric Tons

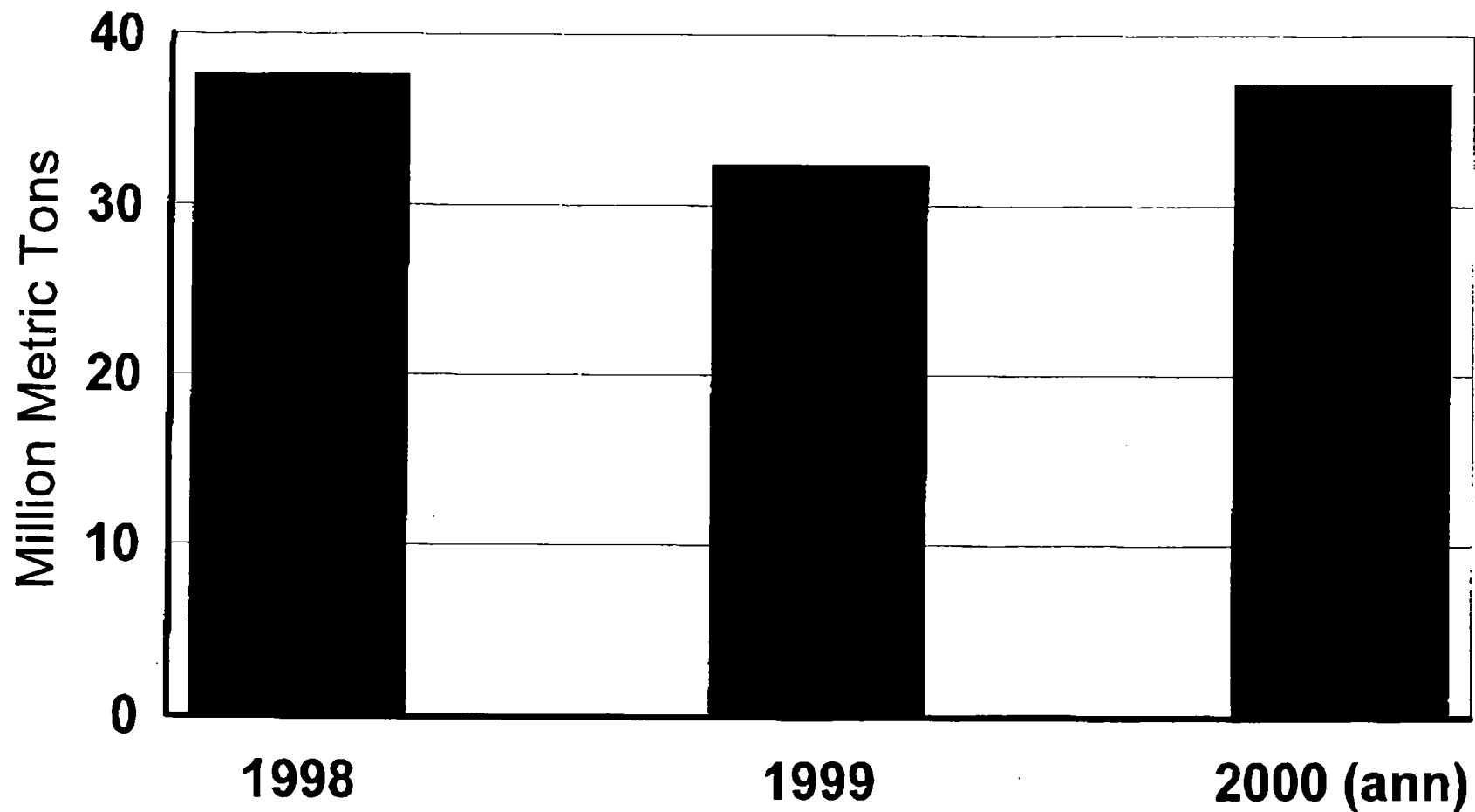
	1998	1999	2000 (ann)	Vol Change 1999 to 2000	% Change 1999 to 2000
Germany	66,652	25,325	111,476	86,151	340.18%
China	59,538	18,886	103,481	84,595	447.93%
Venezuela	16,455	30,125	53,504	23,379	77.61%
Austria	15,888	4,181	52,658	48,476	1159.38%
Japan	23,812	18,576	50,591	32,014	172.34%
Sub-total	182,344	97,093	371,708	274,614	282.84%
All Countries	311,307	154,376	440,999	286,623	185.67%

EXPORTS OF STANDARD PIPE: TOP 5 SOURCES (2000)
Quantities in Metric Tons

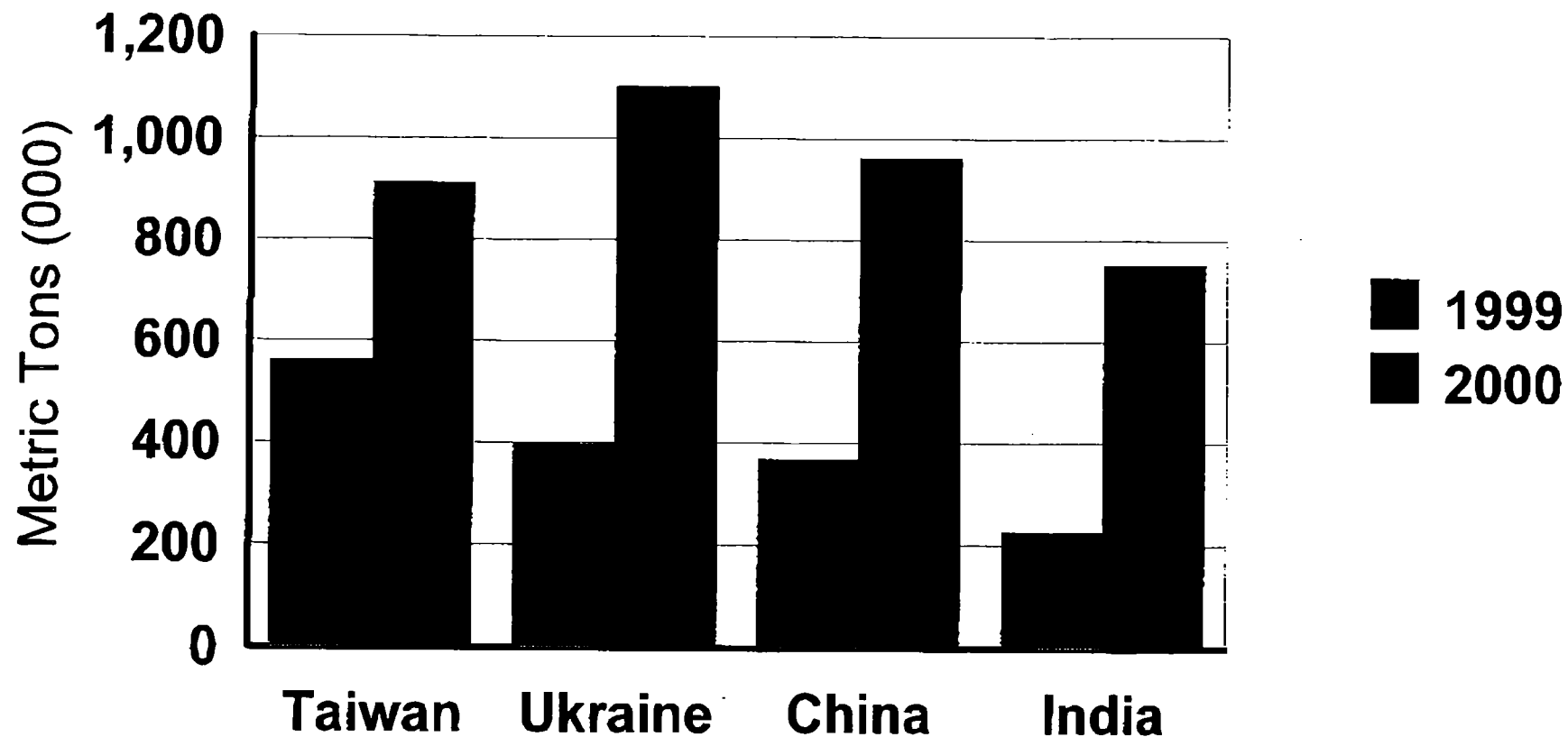
	1998	1999	2000 (ann)	Vol Change 1999 to 2000	% Change 1999 to 2000
Canada	244,602	245,522	317,307	71,785	29.24%
Korea	157,816	155,857	227,492	71,634	45.96%
China	88,837	68,971	153,807	84,836	123.00%
Thailand	25,446	43,704	93,252	49,548	113.37%
Taiwan	37,238	43,792	50,249	6,457	14.74%
Sub-total	553,938	557,846	842,106	284,260	50.96%
All Countries	829,332	777,177	1,182,911	405,734	52.21%

U.S. Steel Imports

1998 - 2000

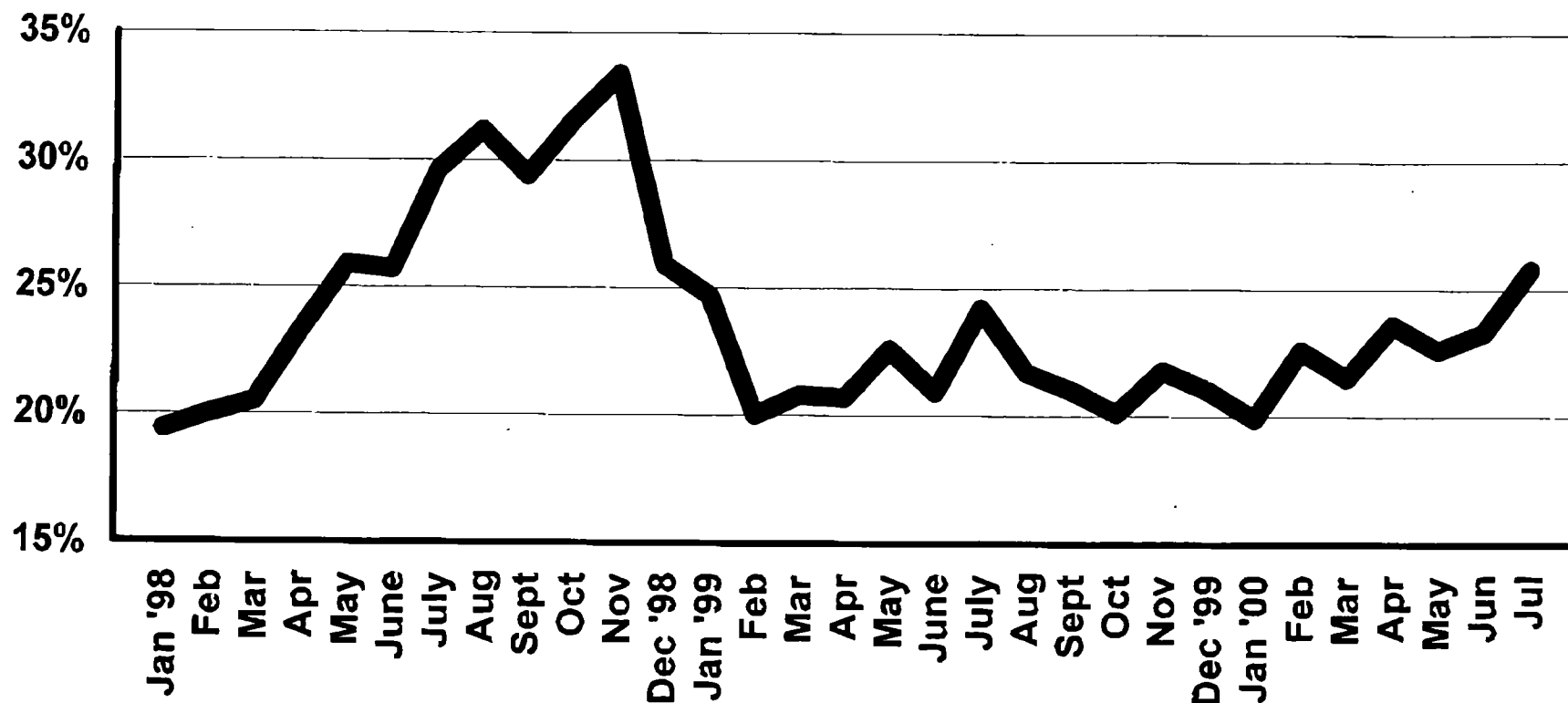


U.S. Steel Imports January - August Comparison



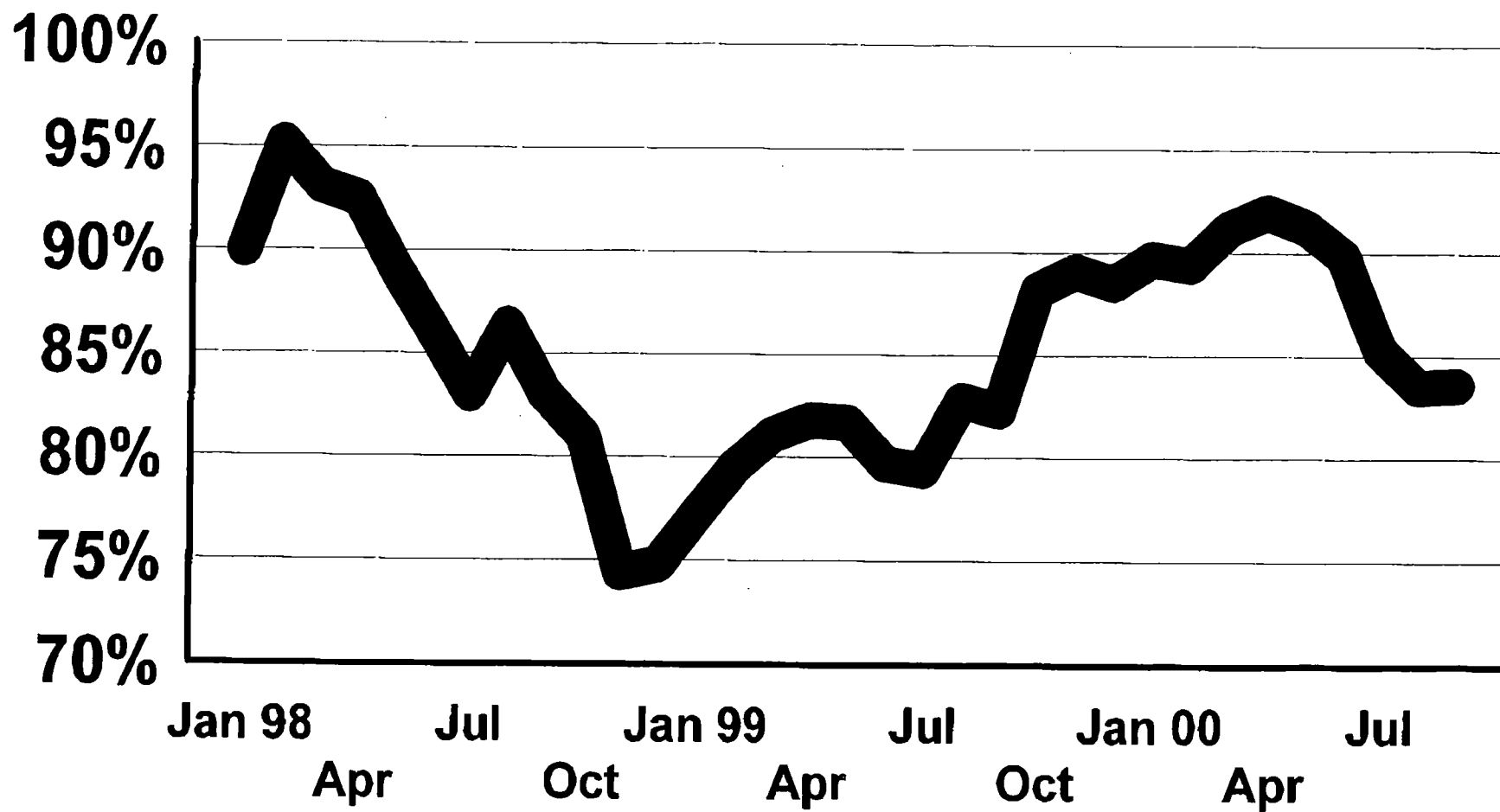
August data is preliminary.

Import Penetration: Finished Steel 1998 - 2000 YTD



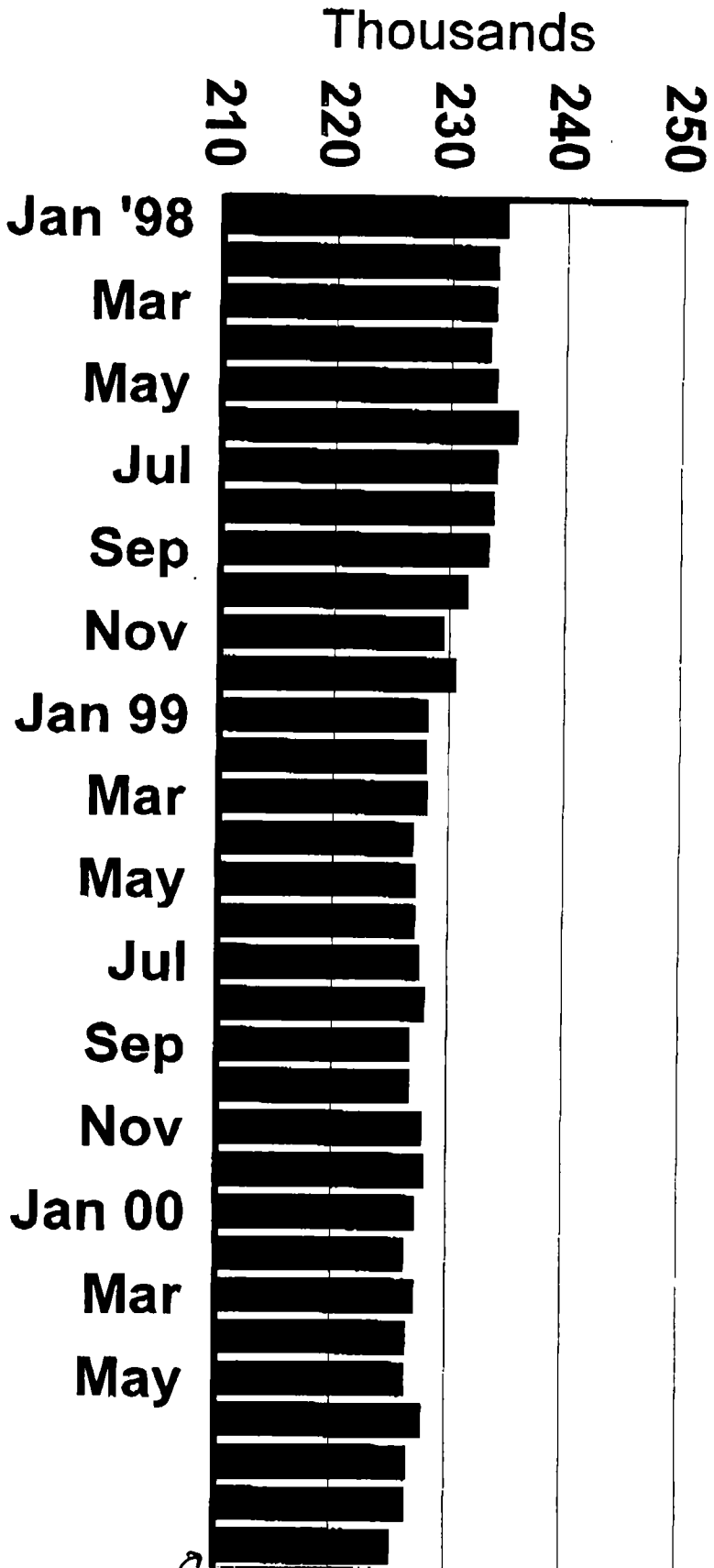
Source: AISI

Monthly Capacity Utilization Rates



Source: AISI

Steel Industry Employment (SIC 331) January 1998 - September 2000



Source: Bureau of Labor Statistics
Based on June 2, 2000 revisions to BLS survey benchmark.

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**American
Iron and Steel
Institute**

News Release

FOR IMMEDIATE RELEASE
THURSDAY, OCTOBER 26, 2000

CONTACT: NANCY GRAVATT, 202-452-7115
ELIZABETH VAGO, 202-452-7126
ngravatt@steel.org or evago@steel.org

IMPORTS THROUGH SEPTEMBER AT 1998 RECORD LEVEL, PRICE DECLINES APPROACH 1998 CRISIS LEVELS IMMEDIATE, BROAD AND COMPREHENSIVE ADMINISTRATION ACTION URGED

Washington, D.C. – Based on preliminary Census Bureau data, the American Iron and Steel Institute (AISI) reported today that the United States imported 2,938,000 net tons (NT) of steel in September and 30,424,000 NT year-to-date (YTD) – 14.8 percent higher than the same period of 1999 and roughly equal to the same period of crisis year 1998. When annualized, the YTD import total equates to a 40.6 million NT year, just slightly less than 1998's record 41.5 million NT. Finished steel imports in September were 2,258,000 NT. YTD finished imports, at 23,348,000 NT, were 15 percent higher than in the same period last year, and remain on pace to hit 31.1 million NT, second only to 1998's 34.7 million NT. Comparing nine months of 2000 with the same period last year, there were significant increases in many finished product lines, including oil country goods (up 486 percent), hot rolled sheet (up 46 percent), electrolytic galvanized sheet and strip (up 50 percent), plates in coils (up 19 percent), structural shapes (up 30 percent), and many long products such as cold finished bar, light shapes and hot rolled bar (up 46 percent, 33 percent and 23 percent, respectively). Total imports in the third quarter were 10,133,000 NT, and the 20.7 million NT of steel that the U.S. imported in the past six months were more than in any six-month period in history other than in 1998.

Average import customs values in September for many finished steel products continued to deteriorate, and the average import value for some products is now less than it was in the fourth quarter of 1998, which was the depths of the crisis. Based on published data for October from *Purchasing Magazine*, there has been a significant decline in the U.S. price of hot and cold rolled sheet since the spring, and other published sources have reported prices in some products at or below 1998 crisis levels.

Richard K. Riederer, AISI Chairman, and CEO of Weirton Steel Corporation, said "America's steel industry confronts an emergency situation because of record levels of dumped, subsidized and disruptive steel imports. Inventories remain extremely high. Fourth quarter orders are at low levels. Capacity utilization is below 80 percent. Facilities are being ramped back, idled or shut down. Work reductions and layoffs are occurring. Many companies' stock prices are at historic lows. Access to capital is exceedingly difficult, and the financial condition of some major producers is precarious. Therefore, the issue goes well

- MORE -

IMPORTS AND PRICES AT OR NEAR 1998 CRISIS LEVELS/PAGE TWO

beyond whether imports are up or down in a given month. The situation today is worse than in 1998, because the damage from 1998 was never repaired. It is essential that the Administration act now to provide immediate, broad, comprehensive trade relief."

Andrew G. Sharkey, III, AISI President and CEO, said that, "while imports may be down in September from the previous month, we cannot lose sight of the fact that they are up for the year from many sources. To cite a few examples: they are up 158 percent from the Ukraine; up 141 percent from China; up 62 percent from Taiwan; up 181 percent from India; up 69 percent from Turkey; up 13 percent from the EU; and up 29 percent from the 'all others' category. As a result, serious damage has already been done to America's steel companies, which are world class; to our steel workers, who are the most productive in the world; and to our steel communities, which deserve better. A majority of the House of Representatives now stands shoulder to shoulder with a united American steel industry. Together, we call upon the Administration -- in the national interest -- to take immediate, effective trade action on steel."

**AVERAGE IMPORT CUSTOMS VALUE
PER NET TON*
(Selected Products)**

Product	Sep 2000	4th Quarter 1998	% Change
Wire Rods	\$281	\$306	-8.2%
Plates - Cut Lengths	\$356	\$444	-19.9%
Bars - Hot Rolled	\$433	\$475	-8.8%
Bars - Light Shapes	\$321	\$372	-13.6%
Reinforcing Bars	\$182	\$224	-18.5%
Oil Country Goods	\$658	\$817	-19.5%
Line Pipe	\$448	\$544	-17.6%
Tin Plate	\$518	\$583	-11.2%
Tin Free Steel	\$549	\$640	-14.2%
Sheet & Strip Galv. (Hot Dipped)	\$494	\$508	-2.6%
Total - All Steel Mill Products	\$393	\$363	8.2%

Note: record import surge began in the first quarter of 1998.

* Includes Carbon, Alloy and Stainless

Source: U. S. Dept. of Commerce, Bureau of the Census

- MORE -

IMPORTS AND PRICES AT OR NEAR 1998 CRISIS LEVELS/PAGE THREE

**U.S. IMPORTS OF STEEL MILL PRODUCTS
BY SELECTED PRODUCTS
(thousands of net tons)**

	9 Mos. 00 Prelim	9 Mos 1999	9 Mos. 00 vs 9 Mos 99 % Change
Sheets - Hot Rolled	4,946,700	3,380,362	46.3%
Structural Shapes (3" & over)	1,528,575	1,173,844	30.2%
Bars - Hot Rolled	1,356,427	1,102,252	23.1%
Plates In Coils	1,346,246	1,136,434	18.5%
Standard Pipe	953,224	624,400	52.7%
Oil Country Goods	509,881	87,046	485.8%
Bars - Cold Finished	318,413	217,646	46.3%
Bars - Light Shapes	286,961	216,342	32.6%
Sheet & Strip - Galv.(Electrolytic)	195,683	130,292	50.2%
Total - All Steel Mill Products	30,423,780	26,496,698	14.8%

**U.S. IMPORTS OF STEEL MILL PRODUCTS
BY COUNTRY OF ORIGIN
(thousands of net tons)**

	9 Mos. 00 Prelim	9 Mos. 1999	9 Mos. 00 vs. 9 Mos. 99 % Change
European Union	5,397	4,786	12.8%
Canada	4,131	3,812	8.4%
Brazil	2,971	2,914	2.0%
Mexico	2,615	2,701	-3.2%
Korea	2,153	2,301	-6.4%
Japan	1,704	2,489	-31.5%
Ukraine	1,404	545	157.6%
China	1,148	477	140.7%
Russia	1,107	945	17.1%
Taiwan	1,093	673	62.4%
India	890	317	180.8%
Australia	716	640	11.9%
Turkey	549	324	69.4%
South Africa	497	445	11.7%
Others	4,049	3,128	29.4%
Total	30,424	26,497	14.8%

- MORE -

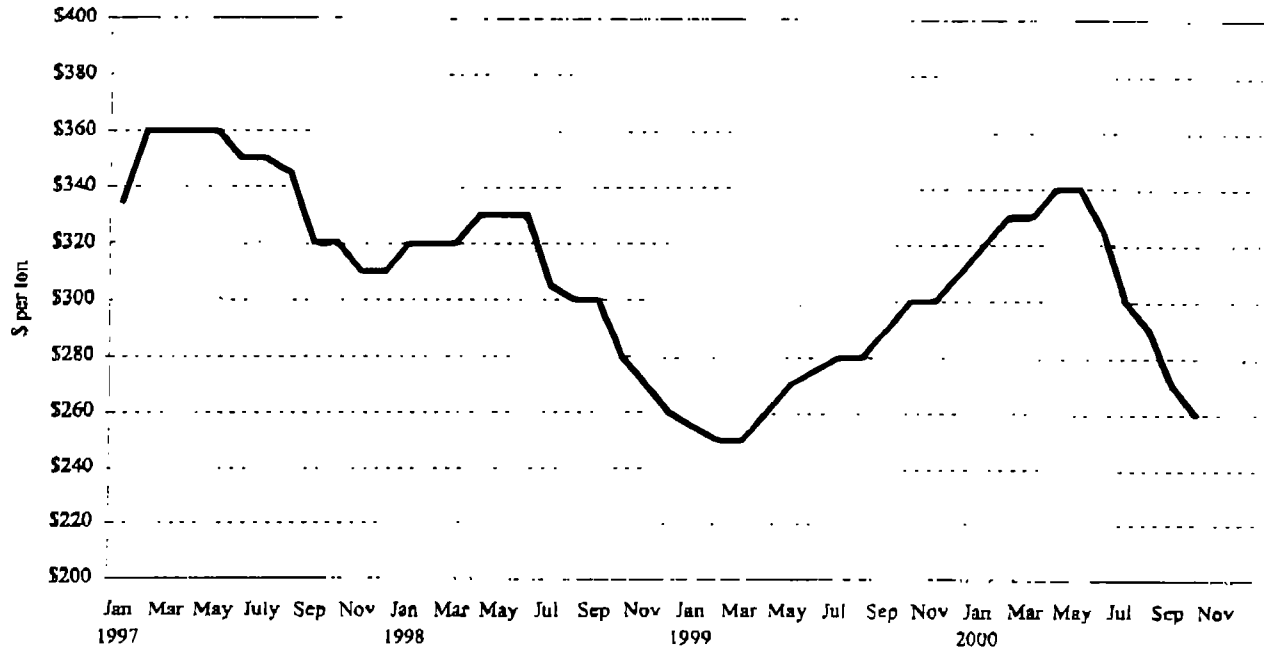
IMPORTS AND PRICES AT OR NEAR 1998 CRISIS LEVELS/PAGE FOUR

**U.S. IMPORTS OF STEEL MILL PRODUCTS
BY COUNTRY OF ORIGIN
(thousands of net tons)**

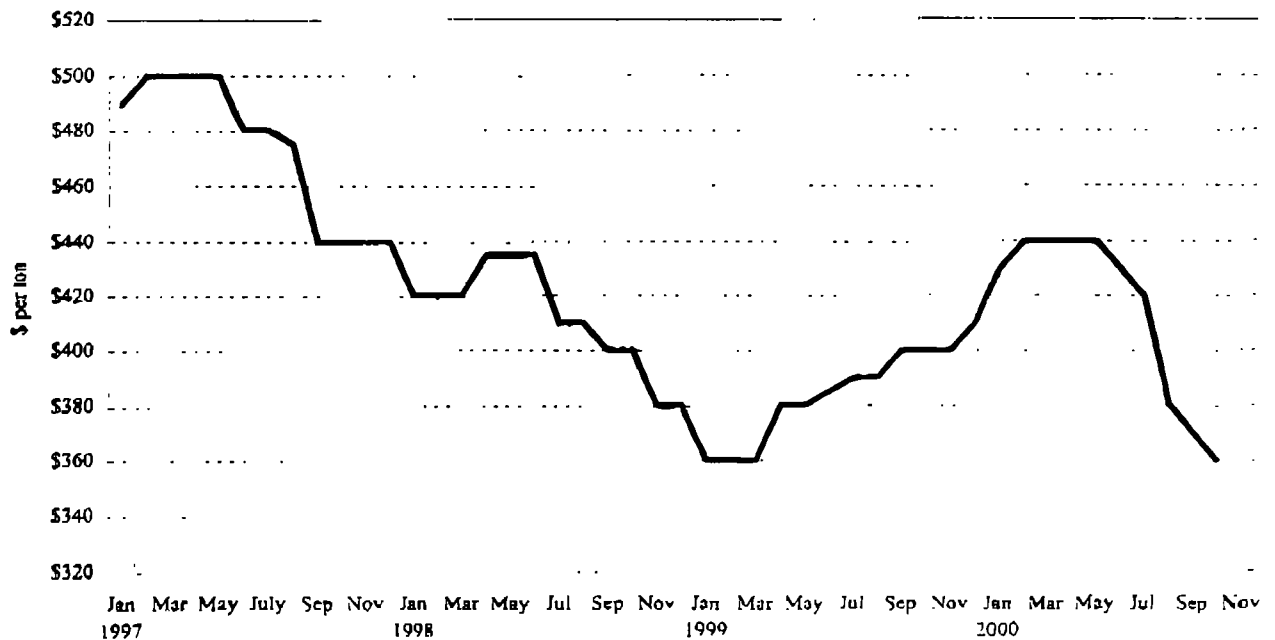
	Prelim 3rd Qtr 2000	2nd Qtr 2000	1stQtr 2000	3rd Qtr 00 vs 2nd Qtr 00 % Change	3rd Qtr 00 vs 1st Qtr 00 % Change
European Union	1,976	1,807	1,613	9.4%	22.5%
Canada	1,249	1,464	1,419	-14.7%	-12.0%
Brazil	1,004	774	1,194	29.7%	-15.9%
Mexico	768	995	852	-22.8%	-9.9%
Ukraine	585	571	248	2.5%	135.9%
Japan	574	573	558	0.2%	2.9%
Korea	570	791	793	-27.9%	-28.1%
China	541	327	281	65.4%	92.5%
Russia	498	406	211	22.7%	136.0%
Taiwan	274	389	430	-29.6%	-36.3%
India	231	515	145	-55.1%	59.3%
Australia	223	258	235	-13.6%	-5.1%
Turkey	199	194	156	2.6%	27.6%
South Africa	148	189	160	-21.7%	-7.5%
Others	1,293	1,268	1,474	2.0%	-12.3%
Total	10,133	10,521	9,769	-3.7%	3.7%

###

**Purchasing Magazine Transaction Price for
Hot-Rolled Sheet, Midwest Market Average**
January 1997 - October 2000



**Purchasing Magazine Transaction Price for
Cold-Rolled Sheet, Midwest Market Average**
January 1997 - October 2000



Source: Purchasing Magazine Steel Transaction Prices
October 2000



**American
Iron and Steel
Institute**

News Release

**FOR IMMEDIATE RELEASE
OCTOBER 24, 2000**

**CONTACT: NANCY GRAVATT
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CAPABILITY UTILIZATION RATE FALLS BELOW 80 PERCENT AISI Calls for Immediate, Broad and Comprehensive Trade Relief

WASHINGTON, D.C. - The steel industry's capability utilization rate* fell to 78.8% the week ending October 21, the lowest weekly level since July 1999, according to the American Iron and Steel Institute (AISI). It has fallen precipitously since the spring of this year, when it was close to 95 percent. The lower the average capacity utilization rate, the more likely it is that financial losses and layoffs will occur.

This is one more indication of the emergency situation with which the steel industry is confronted," Andrew G. Sharkey, III, AISI president and CEO said. " In some ways, it is worse than the crisis that struck in 1998. With the damage from 1998 not yet repaired, imports are flooding the country, steel prices have declined dramatically, steel company stock prices are at all-time lows and access to capital is drying up."

"Nothing better captures how dire the situation is than the sharp drop-off of the capacity utilization rate, and nothing better shows how steep the slope is that our companies have to climb to regain their economic strength."

"Like the majority of the House of Representatives, we call upon the Administration to take immediate, broad and comprehensive action against the flood of dumped, subsidized and disruptive steel imports that is causing serious injury to America's steel companies, employees, and communities," Sharkey said.

-MORE-

Page Two/STEEL CAPABILITY UTILIZATION RATE FALLS

The American Iron and Steel Institute is a non-profit association of North American companies engaged in the iron and steel industry. The Institute comprises 45 producer member companies, including integrated and electric furnace steelmakers who produce over three-quarters of North America's raw steel, and 158 associate and affiliate members who are suppliers to or customers of the steel industry.

**Capability utilization is based on tonnage capability to produce raw steel for a sustained full order book.*

###

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