



## Recent Developments in Russian Steel Trade With the United States

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# Major developments affecting export of steel products from Russia to the United States

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- Three major areas:
  - U.S. economic conditions
  - Tariffs and quotas under U.S. trade remedy laws
  - Russia's WTO accession negotiations
- Other areas in which there have been developments – e.g., OECD steel committee negotiations

# U.S. Economic Conditions

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- U.S. economy remains weak
- Demand for many steel products and prices are low
- Hope for a “bounce” after the Iraq war

# U.S. Trade Remedy Laws

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- Three major items within this topic:
  - Section 201 “safeguard” tariffs/quotas
  - Russia’s status as a “market economy” country under U.S. trade laws
  - The “Comprehensive Steel Agreement” limiting exports of a broad range of steel products from Russia to the United States

## Section 201 safeguards

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- Imposed in March 2002 by the President, after an investigation by the U.S. International Trade Commission (ITC)
- Imposed tariffs on a broad range of steel products
  - Effective for three years, with declining levels at the end of each year

## Section 201 safeguards (cont'd)

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- Imposed tariffs on a broad range of steel products (cont'd)
  - For example, for various carbon steel flat-rolled products, the tariffs were set at 30% for the first year, 24% for the second, and 18% for the third
  - Large number of exclusions, but generally of narrowly-defined niche products and for NAFTA and developing countries

## Section 201 Safeguards (cont'd)

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- Recently the ITC has started the required “mid-term” review
- By September 2003, when one-half of the three-year term will have expired, the ITC must report to the President on the effectiveness and need to continue the remedies
  - The ITC may recommend revisions to the remedies, or even that they be revoked

## Section 201 Safeguards (cont'd)

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- ITC mid-term review (cont'd)
  - Revocation is not likely in this case, however, because of strong pressure from the domestic steel industry to maintain limits on imports
- President then must decide whether to modify the remedies



## Section 201 Safeguards (cont'd)

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- Currently some uncertainty surrounds the steel safeguards remedies, because a WTO panel has found that the ITC's investigation violated the Safeguards Agreement
  - Failure to demonstrate that the increase in imports was “sudden” and “significant”

## Section 201 Safeguards (cont'd)

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- Violation of Safeguards Agreement (cont'd):
  - Failure to identify the causal link between the imports and the injury to the U.S. industry
  - Failure to demonstrate that “unforeseen developments” resulted in increased imports

## Section 201 Safeguards (cont'd)

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- The United States has already said that it will appeal to the WTO Appellate Body
  - Even if the United States loses at the AB, the decision will not be issued until the fall of 2003
  - Then United States has a “reasonable period of time” to implement any unfavorable decision

## Section 201 Safeguards (cont'd)

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- Implementation does not necessarily mean that the United States will revoke the safeguard remedies
  - It may just require the ITC to reconsider certain aspects of its decision

# Russia's status as a market economy

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- Announced in June 2002; effective retroactively to April 1, 2002
- Established by the U.S. Department of Commerce (DOC) after a lengthy review, hearing and submissions by various parties

# Russia's status as a market economy (cont'd)

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- The impact of market economy status in anti-dumping investigations:
  - Dumping margins for Russian exporters will be calculated by comparing the prices of their exports to the U.S. to their home market (Russian) sales prices
  - Instead of the old “non-market economy” (NME) calculation method, with which some of you are familiar

# Russia's status as a market economy (cont'd)

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- Another result is that quota-based “suspension agreements,” which were available in NME cases, are no longer available
  - Now, suspension agreements must be based on the prices of the products exported to the United States
  - See the market-economy based agreement in the cut-to-length carbon steel plate case, negotiated after the prior NME agreement expired in November 2002

## Russia's status as a market economy (cont'd)

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- Another result is that Russian exporters may now be subject to the anti-subsidy (or “countervailing duty”) provisions of U.S. trade law
  - Benefits from the Russian federal or provincial governments provided to Russian industry may be “countervailed” through duties imposed on imports into the United States



# Russia's status as a market economy (cont'd)

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- “Countervailing duty” provisions of U.S. trade law (cont'd)
  - Such “benefits” may include not just cash grants and low-interest loans, but also tax holidays, low-priced energy, supplies, etc.
  - Some countervailing duties are cumulative with anti-dumping duties

# The “Comprehensive Steel Agreement” (CSA)

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- Russia and the United States entered into the CSA in July 1999 as part of a package that also resulted in the “suspension agreement” covering hot-rolled carbon steel flat products
  - The CSA is controversial; not supported uniformly by the Russian industry, as you know

## The CSA (cont'd)

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- The CSA establishes quotas (but no minimum prices) for a broad range of steel products exported from Russia to the United States
  - It also authorizes annual adjustments to the quotas for each of the product groups
  - For example, for cold-rolled carbon steel flat products, the quota was 340,000 MT in 2000, and in 2003 is 373,170 MT

## The CSA (cont'd)

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- The CSA does not prevent U.S. anti-dumping actions against imports of the covered products from Russia
  - There have been anti-dumping investigations of hot-rolled reinforcing bar and cold-rolled carbon steel flat products, even though they are covered by the CSA
  - But the CSA does ensure stable import levels of the covered products, reducing the likelihood of import surges that would alarm the U.S. industry

# The CSA (cont'd)

- The CSA does not prevent U.S. anti-dumping actions (cont'd)
  - The CSA also provides that if an anti-dumping investigation is commenced against a covered product, the CSA's quota level will be the “beginning basis for discussions” in negotiating a suspension agreement
    - This item may be irrelevant now that Russia is a “market economy”, and cannot have quota-based suspension agreements
- The Agreement will expire after five years – in July

2004

# WTO Accession Negotiations

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- As you know, these negotiations are still moving forward, though slowly and subject to various contentious issues
  - IP protection; protection for Russia's agriculture, banking and telecommunications sectors
  - Hopes for concluding negotiations by the end of 2003 are dwindling

# WTO Accession Negotiations

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- Impact of WTO accession for steel trade will be -
  - The Russian Government (and indirectly, exporters) will have recourse to the WTO dispute resolution system if they believe that the United States (or other Members) have violated Agreements in imposing import restraints
  - Also, if accession is relatively soon, Russia may participate in the Doha Development Round, so its voice can be heard on the establishment of trade rules