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Ready to Compete

Completing the Steel Industry's Rehabilitation

by Dan Ikenson

Executive Summary

In December 2003 President Bush announced his decision to remove the steel tariffs he had imposed 21 months earlier under Section 201 of the Trade Act of 1974. Since then prices for most major steel products have achieved or are flirting with record highs, and one steel company after another has reported strong earnings for the first quarter of 2004. Profit estimates going forward are just as rosy.

Meanwhile, many domestic steel-consuming industries are in trouble. As their steel costs have risen dramatically, many have had to endure shrinking and even negative profit margins.

Despite the removal of the Section 201 steel tariffs, imported steel remains subject to hundreds of antidumping and countervailing duty orders. Those duties artificially reduce supply, putting steel-consuming industries at the mercy of domestic producers who are virtually unrestrained from setting high prices.

Policymakers should move to mitigate the adverse consequences of restrictions on trade and endeavor to restore greater competition to this vital market before skyrocketing steel prices damage the U.S. economy.

Accordingly, the president, through the secretary of commerce, should exercise his authority to undertake "changed circumstances" reviews of all outstanding antidumping and countervailing duty orders on steel products with an eye to terminating those measure that no longer make sense. Many have been in place for more than a decade, a period during which circumstances have obviously changed.

Lifting, even temporarily, some of the 188 antidumping and countervailing duty orders now in effect would alleviate some of the burden and be a shot in the arm for U.S. manufacturing. It would also be the next logical step toward restoring real competition in the vital steel market.

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Introduction

In December 2003 President Bush announced his decision to remove the steel tariffs he had imposed 21 months earlier under Section 201 of the Trade Act of 1974. That decision was met with derision and dire warnings from domestic steel producers and their lobbies that prices would plummet, upsetting the unfinished process of industry consolidation and threatening the very existence of the U.S. steel industry. That scenario has not come close to unfolding.

On the contrary, since the president's repeal last December, prices for most major steel products have achieved or are flirting with record highs, and significant consolidation has continued. At the same time, the government's assumption of much of the industry's pension liabilities has substantially reduced steel producers' overall costs. Despite large increases in the costs of steel-making materials—such as scrap metal, pig iron, iron ore, coke, and energy—one steel company after another has reported strong earnings in the first quarter of 2004, and estimates for the year are just as rosy.

Meanwhile, domestic steel-consuming industries, which account for a significant portion of U.S. manufacturing activity and employ a far greater number of people than steel producers do, have been caught in a tightening vise. As their steel costs have risen dramatically, many have been unable to pass much of those increases on to their customers in the form of higher prices. They have had to absorb the resulting losses at a time when politicians have been fumbling for a way to offer them some relief.

Compounding the problem of high steel prices is the lack of alternatives for steel-using companies. Despite the removal of the Section 201 steel tariffs, imported steel remains subject to antidumping and countervailing duties stemming from 188 outstanding measures against most foreign producers. Those duties deter imports, which have long been a necessary source of supply for U.S. industry, and render more expensive those products that do enter the United States. With few alternatives, steel-consuming industries are at the mercy of domestic producers, who exploit the artificial restrictions on competition to set high prices.

Policymakers should move to mitigate the adverse consequences of previous market interventions and restore greater competition to this vital segment of the economy before skyrocketing steel prices damage the U.S. economy. One solution to this burgeoning problem is for the president to direct the secretary of commerce to exercise his authority to undertake "changed circumstances" reviews of all outstanding antidumping and countervailing duty orders on steel products. Many have been in place for more than a decade, a period during which circumstances have undoubtedly changed. With record high prices and record profits for some producers, the notion that the steel industry is materially injured—a prerequisite to imposing trade remedy relief—is dubious at best.

Lifting, even temporarily, some of the 188 measures in place against 35 countries' raw and finished steel products, on which duty rates in some cases are in the triple digits, would help alleviate the hardship being endured by the country's steel-using industries and would be a shot in the arm for U.S. manufacturing. It would also be the next logical step toward restoring real competition in the vital steel market.

Supply and Demand in 2004

Shortly after President Bush announced his decision to repeal the steel safeguards in December 2003, Rep. Pete Visclosky (R-IN.), a member of the Congressional Steel Caucus, opined: "The American steel industry and its workers were depending on President Bush for the chance to complete its restructuring and consolidation. Unfortunately, his December 4 decision will not allow that to happen and further clouds the future of the domestic steel producing industry."[1]

Even Visclosky would have to admit that any such clouds have had more than a silver lining. Since December steel prices have entered record territory. Average prices for a basket of 10 carbon steel mill products tracked by *Purchasingdata.com* were 60 percent higher in April 2004 than in December 2003, and 71 percent higher than in April 2003.[2] According to *Purchasing* magazine, steel prices "have skyrocketed past any heights previously entered in records dating back to 1950."[3]

The average price in March for hot-rolled sheet (a major commodity steel product) was $500 per ton. That is a 61 percent increase over the December average of $310 and a 79 percent price increase from the same period in 2003—a period during which the Section 201 tariffs were in effect, incidentally. Cold-rolled sheet, which averaged $580 per ton in March, was 49 percent more expensive than in December. Hot-dipped galvanized sheet was selling for $600 per ton in March, which was 32 percent above December prices.[4] Similar trends exist for virtually every steel commodity, both domestic and imported.

The causes of the dramatic price increases of 2004 are many. Rising world demand, led by China, for finished steel and steel-making materials has unleashed a simultaneous demand-pull, cost-push rise in steel prices. To compensate for the rise in materials costs, steel producers have been imposing surcharges on their deliveries, many of which exceeded $100 per ton in the first quarter.

A relatively weak dollar has driven up the prices required of American purchasers and has made the U.S. market less attractive to foreign producers, thus reducing supply. Imported hot-rolled steel was 17.2 percent lower by volume during the first quarter of 2004 than during the same period in 2003. The volume of imported cold-rolled steel was 27.7 percent lower. Import volume of corrosion-resistant steel dropped 36.2 percent between these periods, and imports of tool steel declined 18.8 percent.[5] Those are all reductions from a period during which the Section 201 tariffs were in place. At the same time, energy prices and international freight rates, both reflected prominently in the price of steel, have attained near-record highs—developments that are also related to China's robust economic growth.

Furthermore, U.S. production has been curtailed as a result of capacity reduction stemming from large-scale industry consolidation. During the past couple of years, an industry comprised of too many unprofitable, uncompetitive producers has undergone a significant restructuring. The consolidation process, initiated before the Section 201 tariffs were imposed and continuing after their repeal, has created an industry on much firmer footing. Prominent acquisitions during this period were of LTV Steel by the then newly formed International Steel Group (ISG) in March 2002; Birmingham Steel and Trico by Nucor in December 2002; Bethlehem Steel and Acme Steel by ISG in May 2003; National Steel by U.S. Steel in May 2003; Weirton Steel by ISG, announced in April; and most recently Georgetown Steel by ISG, announced in early May.

A more consolidated steel industry is what critics of the industry's proclivity to seek trade protection have been recommending for years. Steel production is characterized by high fixed costs. Producers need to make a lot of steel in order to cover those fixed costs; higher production volumes translate into lower unit costs. That dynamic tends to inspire overproduction when there are too many firms in the industry facing the same cost structure. Overproduction leads to price suppression or depression, which then leads to bankruptcies and, all too often, the pursuit of trade restrictions. Consolidating production puts supply decisions in the hands of fewer firms, and the perverse incentives to overproduce are thus curtailed.

The major impediment to consolidation had been the existence of large liabilities in the form of pension and health care obligations on the books of would-be acquisition targets. Those enormous liabilities rendered any buyouts infeasible. In a move that facilitated several acquisitions in the industry, the Pension Benefit Guarantee Corporation[6] stepped in and assumed the so-called legacy costs of many of the steel firms that were purchased over the last two years. Covering those liabilities at Bethlehem, National, and LTV alone amounted to $7.1 billion, a subsidy that has pushed the PBGC's fiscal deficit to a record $11.2 billion.[7]

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Between 1975 and 2002 the steel industry accounted for 56 percent ($9.4 billion) of the PBGC's claims, though it represented fewer than 3 percent of the participants covered by PBGC.[8] According to PBGC's executive director, "When underfunded pension plans terminate, three groups lose: participants can see their benefits reduced, other businesses can see their PBGC premiums go up, and ultimately Congress could call on taxpayers to support the PBGC."[9]

The structure of the steel industry today portends greater long-term viability than was the case only a few years ago. But that viability, welcome as it may be, was achieved on the backs of U.S. steel-using industries and in a manner that jeopardizes the pensions of hundreds of thousands of American workers in other industries, increases the costs of pension insurance premiums to thousands of U.S. businesses, and increases the possibility that the tab ultimately will be thrust upon taxpayers one way or another.

Furthermore, by limiting foreign steel competition through antidumping and countervailing duty measures and by subsidizing the domestic industry with a massive pension bailout to facilitate consolidation, U.S. policies have created an industry with artificially enhanced market power. Despite the generic banter from some in Congress and the administration that imports are a major cause of the woes of U.S. manufacturers, precisely the opposite is true. The suppression of import competition is now allowing the U.S. steel industry to run roughshod over its customers.

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Steel Industry Profitability

High prices, the extinction of more than $8 billion of legacy costs, and ensuing industry consolidation have rendered 2004 a banner year for steel producers thus far. Notwithstanding the increased costs of steel-making inputs in 2004, all of the major producers registered strong profits in the first quarter.

U.S. Steel, accounting for about 22 percent of the domestic market, reported profits of $58 million on $2.97 billion in sales for the first quarter of 2004. That was a dramatic change from the $38 million loss reported on first quarter 2003 sales of $1.91 billion.[10]

Nucor Corp., accounting for about 18 percent of the domestic market, reported record earnings of $133 million on $2.29 billion in sales in the first quarter of 2004. Those earnings were a vast improvement over the $16 million profit on $1.48 billion in sales during the first quarter of 2003.[11]

ISG, accounting for about 15 percent of the domestic market, reported profits of $70.9 million on $1.77 billion in sales in the first quarter of 2004. Just one year earlier, for the first quarter of 2003, ISG had reported a loss of $2.3 million on only $462 million of sales. Although that comparison may not be meaningful since the previous period does not reflect ISG's acquisition of Bethlehem, comparisons with the fourth quarter of 2003 (which does reflect that acquisition) reveal a near tripling of profits from $24.9 million.[12]

Any way you slice it, these are good times for the steel industry. According to comments in their quarterly SEC filings, each company expects more of the same in 2004. Thomas Usher, the outgoing chairman and CEO of U.S. Steel, forecasts, "The recent significant increases in domestic pricing will have a greater impact in the second quarter and contribute to improved profitability."[13] U.S. Steel's press release announcing first quarter earnings went on to project that "average second quarter realized prices are expected to improve significantly more than the $52 per ton average improvement in the first quarter."[14]

A Nucor press release indicated that "although the surcharges are decreasing in the second quarter as scrap prices decline, base prices are increasing due to strong demand for our products. We expect that improving economic conditions and strengthening steel demand will result in increased margins in the second quarter of 2004. Nucor expects to earn between $2.00 and $2.20 per share in the second quarter of 2004, compared to $.11 per share in the second quarter of 2003."[15]

Likewise, ISG is bullish. Its "Outlook for the Second Quarter," published in the press release announcing first quarter profits, reads:

> Production is expected to increase in the second quarter of 2004, however, shipments are expected to remain relatively unchanged due to a significant reduction in inventory that occurred in the first quarter 2004. Realized selling prices are expected to increase by approximately $50 per ton over the first quarter of 2004. The Company also believes there will be adequate availability of coke supplies. Although the full impact of the current spot coke prices will increase ISG's production costs in the second quarter of 2004, the Company expects that the positive trends on realized selling prices due to previously announced price increases should more than offset the expected production cost increase. Therefore, the outlook remains positive, with income from operations expected to rise significantly in the second quarter of 2004.[16]

Plight of Steel Users

Despite all the celebrating among steel producers, conditions are much gloomier for the industry's customers. And just like those of high oil prices, the effects of high steel prices are felt throughout the economy. On May 3 the Institute for Supply Management issued its closely watched report on manufacturing activity for April. That report showed a decline in activity from March to April, which was largely attributable to higher manufacturing costs. ISM's "Prices Index" indicates that manufacturers paid higher prices for materials in April than in any month since November 1979.[17] Increasing steel prices contribute to that worrisome trend.

In testimony before the House Committee on Small Business on March 10, 2004, Les Trilla, president of Trilla Steel Drum Corporation noted, "Over the past two months, the price of steel has skyrocketed beyond our belief—it is even worse than the situation we faced when the steel tariffs were initially imposed almost exactly two years ago."[18] As to specifics, Trilla told the committee, "Our steel supplier also informed us that they were raising our base pricing for an indeterminate period of time to $25.00/cwt for cold-rolled steel ($500 per ton). This is a 30 percent increase over the already high prices we've been paying. On top of that, they have imposed a new $30 per ton raw materials surcharge. Thus, while we were paying $390 a ton in December 2003, we are currently paying $530 a ton. We have been told to expect that steel prices will be in the $680 per ton range in April. The most recent spot prices quotes I have received are for over $850 a ton—almost three times what I was paying five months ago."[19]

Compounding the injury caused by price spikes is the insult of contracts being broken. Trilla testified that his steel supplier "will not honor a quoted price or let us know how much we will end up paying until time of shipment."[20] Unfortunately, this is hardly an isolated incident. According to William Gaskin, president of the Precision Metalforming Association, "U.S. steel users have experienced massive price increases in the past two months, as well as major supply disruptions."[21] His organization's monthly survey of members indicated that 42 percent of those responding had experienced cancelled orders for steel in January and 90 percent had experienced late deliveries.[22]

Mystery prices, cancelled orders, and late deliveries are disruptive to any business, but if the product in question is a major input to the company's production line, the problems multiply. A simple "Google" news search of the term "steel price" will return hundreds of stories like Trilla's: stories of companies bound to fixed-price deliveries that were bid on months before the steel price surges; stories of construction projects in limbo; stories of hospital and school construction busting local budgets. The economic implications of the steel situation should be weighing heavily on policymakers' minds. Yet, most of the "solutions" being

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offered either constitute new, market-distorting government interventions, lack any sense of immediacy, or just hopelessly miss the mark. Rep. Don Manzullo (R-IL) offered a list of "potential remedies"[23] that largely fits this description.

Among other things, Manzullo proposes consideration of an export ban on scrap since price increases for this material have contributed to rising steel prices. Scrap is the major component for electric arc furnace producers (or mini-mills) like Nucor, but it is much less important to steel production in the large integrated mills. Export bans are nothing more than subsidies to domestic consumers, who pay lower prices as supply is artificially increased as a result of the ban.

As U.S. steel users endure their biggest cost-price squeeze in memory, solutions seem to elude politicians. Perhaps this is because the solution need not involve the imposition of new rules, new mandates, or new restrictions. The solution is to remove restrictions, an eminently obvious response to shortages.

Does Manzullo really want to subsidize America's most profitable steel company after its most profitable quarter ever, particularly at a time when that company is making profits on the surcharges it has forced on its customers to cover its own scrap costs? Not only would that be unfair to the integrated producers, which use much less scrap in their processes, it would be unfair to the scrap recycling industry. Companies in this industry should be entitled to reap market prices for their commodity, as they endure lower prices when scrap is plentiful. Besides, the problem is not scrap prices. The problem is steel prices, as Manzullo should have gathered from his chairmanship of the committee that heard Mr. Trilla's testimony.

Instead of nibbling around the edges of the steel price problem with proposals to subsidize energy exploration as a means of reducing current energy prices or proposals to penalize China for a currency policy that has allegedly fueled its demand for steel, why not simply acknowledge the elephant in the room?[24] Steel users are paying high prices for steel because they have limited alternatives. When U.S. steel producers can unilaterally break contracts with impunity, when they can impose materials surcharges on top of price increases and not see their volume of sales drop, and when they can uniformly register strong profits when treating their customers this way, the first resort of policymakers ought to be to remove any artificial barriers that are stymieing competition. The new, lean steel industry will be better for it, and those who unwittingly financed its makeover deserve it.

Acknowledging the Elephant

As U.S. steel users endure their biggest cost-price squeeze in memory, solutions seem to elude politicians. Perhaps this is because the solution need not involve the imposition of new rules, new mandates, or new restrictions. The solution is to remove restrictions, an eminently obvious response to shortages.

At present, the United States maintains 188 antidumping and countervailing duty orders against raw steel and steel products from 35 different countries (see Table 1). Among the restricted products are hot-rolled steel, carbon and stainless steel plate, corrosion-resistant steel, carbon and stainless steel wire rod, oil country tubular goods, seamless pipe, stainless steel bar, stainless steel sheet and strip, and several other products on which surcharges have been imposed and whose base prices have increased substantially during 2004.

The duty orders against hot-rolled steel affect imports from 20 countries, and the average duty levied in these cases is 39.61 percent. Carbon steel plate from 31 countries is subject to average antidumping and countervailing duties of 24.65 percent. Just this month, AK Steel announced it was raising its surcharges on all of its carbon steel products—hot-rolled and plate are its primary products—to $120 per ton. Can this possibly make any sense to policymakers? Allowing outdated federal policies to restrict supply artificially while domestic producers impose shortage surcharges is a real dereliction of duty. That is particularly true considering Washington's grappling for solutions to manufacturers' woes.

Accordingly, the administration should institute "changed circumstances" reviews of all existing antidumping and countervailing duty orders on steel products with an eye to removing—at least temporarily—all orders that no longer make sense. Removing market-distort-

Table 1
Steel Products Subject to U.S. Antidumping or Countervailing Duty Measures

Product	Number of AD/CVD Orders	Average AD/CVD Duty Rate (%)
Barbed wire & barbless wire strand	1	NA
Carbon steel butt-weld pipe fittings	5	47.29
Carbon steel plate	31	24.65
Carbon steel wire rod	9	44.67
Circular welded nonalloy steel pipe	4	7.10
Clad steel plate	1	118.53
Corrosion-resistant carbon steel flat products	8	10.37
Forged stainless steel flanges	2	101.85
Grain-oriented silicon electrical steel	3	20.62
Heavy iron construction castings	1	NA
Hot-rolled carbon steel flat products	20	39.61
Iron construction castings	3	43.99
Large-diameter seamless pipe	2	70.40
Light-walled rectangular tube	2	NA
Malleable cast iron pipe fittings	2	NA
Malleable iron pipe fittings	1	28.05
Non-malleable cast iron pipe fittings	1	29.64
Oil country tubular goods	6	25.41
Prestressed concrete steel wire strand	7	66.06
Seamless pipe	3	90.66
Small-diameter carbon steel pipe	1	16.85
Small-diameter seamless pipe	4	55.76
Stainless steel angle	3	82.12
Stainless steel bar	10	18.23
Stainless steel butt-weld pipe fittings	6	24.03
Stainless steel plate in coils	9	10.69
Stainless steel sheet & strip	10	14.52
Stainless steel wire rod	10	15.18
Steel concrete reinforcing bar	9	58.29
Steel rails	2	NA
Structural steel beams	3	32.31
Tin mill products	1	95.29
Welded ASTM A-312 stainless steel pipe	2	7.08
Welded carbon steel pipe	4	12.29
Welded large-diameter line pipe	2	40.33
Total AD/CVD steel orders	188	32.48

Data for this table were compiled from *Federal Register* notices and the list of active antidumping and countervailing duty orders posted on the website of the U.S. International Trade Commission (www.usitc.gov). The average duty is a straight average of the most current reported company-specific rates and “all others” rates. Note that when a particular product is subject to both antidumping and countervailing duties, the AD and CVD rates are averaged even though they can be added together for purposes of duty collection.

Allowing outdated federal policies to restrict supply artificially while domestic producers impose shortage surcharges is a real dereliction of duty.

It is a slap in the face to continue to force businesses outside the steel industry to pay higher prices for steel and their workers to pay higher prices for automobiles, appliances, housing, and the like by maintaining trade restrictions that are obviously unnecessary.

ing import restrictions would not address all the factors currently pushing prices upward, but it would offer real relief—now and over the longer term.

The antidumping and countervailing duty laws, as well as the Department of Commerce regulations for administering those laws, provide for the revocation of existing orders when changed circumstances are found to exist. Among the many circumstances that warrant revocation is that the industry is no longer injured. A prerequisite for the imposition of duties under both the antidumping and the countervailing duty laws is that the industry be "materially" injured. That is clearly not the case with the U.S. steel industry today. When steel producers can raise base prices, impose surcharges, unilaterally break contracts, unload over $8 billion of liabilities onto the taxpayer-backed PBGC after testifying in the Section 201 case that industry consolidation was a key to its recovery, and generate strong revenues and record profits, it is impossible to conclude objectively that they are materially injured.

On the contrary, the industry is arguably in better condition than at any time in decades. The industry's new composition of fewer firms accounting for a larger share of the market portends greater economies of scale and insulation from injury when market conditions push prices downward.

Another changed circumstance is that of world production. Not only has consolidation occurred in the United States, it has occurred in Europe, South America, and Asia. The problem of worldwide production overcapacity, which may have existed several years ago and which evolved into a red herring before and during the period of the Section 201 tariffs, seems to be over. Where is the overcapacity now? If anything, there is probably too little capacity. As China and India and the rest of the developing world embark on large-scale infrastructure projects, there is going to be an enormous rise in steel prices unless more capacity is brought on line.

Another major change in circumstances is that the United States is no longer the world's biggest importer of steel. China is. One gripe common to most trade remedy complaints is that the United States is the market of last resort for steel produced all over the world. The emergence of China as the world's largest consumer of steel and the likelihood that India's appetite will increase as its economy grows bode well for the long-term viability of U.S. steel producers. Not only might U.S. producers begin to look to export markets as a new source of revenue, but the competition they face at home is likely to be much less intense than it has been in the past.

Conclusion

Businesses and workers outside the steel industry—and possibly taxpayers in the end—subsidized a significant portion of the steel industry's makeover. The PBGC's assumption of more than $8 billion in steel industry legacy costs will ultimately be financed through increased premiums and reduced benefits for firms and their workers who continue to participate in this economically precarious pension insurance program. This massive liability transfer, and the ensuing industry consolidation it allowed, has begun to yield higher revenues and profits for the steel industry. It is a slap in the face to continue to force businesses outside the steel industry to pay higher prices for steel and their workers to pay higher prices for automobiles, appliances, housing, and the like by maintaining trade restrictions that are obviously unnecessary. It is a burden that poses a threat to the very existence of thousands of steel-using businesses in the United States.

By removing antidumping and countervailing duty measures, the Bush administration would be taking a timely and logical step toward restoring real market conditions to an industry that affects the prices of goods throughout the supply chain. To excerpt the words of members of the Congressional Steel Caucus from a letter to the president written last November:

> The U.S. steel industry is a vital part of the domestic manufacturing sector and

> our economy as a whole. It provides a stable and dependable source of steel for many vital industries, including shipbuilding, auto manufacturing, national defense, construction and food storage. . . . The steel industry is an anchor for our domestic manufacturing sector, and a vibrant, competitive steel industry must be maintained to ensure a thriving manufacturing sector.[25]

We've all paid for the steps already taken to make the U.S. steel industry more competitive. It is now time to complete the process by inviting real competition.

Notes

1. United Steelworkers of America, "Congressman Visclosky Introduces 'Keep America's Promise to Steel Act' to Restore Steel Tariffs," news release, December 8, 2003.

2. "Steel, the Newest Precious Metal: Mills Raise Prices, Delay Delivery," Steel Flash Report, April 30, 2004, www.purchasingdata.com/index.asp?layout=homepage&content=Sitepage&page_id=860000086

3. Ibid.

4. Steel Flash Report, April 5, 2004, *Purchasing.Com*, http://www.manufacturing.net/pur/article/CA408285.

5. U.S. Department of Commerce, *Commerce News*, April 27, 2004, http://www.census.gov/foreign-trade/Press-Release/stltext.pdf

6. The Pension Benefit Guarantee Corporation was created as a federal corporation by the Employee Retirement Income Security Act of 1974. PBGC's board of directors consists of the secretary of labor, who is the chair, and the secretaries of the treasury and commerce. PBGC is not funded by general tax revenues. PBGC collects insurance premiums from employers that sponsor insured pension plans, earns money from investments, and receives funds from pension plans it takes over.

7. Steven A. Kandarian, executive director, Pension Benefit Guarantee Corporation, Testimony before the Senate Special Committee on Aging, October 14, 2003. The U.S. International Trade Commission in its midterm report on the Section 201 steel tariffs identified more than $8 billion in steel legacy costs assumed by the PBGC.

8. Ibid.

9. Ibid.

10. U.S. Steel Corporation, "United States Steel Corporation Reports 2004 First Quarter Results," news release, April 27, 2004.

11. Nucor Corporation, "Nucor Reports Record Results for First Quarter of 2004," news release, April 22, 2004.

12. International Steel Group, "International Steel Group Announces First-Quarter Results," news release, April 29, 2004.

13. U.S. Steel.

14. Ibid.

15. Nucor.

16. International Steel Group.

17. Institute for Supply Management, "Report on Monthly Manufacturing Activity," May 3, 2004.

18. Les Trilla, president, Trilla Steel Drum Corporation, "Spike in Metal Prices: What Does It Mean for Small Manufacturers?" Testimony before the House Committee on Small Business, March 10, 2004.

19. Ibid.

20. Ibid.

21. The PBN Company, "Steel Shortage Causing Havoc for U.S. Manufacturers; CITAC Urges Lifting of Trade Barriers," news release, March 4, 2004.

22. Ibid.

23. House Committee on Small Business, "Manzullo Offers Potential Remedies to Reduce Surging Steel, Metal Price," news release, March 23, 2004.

24. Incidentally, this assumption requires more than a leap of faith. If China's currency is pegged at too low a value, its own steel imports are more expensive, not less. To suggest that a higher peg would curtail Chinese demand for steel is thus contrary to theory and empirical evidence. A higher peg would reduce the cost of steel to Chinese importers, increasing demand and likely exacerbating the shortage problem.

25. Letter from members of Congress to the Honorable George W. Bush, November 18, 2003.

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