

July 13, 2004

The Honorable Robert B. Zoellick
United States Trade Representative
Executive Office of the President
Washington, D.C. 20508

Dear Ambassador Zoellick:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the ITAC-12 (Steel) on the United States-Kingdom of Bahrain Free Trade Agreement reflecting consensus on the proposed Agreement.

Sincerely,

A handwritten signature in cursive script that reads "William J. Pendleton". The signature is written in black ink and is positioned to the left of a vertical line.

William Pendleton
Chair, ITAC-12

The U.S.-Kingdom of Bahrain Free Trade Agreement (U.S.-Bahrain FTA)

**Report of the
Industry Trade Advisory Committee on Steel
ITAC-12
July 2004**

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Industry Trade Advisory Committee 12 for Steel

Advisory Committee Report to the President, the Congress and the United States Trade Representative on U.S.— Bahrain Free Trade Agreement (FTA)

I. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under section 135 (e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principal negotiating objectives set forth in the Trade Act of 2002.

The report of the appropriate sectoral or functional committee must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to these requirements, the ITAC-12 for Steel hereby submits the following report.

II. Executive Summary of Committee Report

The United States – Bahrain FTA reviewed by ITAC-12 does not provide for changes in, or changes in application of, U.S. AD-CVD statutes, which is ITAC-12’s most important concern in regard to trade remedy laws. And, as regards AD-CVD, each party retains its rights and obligations under WTO. Provisions on safeguards and government procurement reflect the “boiler plate” texts ITAC-12’s predecessor, ISAC-7, reviewed previously in the FTAs with Singapore, Chile, Australia and Central American countries, including the Dominican Republic, and appear to create no particular problems for ITAC-12.

ITAC-12 also concludes from its review of this agreement that it promotes the economic interests of the United States and achieves the applicable overall and principal negotiation objectives set forth in the Trade Act of 2002. ITAC-12 further concludes that this agreement provides for equity and reciprocity in ITAC-12’s sector, steel.

ITAC-12 qualifies the conclusions stated in the paragraph above however, by observing (i) that the agreement with Bahrain covers only an extremely small proportion of the international trade of the U.S. and (ii) that even that coverage does not relate to ITAC-12’s other priority concerns,

for example, with exchange rate policies or the functioning of the WTO (especially dispute settlement provisions), which certainly affect our sector's economic interests and the equity and reciprocity for the U.S. overall that we seek in U.S. trade agreements.

III. Brief Description of the Mandate of ITAC-12 for Steel

The Committee shall perform such functions and duties and prepare reports, as required under Section 135 of the Trade Act of 1974, as amended, with respect to this sector and functional advisory committees.

The Committee advises the Secretary and the USTR concerning trade matters referred to in Sections 101, 102, and 124 of the Trade Act of 1974, as amended; with respect to the operation of any trade agreement once entered into; and with respect to other matters arising in connection with the development, implementation and administration of the trade policy of the United States including those matters referred to in Reorganization Plan Number 3 of 1979 and Executive Order 12188, and the priorities for actions thereunder.

In particular, the Committee provides detailed policy and technical advice, information, and recommendations to the Secretary and the USTR regarding trade barriers and implementation of trade agreements negotiated under Sections 101 and 102 of the Trade Act of 1974, as amended, and Sections 1102 and 1103 of the 1988 Trade Act, which affect the products of its sector; and performs such other advisory functions relevant to U.S. trade policy as may be requested by the Secretary and the USTR or their designees.

IV. Negotiating Objectives and Priorities of ITAC-12 for Steel

Negotiating Objectives and Priorities for Steel in the multilateral Doha Round and in bilateral Free Trade Agreements such as this FTA include the preservation and strengthening of international trade rules with regard to the right to initiate trade actions against unfair trade activities by foreign producers. The paramount objective is to ensure that the availability and enforceability of trade remedies provided under U.S. law are not in any way, shape or form weakened by, or as a result of, this or other negotiated trade agreements.

Another key and related objective is the reform of the current WTO dispute settlement process, particularly as it dilutes U.S. laws and sovereignty. It is critical that neither this nor any other FTA compromise this objective.

A third key objective is the elimination of non-tariff trade barriers (NTB's) that prevent or deter fair foreign market access by U.S. producers of steel. This would include policies which would create any bias against U.S. exports. It is critically important that all FTAs move in the direction of supporting the elimination of NTB's.

A fourth, equally important objective is to ensure that, in the implementation of trade agreements, currency exchange rates are determined by market forces, without any governmental manipulation.

V. ITAC-12 Opinion on the Agreement

ITAC-12 (Steel) members have reviewed and discussed the U.S. – Bahrain FTA and have concluded unanimously as follows.

1. The steel market and domestic steel-producing capacity of Bahrain are both extremely small (current production is limited to blast furnace and direct reduction iron ore pellets, according to *Iron and Steel Works of the World 2002*). Given the Kingdom's small role in world steel trade reflected by this report, ITAC-12 finds no reason to object to the terms of the US-Bahrain FTA and is able to report that this FTA promotes the economic interests of the U. S. and achieves the applicable overall and principal negotiating objectives set forth in the Trade Act of 2002. ITAC-12 is also able to report its finding that this FTA provides for equity and reciprocity within ITAC-12's sectoral area.
2. ITAC-12, notwithstanding the foregoing favorable opinion on the US-Bahrain FTA overall, qualifies this finding as follows:

While ITAC-12 finds favorably on the US-Bahrain FTA overall, given the tiny share of the Kingdom in world steel trade, that finding does not alleviate our concerns with such issues as the treatment of exchange rate issues or the functioning of the WTO (especially its dispute settlement provisions), which affect our sector's economic interests and the equity and reciprocity for the U.S. overall that we seek in U.S. trade agreements. This is a problem that arises inherently from the process of negotiating trade agreements country-by-country and illustrates the difficulties of judging whether, in steel's case, any FTA with a single country (e.g., Bahrain) or a small group of countries (e.g., CAFTA) can be judged to provide "equity" or "reciprocity" or "promotes the economic interests of the United States overall. This problem can only be solved when Congress reviews the effect of all FTA's in their totality.

VI. Membership of the Committee

Maurice Carino, Jr.
Representing International Steel Group

Thomas Caneris
Commercial Affairs Counsel
AK Steel Corporation

Thomas Danjczek
President
Steel Manufacturers Association

Frank Fenton
Counselor, International Trade and Economic Relations
Representing Cold Finished Steel Bar Institute

James Fritsch
Executive Vice President
Commercial Metals Company Steel Group

David Hawley
Consultant
Representing Ryerson Tull

William Hickey
President
Lapham-Hickey Steel, Inc.

Robert Johns
Director of Marketing , Sheet Mill Group
Nucor Corporation

Peter Mulloney
Consultant
Representing GS Industries

William Martin
Vice President
Neenah Foundry Company

Raymond Monroe
Executive Vice President
Steel Founders Society of America

C. Davis Nelsen, II
President and Chief Executive Officer
Nelsen Steel Company

John Nolan
Vice President, Sales and Marketing
Steel Dynamics, Inc.

William Pendleton
International Trade Counsel
Carpenter Technology Corp.

Terrence D. Straub
Senior Vice President-Public Policy
and Governmental Affairs
United States Steel Corporation

Robin K. Weiner

President
Institute of Scrap Recycling Industries