



**American
Iron and Steel
Institute**

public policy update

Confidential Memo

NASTC Meeting
Halifax, Nova Scotia, Canada

To: NASC, NASC Staff Group (NSG), CUSP, AISI Staff

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Subject: Report on 11th Meeting of the NASTC

*Note: The following contains **personal observations** on the outcome of the November 20-21, 2008 meeting of the North American Steel Trade Committee (NASTC) in Halifax, Nova Scotia, Canada.*

*This memo focuses on key action points coming out of the meeting. It should not be construed as the official minutes of the meeting. The Canadian government will draft these minutes, and they will become official only when approved by NAFTA partner governments. Please keep this memo **strictly confidential**. Thank you.*

I. Executive Summary

At this 11th NASTC meeting, 35 officials and representatives from NAFTA governments and steel industries discussed the unprecedented economic uncertainties -- and the profound political and economic changes and major challenges confronting North America's governments and steel producers -- since the time of the last NASTC meeting in Zacatecas, Mexico in June 2008.

Participants agreed that, at a time of economic crisis in the NAFTA region and globally, this meeting was especially important in allowing North American governments and steel producers to explore further the benefits of NAFTA-wide cooperation on policy matters. At the very start of the meeting, industry representatives drew the attention of all participants to a statement of antitrust guidelines to ensure strict compliance with all antitrust and competition laws in the three NAFTA countries.

The meeting agenda included the following major topic areas:



- An overview of key developments and economic conditions, with the industry's "NAFTA Pulse" focusing on (1) world and NAFTA steel market conditions, (2) China trade and industrial policies, (3) major developments and concerns about raw materials and (4) trade and climate change;
- A Mexican government update on the North American Security and Prosperity Partnership (SPP), and an industry paper on the value provided by the NASTC and NAFTA-wide policy activities;
- Activities related to the NASTC Internal Trade Working Group, including the NAFTA Steel Border Story, a NAFTA governments' matrix of responses to the industry's Border Story priorities, a U.S. Customs and Border Protection (CBP) table on border "wait times," the NAFTA Steel Monitor, a Mexican government report on U.S.-Mexico border activities and an industry trade case comparison matrix showing steel trade remedy actions in all three NAFTA countries;
- Activities related to the NASTC Competitiveness Working Group, with the main focus being trade and climate change (there were two industry presentations and one on the APP by the government of Canada), but with attention paid as well to the issues of broader manufacturing concerns/indirect steel trade, infrastructure needs, a recent OECD conference on sustainable manufacturing and industry-led innovation/R&D efforts;
- Activities related to the NASTC External Trade Working Group, including reports by NAFTA governments on Foreign Market Developments, WTO negotiations, FTA negotiations, China issues and raw material issues (Natural Resources Canada provided an overview of global and regional developments), with the focus of the raw materials discussion being preparations for the OECD Steel Committee /World Steel Association Raw Materials Workshop in mid-December.

The guest speaker at the November 21 joint industry/governments' dinner on was the Honorable Michael Baker, Nova Scotia's Minister of Finance. He reported that the Province of Nova Scotia was responding to the current crisis with plans for major infrastructure building projects.

NAFTA government officials recalled that the "cradle" for the NASTC was the last world steel crisis, and the common perception among participants was that the "mutual benefits" of the NASTC will endure "irrespective of changes in the political environment." In this regard, NAFTA government officials called the industry's NASTC strategic review document a "very important piece of work."

A main theme could be heard in the repeated comments by government officials about the November 2008 G-20 Summit commitment of world Leaders to avoid both "protectionism" and WTO-inconsistent export promotion policies/practices. Related themes sounded by government officials were: the need to find a "balance" in the face of this crisis (be attentive to broader, related concerns, such as steel-intensive industries and infrastructure plans); the need to take a "systemic" perspective and "find the line" between "protectionism" and trade law enforcement; and the need to "wait and see" about new approaches to trade policy -- given that, in the United States, the new Obama Administration senior trade policy officials have yet to come on board.

Another main theme could be heard in the repeated strong expressions of industry concern about the economic crisis, the serious deterioration of market conditions and the resultant threat of a resumption of major surges of unfairly traded imports into the NAFTA region (such as occurred in 1998). During the discussion on External Trade Working Group activities, industry representatives therefore specifically urged that NAFTA governments develop a more focused action plan to (1)



prevent unfair trade before it occurs, (2) mitigate the damage from unfair trade if it occurs and (3) position the efforts of the NASTC so that trade law enforcement and rules-based trade activities are correctly viewed as “market-correcting” and not as “protectionist.” NAFTA government officials stressed to industry representatives that they heard this message “very clearly.”

II. Key Action Points

Generic action points (those that apply across the board) were as follows:

- Government and industry participants will each, within the next few weeks, come up with lists of NASTC accomplishments to-date in the three key pillar areas and, when done, this document will serve as an important communication tool vis-à-vis other government agencies, etc.
- NASTC government officials believe that the general approach of the October 2007 North American Steel Strategy (NASS) and its three pillar areas remain relevant, but they also are committed to deepening the NASTC work in all three areas and are willing to make adjustments to the NASS, based on new priorities in the light of changed circumstances.
- Henceforth, the governments’ official NASTC meeting minutes will be short and streamlined, and focused mainly on key action points (this new approach will also apply to the minutes of the last meeting in Zacatecas).
- The U.S. government agreed to host the next NASTC meeting (likely in May of 2009), with the U.S. location and exact date to be determined at a later time.

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As summarized by NAFTA government officials during the meeting’s wrap-up session, the following key action points are organized around the three NASTC Working Groups:

1. Internal Trade Working Group (ITWG)

It was agreed that:

- The NAFTA Border Stories/border issues remain a key part of ongoing ITWG activities, and the next step will be for industry representatives to analyze the governments’ response matrix and to transmit industry views to NAFTA governments on their listing of government responses to date.
- Industry representatives will also help disseminate the governments’ information/responses to date when and where appropriate. [Note: NASTC government officials reported that they have been “impressed” by the amount of attention that other government agencies have given to the steel industry’s Border Story and to the industry’s analysis of border issues.]
- Industry representatives will send out border survey questions again to relevant industry officials to ascertain if there have been improvements (e.g., in border wait times) due to the government responses to date.



- NAFTA governments will put a paper on steel import monitoring “best practices” in the NAFTA region (the result of a summit held in Washington) on the NAFTA Monitor/NASTC.org website.
- The government of Mexico will provide final imports data sooner to the NAFTA Monitor, and the three governments will continue making other improvements to the Monitor, e.g., to provide more timely data on general “economic indicators.”
- The Mexican government will provide “passwords” enabling access by all NASTC industry and government participants to its weekly real-time steel import monitoring data, and ITWG members will then consider how best to “NAFTA-ize,” analyze and communicate the three governments’ real-time steel import data, in light of both NASTC.org/NAFTA Monitor constraints and a desire for enhanced NAFTA-wide import monitoring.
- The U.S. government should continue its Steel Import Monitoring and Analysis (SIMA) system, and NASTC U.S. government officials expressed unqualified support for extending the SIMA.
- U.S. and Mexican industry representatives will express their support in writing to the government of Canada that it continue to report a monthly data series on steel shipments and production.
- Industry representatives will proceed to develop monthly NAFTA steel apparent supply data by product, and will transmit these data on a monthly basis to NASTC government officials, who gave general support to industry (NAFTA Steel Data Task Force) efforts to expand the ability to produce detailed, timely, historical, non-proprietary data on a NAFTA-wide basis.
- NAFTA governments will explore further the possibility of harmonizing steel “HTS” codes at the 8-digit level if industry still has an interest in (and is willing to put some work into) this goal.

2. Competitiveness Working Group (CWG)

It was agreed that:

- The CWG will continue to be industry-led and, especially in light of the current economic crisis, this particular NASS pillar remains important.
- “Carbon leakage” and the trade/climate change nexus will continue to be a strong focus of future CWG work and, in this regard, we need to keep track of the trade and competitiveness dimension of this issue both in our domestic regulations and in international negotiations.
- Industry will develop matrices (with help from governments where possible) to show (1) updates on climate change policies in the three NAFTA countries and (2) information on what other governments are doing to address the trade/competitiveness aspects of the climate change issue.
- NASTC government officials will provide reactions to a discussion paper presented at the Halifax meeting by Charles Verrill (Wiley, Rein) regarding carbon intensity regulations and trade policy.



- NAFTA governments and steel industry representatives will consider further our reactions to the possibility of OECD interest in a steel “case study” on sustainable manufacturing (assuming that the resources for such a possible case study would not come out of the Steel Committee budget).
- On other matters, industry representatives will proceed to develop timely data reporting on the NAFTA region’s indirect steel trade with the rest of the world; CWG members will keep each other informed about infrastructure building developments in each NAFTA country; and industry representatives will continue to report on innovation/R&D efforts.

3. External Trade Working Group (ETWG)

It was agreed that:

- The big takeaway for NAFTA governments from this meeting is that there is a far different trade and economic situation from the one that existed less than six months ago in Zacatecas, and NAFTA governments will need to be more vigilant and observant about potential trade concerns.
- NASTC government officials will communicate orally and in writing the industry’s shared external trade concerns about China and other issues to “their CEOs” (i.e., to the senior trade and economic policy officials within each of the three NAFTA governments).
- NASTC government officials will step up their coordination of outreach efforts to the extent possible to get key messages out to offshore governments and producers about shared external trade concerns, e.g., at the December OECD meeting and, where possible, at the WTO (here, the government of Canada noted the pending Chinese government WTO challenge of U.S. application of both countervailing and antidumping duties to unfairly traded imports from China).
- At the December OECD meeting, NAFTA governments will submit a strong joint statement of principles about the need for market forces to operate properly in both raw material and steel markets, and NAFTA industry representatives will deliver a same strong message.
- NAFTA governments will work even more intensively on identifying additional areas for cooperation on shared external trade concerns (e.g., on China trade issues).
- Given the lack of certainty about the trade and economic situation in both the NAFTA region and globally, there is a need for more frequent communication among NAFTA governments -- and, given the shared and heightened external trade concerns against the backdrop of economic crisis, the ETWG will hold a conference call in January or early February at the latest to consider next steps and possible adjustments to the External Trade portion of the NASS.
- NASTC government officials will be open to hearing industry ideas about possible actions by NAFTA governments (trade diplomacy, jawboning, etc.) to prevent import injury before it occurs.