# The Steel Industry

**Fourth District Steelmakers in Bankruptcy**

| Steelmaker | Location | Date of bankruptcy | Total employees |
|---|---|---|---|
| Wheeling–Pitt Steel | Wheeling, WV | November 2000 | 4,800 |
| Erie Forge and Steel | Erie, PA | December 2000 | 300 |
| LTV Steel | Cleveland, OH | December 2000 | 18,000 |
| CSC Ltd. | Warren, OH | January 2001 | 1,225 |
| Republic Technologies | Akron, OH | April 2001 | 4,600 |
| Edgewater Steel | Oakmont, PA | August 2001 | 140 |
| Riverview Steel | Glassport, PA | August 2001 | 60 |

**Bush Administration Tariffs**

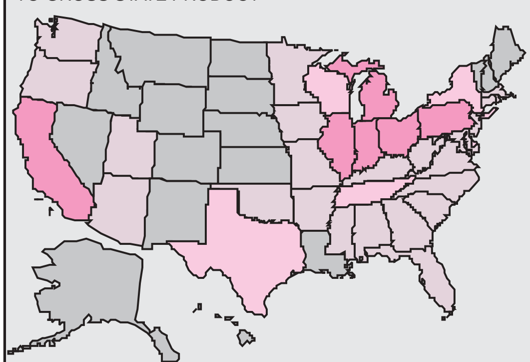
**Items with 30% tariffs:**
Plates; hot-rolled, cold-rolled, and coated sheets; tin mill products; hot-rolled and cold-finished bars; all slabs over quota of 5.4 million short tons

**Items with 15% tariffs:**
Rebars, specified welded tubular products, stainless steel bars, and rods

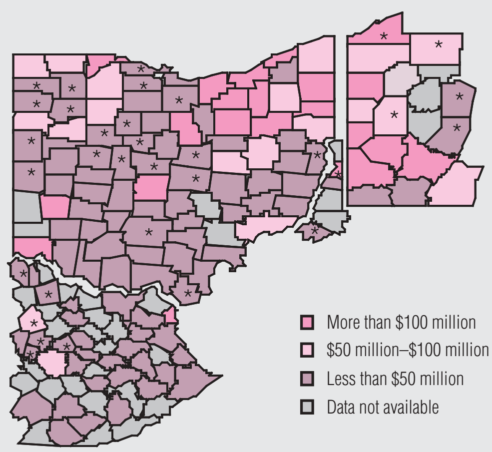
**Items with 13% tariffs:**
Carbon and alloy fittings and flanges

**Items with 8% tariffs:**
Stainless steel wire

METAL INDUSTRIES' CONTRIBUTION TO GROSS STATE PRODUCT




EARNINGS IN METAL INDUSTRIES[a]




NOTE: Metal industries are those included under the following standard industrial classification codes: 3300 (primary metal industries); and 3400 (fabricated metal products excluding machinery and transportation equipment).
a. Data for counties marked by asterisks reflect only one SIC division because disclosure rules bind the release of data for the other SIC division.
SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; White House, Office of the Press Secretary; and United Steelworkers of America.

Although President Bush's steel products proclamation of March 5, 2002 highlighted the industry's troubles, they have long been evident in the Fourth District, where seven steelmakers have declared bankruptcy in the last 18 months.

The Bush administration's tariffs, ranging from 8% to 30%, will remain in effect for three years, but imports from NAFTA partners Canada and Mexico are excluded, as are imports from developing countries that are World Trade Organization members. The president may reconsider within the next three months and, if he deems appropriate, exclude any item listed in the proclamation. He will reevaluate the tariffs in 2003.

Within the U.S., six states derived more than $10 billion of gross state product from the primary metal and fabricated metal industries in 1999. Within the Fourth District, the areas with significant earnings from these industries are centered in Cleveland–Akron, Youngstown–Warren, Pittsburgh, and Wheeling.

In Ohio and Pennsylvania, employment in metal industries fell from 1972 through the recession of the early 1980s. Job losses moderated after 1984, and while employment continued to shrink, it did so at a much slower rate. Real earnings in metal industries followed an almost identical pattern from 1972 to 1999.

Because heavy manufacturing took hold significantly later in Kentucky than in Ohio and Pennsylvania, Kentucky's story is much different. Its metals industry includes far more mini-mills, smaller-scale manufacturing facilities that deal primarily with

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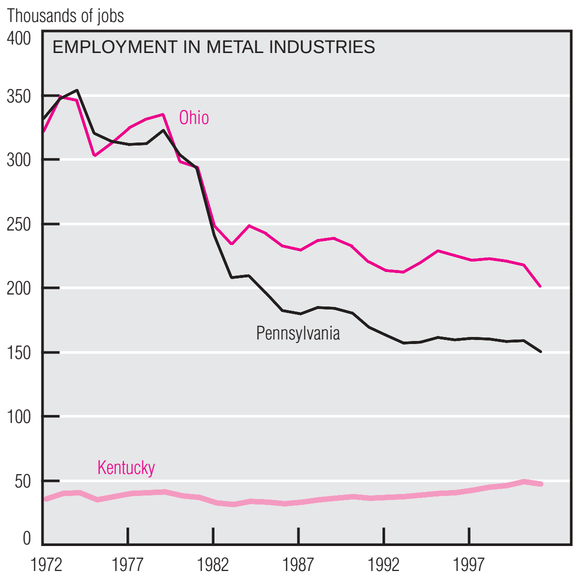
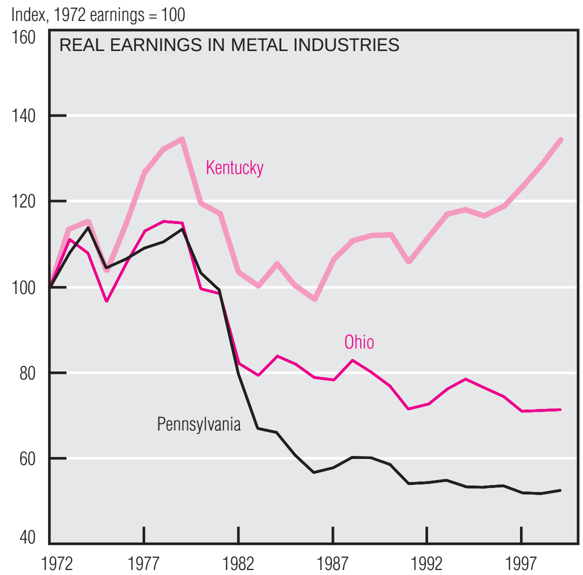
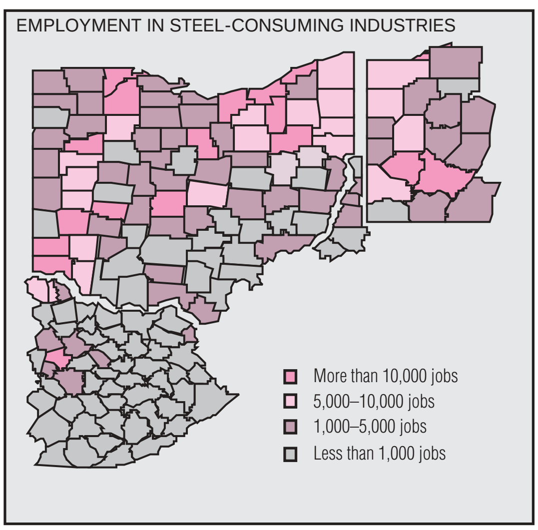
# The Steel Industry *(cont.)*




**European Union Tariffs**

**Items with 26% tariffs:**
Non-alloy hot-rolled sheets, plates, and narrow strips, alloy hot-rolled flat products; quarto plates; alloy merchant bars and light sections; non-stainless steel flanges

**Items with 24.8% tariffs:**
Wide plates

**Items with 14.9% to 19.4% tariffs:**
Non-alloy hot-rolled coils; cold-rolled and electrical sheets; tin mill products; non-alloy merchant bars and light sections, rebars, stainless steel wire, and fittings (609.6 mm)

NOTE: Metal industries are those included under the following standard industrial classification codes: 3300 (primary metal industries); and 3400 (fabricated metal products excluding machinery and transportation equipment).

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of Commerce, Bureau of Economic Analysis; Consuming Industries Trade Action Coalition; and "Details of New EU Tariffs on U.S. Steel Imports," *Financial Times*, March 25, 2002.

scrap or ready-made steel. In contrast, the integrated mills scattered across Ohio and Pennsylvania produce steel from raw materials before making it into parts used by their customers. Kentucky's employment in primary and fabricated metals was actually higher in 2001 than in 1972, and earnings have grown vigorously since the late 1980s. Compared to integrated mills' stories of bankruptcy and forced closures over the last two years, mini-mills have been relatively insulated from the industry's downturn. Most of the bankrupt steelmakers in the Fourth District specialize in production or processing.

While the actual impact of the tariffs remains to be seen, some foresee adverse effects, including a strain on steel-consuming industries (such as construction and manufacturers of appliances and automobiles) as their production costs rise along with steel prices. Such consuming industries are located throughout the District, but they coincide mostly with concentrations of heavy manufacturing.

Another adverse affect may be strained trade relations. In the last week of March, the European Union announced tariffs ranging from 14.9% to 26% on selected steel imports. An important caveat, however, is that the tariffs apply only to imports exceeding a declared quota (under the Bush administration's tariffs, only one item allows duty-free imports to a quota level). For 2002, the import quotas on all products are set at 2001 levels, which are the highest on record for the European nations.