U.S. faces $2.2 billion in sanctions over steel duties

By Naomi Koppel
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GENEVA — The United States faces up to $2.2 billion in European Union trade sanctions after a World Trade Organization appeals panel ruled Monday that U.S. tariffs on imported steel are illegal.

In a 170-page report, a three-member WTO panel rejected the bulk of the U.S. appeal of an earlier ruling that said duties of up to 30 percent introduced in March 2002 by the Bush administration breached trade rules.

The appeals body is WTO's highest tribunal, and the decision is final.

In a joint statement, the countries that brought the case said the United States had "no other choice" but to remove the import duties without delay. The EU said it will impose retaliatory sanctions of up to $2.2 billion by introducing 100 percent duties on some U.S. imports, effectively pricing those goods out of the EU market.

The United States insisted it was right to impose the tariffs for three years.

"We disagree with the overall WTO report and we are going to study it and look at its implications and go from there," said White House spokesman Scott McClellan, aboard Air Force One with President Bush.

McClellan would not offer a timetable for a White House decision on whether to rescind the tariffs or accept the sanctions. For several weeks, Bush has been studying a separate report from his international trade commission on the subject.

"The steel safeguards the president imposed were to provide our domestic steel industry an opportunity to adjust to import competition ... to give our domestic industry an opportunity to restructure and consolidate and become stronger and more competitive," McClellan said.

"We believe (the safeguards) are fully consistent with WTO rules and we will carefully review those decisions."

U.S. Rep. Bob Ney, a Republican from the steel state of Ohio, said it was "absolutely unconscionable for the WTO to target needed American tariffs on foreign steel while nations such as China are manipulating its currency, paying its workers pennies per hour and flooding the marketplace with their cheap goods."

When his administration introduced the duties, Bush claimed they were justified to protect domestic steel producers during a period of restructuring.

But the complainants said Washington failed to prove that its industry was harmed by a sudden flood of cheap imports — a condition for imposing such duties under WTO rules — and that it unfairly excluded imports from countries the United States had free trade agreements with at the time — Canada, Mexico, Israel and Jordan.

The issue is a political football in the United States, where the Bush administration is facing heavy pressure from steel-producing states to keep the tariffs in place. The administration has been reviewing whether to maintain the duties for the full three-year coverage period, which would run past next year's presidential elections.

But there also is domestic pressure to remove the tariffs from steel users such as automakers. They claim the move has increased the price of their materials, causing job losses in the industry and making vehicles more expensive for consumers.

The EU plans to target its tariffs at goods produced in important swing states in the 2004 presidential election. It says it will start retaliating if the U.S. steel duties are still in place five days after the report has been formally adopted by the WTO, which must happen within 30 days.

EU trade commissioner Pascal Lamy told Dow Jones Newswires he believed removing the duties would be much more effective at pushing the U.S. steel industry to restructure, while leaving them in place artificially protects the industry.

"The rationale for these safeguards — if there ever was any — has disappeared," he said.

Complaints also were filed by Japan, South Korea, Norway, Switzerland, China, New Zealand and Brazil. All of those countries could now seek to impose sanctions on U.S. imports if the duties are not removed, and Tokyo already has warned it may retaliate.

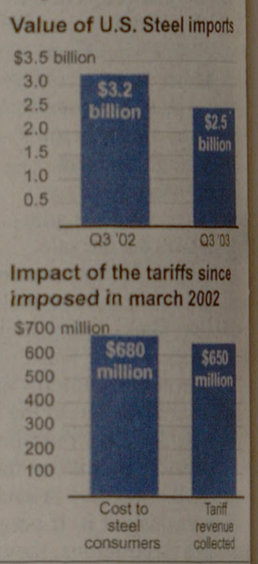
"Should the U.S. make no improvement, we will simply take the necessary steps," said Japan's vice minister of economy, trade and industry, Seiji Murata, according to Kyodo news agency.

WTO director-general Supachai Panitchpakdi said earlier Monday he hopes the countries will be able to solve the problem without resorting to sanctions.

"I'm sure there will be some way out," Supachai said, speaking in Beijing. "I expect the conciliatory approach that we have seen in the past, and I certainly recommend that approach."

U.S. tariffs illegal

Tariffs which have caused U.S. steel consumers to use less foreign steel this year while depositing $650 million into the Federal Treasury were deemed illegal by the World Trade Organization Monday.



SOURCES: U.S. Commerce Department, International Trade Commission

NEWS IN BRIEF

Government civil fraud recoveries reach $2.1 billion

WASHINGTON — The government recovered a record $2.1 billion in fiscal 2003 from lawsuits and investigations involving allegations of fraud in programs ranging from Medicare to offshore gas leases, the Justice Department announced Monday.

The total for the fiscal year that ended Sept. 30 brings to $12 billion the amount recovered since 1986, when Congress toughened the civil False Claims Act by increasing incentives for people who suspect wrongdoing to file whistle-blower lawsuits.

Whistle-blowers were paid some $319 million in 2003 for disclosing the fraud by filing a lawsuit against the company. The law allows whistle-blowers to receive up to 25 percent of any judgment should the government intervene and up to 30 percent should they pursue their cases alone.

Health care fraud accounted for most of the money recovered in 2003, mainly from the Medicare and Medicaid programs. One big case involved $641 million from the HCA Inc. health care chain for the payment of kickbacks to physicians and overbilling Medicare.

HCA has paid the government $1.7 billion in connection with fraud settlements and a criminal guilty plea dating from 2000.