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United States General Accounting Office **132532**

Fact Sheet for the Chairman, Committee  
on Commerce, Science, and  
Transportation, U.S. Senate

March 1987

# INTERNATIONAL TRADE

## Activity Under Section 201 of the Trade Act of 1974



132532

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**National Security and  
International Affairs Division  
B-226302**

March 30, 1987

The Honorable Ernest F. Hollings  
Chairman, Committee on Commerce,  
Science, and Transportation  
United States Senate

Dear Mr. Chairman:

On January 8, 1987, you requested a study of section 201 of the Trade Act of 1974 (19 U.S.C. 2251), under which U.S. industries may seek relief from import competition. In subsequent discussions with you and your representatives, we agreed to provide information on case activity under this statute.

The General Agreement on Tariffs and Trade contains an "escape clause" provision (Article XIX) which permits signatories to temporarily suspend, withdraw, or modify trade concessions to give domestic industries injured by import competition an opportunity to take measures necessary to become more competitive with foreign firms. Sections 201 through 203 of the Trade Act of 1974 establish formal procedures under which U.S. firms may petition the government for up to 5 years of relief from import competition.

In response to a petition for relief<sup>1</sup>, the International Trade Commission (ITC) conducts an investigation to determine whether increased imports are a substantial cause or threat of serious injury to the domestic industry. The ITC focuses its investigation on whether the petitioning industry is injured and, if so, the remedy necessary to correct or prevent the injury. If a majority of the voting ITC commissioners finds that neither serious injury nor the threat of such injury exists, no further action is taken. When a majority of voting commissioners makes an affirmative injury determination or the voting commissioners are equally divided in their decision, each commissioner finding injury recommends to the President the type and amount of import relief necessary to prevent or remedy the injury. They can recommend relief in the form of new or increased import duties (i.e., tariffs), tariff-rate quotas (i.e., a tariff on quantities of imports exceeding an established quota),

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<sup>1</sup> A petition for import relief can be filed by a trade association, firm, certified or recognized union, or other entity which is representative of a domestic industry. The ITC also can initiate section 201 investigations on its own motion or at the request of the President, the U.S. Trade Representative, the House Committee on Ways and Means, or the Senate Committee on Finance.

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quotas, trade adjustment assistance,<sup>2</sup> or any combination of such measures.

The President may provide relief as recommended by the ITC commissioners, some modified form of relief, or no relief.<sup>3</sup> The President's decision, by law, must take into account many additional factors, including the effect of import relief on the international interests of the United States and on consumers. In providing relief, the President can also take multiple relief actions. In addition to the relief measures available to the ITC, the President can instruct the U.S. Trade Representative to negotiate orderly marketing agreements (i.e., negotiated limits on imports from foreign countries).

Sixty investigations were completed under section 201 during the period January 1975 through January 1987. The number of petitions filed has declined over time, from 44 during 1975 through 1980 to 16 since 1981, only one of which was filed in 1986. A majority of the commissioners found injury in 29 cases and in another 4 cases the commissioners' decisions were equally divided. In about two-thirds of these 33 cases, one or more commissioners recommended tariffs, including new or increased import duties and/or tariff-rate quotas. One or more commissioners also recommended quotas in 12 cases and adjustment assistance in 11 cases.

The President granted one or more forms of relief in 21 of the 33 cases referred to him. He provided tariffs or tariff-rate quotas in 8 cases, quotas in 3 cases, and adjustment assistance in 9 cases.<sup>4</sup> In four of the 21 relief cases, he instructed the U.S. Trade Representative to seek orderly marketing agreements or voluntary restraint agreements.<sup>5</sup> In one relief case he instituted an income support program for producers.

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<sup>2</sup>Under Title II of the Trade Act of 1974, adjustment assistance can be provided to workers in the form of cash benefits for direct trade readjustment allowances and service benefits for job search, relocation, and training. Domestic firms and industries can receive technical and financial assistance in the form of trade adjustment grants.

<sup>3</sup>Congress by joint resolution can override the President's decision not to provide relief or to provide relief differing from that recommended by ITC.

<sup>4</sup>In two cases, the President provided for the retraining and relocation of affected workers through the Job Training Partnership Act. We included these two cases in the adjustment assistance category even though income maintenance benefits, which are available under the trade adjustment assistance program, were not provided.

<sup>5</sup>Voluntary restraint agreements are similar in effect to orderly marketing agreements but entail no formal contract between or among the countries involved.

In about two-thirds of the 33 cases referred to him, the President either decreased the level of relief recommended by the ITC (11 cases) or granted no relief (12 cases).<sup>6</sup> The President's actions compared with the ITC's recommendations are summarized below.

Same relief: In 3 cases, the President granted the same relief as recommended by the ITC.

Different relief: In 7 cases, the President granted a form of relief sufficiently different from that recommended by the ITC that we were not able to readily evaluate which form would provide greater relief to the industries. Specifically, he either (1) instructed the U.S. Trade Representative to negotiate orderly marketing agreements or voluntary restraint agreements, (2) instituted an income support program for producers, or (3) granted tariffs and/or quotas that differed qualitatively from those recommended most often by the commissioners, such as in Mushrooms (TA-201-43), in which the commissioners recommended an increasing quota over 3 years but the President granted a tariff increase to be phased down over the same period.

Decreased relief: In 11 cases, the President granted decreased relief, either by providing a lesser form of relief (i.e., trade adjustment assistance instead of a tariff or quota) or by providing the same type of relief as recommended most often by the commissioners but at a lesser level. For example, in Footwear (TA-210-7), the commissioners most often recommended a tariff increase but the President granted trade adjustment assistance. In Clothespins (TA-201-36), the commissioners recommended a 5-year quota of 3.2 million gross on wood and plastic spring clothespins; the President, instead, granted a 3-year quota of 2 million gross on clothespins valued at no more than \$1.70 per gross.

No relief: In 12 cases, the President provided no relief. In 10 of these cases, he determined that import relief would not be in the nation's economic interest. For example, in Unalloyed Unwrought Copper (TA-201-32), the President noted that import relief would have hurt the competitiveness of U.S. copper-fabricating industries (which account for six times as many jobs as copper producers), would have had a widespread inflationary impact, and would have had a major negative impact on multilateral trade negotiations. In two cases where the commissioners

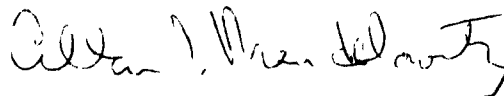
<sup>6</sup>In comparing the ITC's recommendations with Presidential actions, we used the form of relief recommended most often by the ITC commissioners. In one case where the relief recommendations were evenly divided, we used the strongest form of relief (i.e., increased tariffs rather than trade adjustment assistance).

were equally divided in their injury determination, he agreed with those commissioners that found no injury to the domestic industry.

Appendix I provides detailed information on each completed section 201 investigation through January 1987, including the product concerned, the ITC injury determination and, when appropriate, the ITC commissioners' relief recommendation(s) and corresponding Presidential action. We obtained this information from ITC Annual Reports and annual issues of Operation of the Trade Agreements Program. Because of time constraints, our contacts with agency officials were limited to updating and clarifying information published in these documents.

Copies of this fact sheet are being sent to the Chairman of the International Trade Commission, the U.S. Trade Representative, several congressional committees, and other interested parties and will be made available to others upon request. If we can be of further assistance in this matter or you would like more detailed information on particular cases, please call me on 275-4812.

Sincerely yours,

A handwritten signature in cursive script, reading "Allan I. Mendelowitz".

Allan I. Mendelowitz  
Senior Associate Director



# Summary of Section 201 Cases

## January 1975 Through January 1987

Investigation number	Product	Date filed	ITC finding/recommendation (a)	Presidential action
TA-201-1	Birch plywood door skins	04-18-75	Negative No relief	(b)
TA-201-2	Bolts, nuts, and screws of iron or steel	05-22-75	Negative No relief	(b)
TA-201-3	Wrapper tobacco	05-05-75	Negative No relief	(b)
TA-201-4	Asparagus	07-10-75	Equally divided Those voting affirmative recommended import quotas	No relief Agreed with those commissioners that found no injury to the domestic industry
TA-201-5	Stainless steel and alloy tool steel	07-16-75	Affirmative with respect to certain products Recommended import quotas	Import relief through an orderly marketing agreement with Japan, 3-year quotas on other suppliers, adjustment assistance for workers
TA-201-6	Slide fasteners and parts	08-18-75	Equally divided Those voting affirmative recommended adjustment assistance	Expedited adjustment assistance
TA-201-7	Footwear	08-20-75	Affirmative Recommendations included tariff increase (3), tariff-rate quota (2), and adjustment assistance (1)	Adjustment assistance
TA-201-8	Stainless steel table flatware	08-28-75	Affirmative Recommendations included tariff-rate quotas (4) and adjustment assistance (2)	Adjustment assistance
TA-201-9	Certain gloves	09-08-75	Negative No relief	(b)
TA-201-10	Mushrooms	09-17-75	Affirmative Recommendations included adjustment assistance (3) and tariff-rate quotas (1)	Expedited adjustment assistance for growers, canners, and their employees
TA-201-11	Ferricyanide and ferrocyanide blue pigments	10-02-75	Affirmative Recommended tariff increase	No relief due to national economic interest
TA-201-12	Shrimp	11-17-75	Equally divided Those voting affirmative recommended adjustment assistance	Expedited trade adjustment assistance
TA-201-13	Round stainless steel wire	12-12-75	Negative No relief	(b)
TA-201-14	Honey	12-29-75	Affirmative Recommended tariff-rate quotas	No relief due to national economic interest
TA-201-15	Plant hangers	06-22-76	Negative No relief	(b)
TA-201-16	Sugar	09-17-76	Affirmative Recommended reduced import quotas	Instituted income support program for domestic sugar producers
TA-201-17	Mushrooms	09-20-76	Affirmative Recommendations included 5-year tariff-rate quota (3) and adjustment assistance (2)	No relief due to national economic interest
TA-201-18	Footwear	09-28-76	Affirmative Recommendations included quotas (4), tariff increase (1) and adjustment assistance (1)	Expedited and expanded trade adjustment assistance, negotiated orderly marketing agreements with Republic of Korea and Taiwan
TA-201-19	Television receivers	09-22-76	Affirmative with respect to color receivers Recommended increased import duties	Negotiated orderly marketing agreement with Japan



**Appendix I  
Summary of Section 201 Cases  
January 1975 Through January 1987**

<b>Investigation number</b>	<b>Product</b>	<b>Date filed</b>	<b>ITC finding/recommendation (a)</b>	<b>Presidential action</b>
TA-201-20	Low-carbon ferrochromium	01-10-77	Negative No relief	(b)
TA-201-21	Cast-iron cooking ware	01-21-77	Negative No relief	(b)
TA-201-22	Fresh-cut flowers	01-31-77	Negative No relief	(b)
TA-201-23	Certain headwear	02-18-77	Negative No relief	(b)
TA-201-24	Cast-iron stoves	03-09-77	Equally divided Those voting affirmative recommended import duties	No relief Agreed with those commissioners who found no serious injury to domestic industry
TA-201-25	Live cattle and certain edible meat products of cattle	03-17-77	Negative No relief	(b)
TA-201-26	Malleable cast-iron pipe and tube fittings	03-29-77	Negative No relief	(b)
TA-201-27	Bolts, nuts, and large screws of iron or steel	06-10-77	Affirmative Recommended import duties	No relief due to national economic interest
TA-201-28	High-carbon ferrochromium	07-01-77	Affirmative Recommended import duties	No relief due to national economic interest
TA-201-29	Citizens band (CB) radio transceivers	08-02-77	Affirmative Recommendations included increased import duties (36% in first year with 5% reductions in 4 subsequent years) (3), and adjustment assistance (3)	Modified Commission's recommendation due to national economic interest Proclaimed tariff increase of 15% in first year with 3% reductions in 2 subsequent years, after which it will revert to the current rate of 6%
TA-201-30	Certain stainless steel flatware	12-08-77	Affirmative Recommendations included import duties (4) and tariff-rate quotas (1)	No relief due to national economic interest
TA-201-31	Unalloyed, unwrought zinc	12-20-77	Negative No relief	(b)
TA-201-32	Unalloyed, unwrought copper	02-23-78	Affirmative Recommended import quotas for 5 years	No relief due to national economic interest
TA-201-33	Bicycle tires and tubes	03-02-78	Affirmative Recommendations included increased import duties for 5 years (3) and adjustment assistance (1)	No relief due to national economic interest.
TA-201-34	Certain fishing tackle	03-21-78	Affirmative with respect to artificial baits and flies Recommended suspending eligibility for duty-free treatment under Generalized System of Preferences (GSP) for 5 years	No relief due to national economic interest
TA-201-35	High-carbon ferrochromium	06-12-78	Affirmative Recommendations included 5-year graduated quota (1) and increased import duties (3) Majority recommended increase of 30% to existing rate for 2 years with gradual reductions in subsequent years	Modified Commission's recommendation due to national economic interest Proclaimed tariff increase of 4 cents/lb on products valued at less than 38 cents/lb for 3 years after which it will revert to the current rate of 625 cents/lb
TA-201-36	Clothespins	Initiated by ITC on 07-27-78	Affirmative Recommended 5-year quota of 3.2 million gross on wood and plastic spring clothespins	Established 3-year quota of 2 million gross on clothespins valued at no more than \$1.70/gross

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<b>Investigation number</b>	<b>Product</b>	<b>Date filed</b>	<b>ITC finding/recommendation (a)</b>	<b>Presidential action</b>
TA-201-37	Bolts, nuts, and large screws of iron or steel	06-09-78	Affirmative Recommended import duties of about 20% during first 2 years, and 15, 10, and 10 for next 3 years	Modified Commission's recommendation Granted 15% tariff on large screws, and 15% plus current tariffs of 0.2 and 0.1 cents/lb for bolts and nuts, respectively, for 3 years
TA-201-38	Certain machine needles	08-07-78	Negative No relief	(b)
TA-201-39	Non-electric cookware	05-04-79	Affirmative Recommended tariff increase to be phased down over 5 years, from 25 cents/lb in the first year to 10 cents /lb in fifth year	Granted tariff increase to be phased down over 4 years, from 20 cents/lb in the first year to 10 cents/lb in fourth year
TA-201-40	Leather wearing apparel	07-24-79	Affirmative with respect to coats and jackets Recommended 3-year graduated tariff increase for coats not over \$150	No relief due to national economic interest
TA-201-41	Certain fish	08-20-79	Negative No relief	(b)
TA-201-42	Fresh cut roses	11-15-79	Negative No relief	(b)
TA-201-43	Mushrooms	03-14-80	Affirmative Recommended quotas of 86M lbs in first year, 94M lbs in second year and 103M lbs in third and final year Quotas to be allocated on a per country basis at President's discretion	Granted tariff increase to be phased down over 3 years, from 20% in first year to 10% in the third year
TA-201-44	Certain motor vehicles and certain chassis and bodies	06-12-80	Negative No relief	(b)
TA-201-45	Fishing rods and parts	07-13-81	Negative No relief	(b)
TA-201-46	Tubeless-tire valves	04-16-82	Negative No relief	(b)
TA-201-47	Heavyweight motorcycles and engines and power train subassemblies	09-01-82	Affirmative with respect to heavyweight motorcycles Recommended tariff increase to be phased down over 5 years from 45% in first year to 10% in fifth year	Granted tariff increases recommended by ITC, but for certain countries also imposed tariff-rate quotas (increasing yearly for 5 years ) Additional duties would be applied only to quantities over quotas
TA-201-48	Stainless steel and alloy tool steel	11-23-82	Affirmative Recommended 3-year market share quotas on stainless steel and certain alloy tool steel products	Granted 4 years of relief to specialty steel in form of digressive tariffs for stainless steel sheet, strip, and plate and quotas based on ITC-recommended minimum import tonnages for stainless steel bar, rod, and alloy steel
TA-201-49	Stainless steel table flatware	12-13-83	Negative No relief	(b)
TA-201-50	Non-rubber footwear	01-23-84	Negative No relief	(b)
TA-201-51	Carbon and certain alloy steel products	01-24-84	Affirmative with respect to certain products Recommendations included tariffs and quotas (3) and no relief (2)	Outlined administrative program to promote steel industry adjustment, directing USTR to negotiate voluntary restraint agreements As of February 1986, 18 VRAs have been negotiated

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January 1975 Through January 1987**

<b>Investigation number</b>	<b>Product</b>	<b>Date filed</b>	<b>ITC finding/recommendation (a)</b>	<b>Presidential action</b>
TA-201-52	Unwrought copper	01-26-84	Affirmative Recommendations included tariff increase of 5 cents/lb for 5 years on refined copper and blister copper (2), quotas in aggregate amount of 425,000 short tons/yr for 5 years (2) and no relief (1)	Directed the Dept of Labor to coordinate retraining and relocation of workers in industry and directed the Dept of Commerce to monitor copper imports and conditions in the industry
TA-201-53	Certain canned tuna fish	02-14-84	Negative No relief	(b)
TA-201-54	Potassium permanganate	11-30-84	Negative No relief	(b)
TA-201-55	Non-rubber footwear	12-31-84	Affirmative Recommendations included overall import quotas for 5 years of 474M pairs for shoes valued over \$2 50 and auctioning of import licenses (4) and adjustment assistance with a quota auctioned to the public if a quota is imposed (1)	President directed Sec of Labor to work with state and local officials to facilitate footwear industry adjustment
TA-201-56	Wood shakes and shingles	09-25-85	Affirmative Recommendations included tariff of 35% for 5 years on wood shingles and shakes of western red cedar (3) and adjustment assistance (1)	Imposed tariff of 35% during first 30 months, 20% during months 31-54 and 8% during months 55-60
TA-201-57	Electric shavers and parts	09-27-85	Negative No relief	(b)
TA-201-58	Certain metal castings	12-03-85	Negative No relief	(b)
TA-201-59	Apple juice	12-27-85	Negative No relief	(b)
TA-201-60	Steel fork arms	01-17-86	Negative No relief	(b)

<sup>a</sup>Numbers in parentheses represent the number of commissioners recommending each type of relief

<sup>b</sup>Since the ITC found no injury, it did not forward this case to the President for action

Source: ITC Annual Reports for 1975 through 1985 and Operation of the Trade Agreements Program (Reports 27 through 37)



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