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President in a Political Vise Over Steel Tariff Decision

By ELIZABETH BECKER and DAVID E. SANGER

WASHINGTON, Dec. 1 — With the White House signaling that President Bush would abide by a ruling of the World Trade Organization and lift the tariffs he placed last year on foreign steel, American steel makers angrily declared on Monday that he should resist doing so rather than give in to threats of retaliation from Europe.

"This blackmail, this intimidation by Europe, is just further weakening our manufacturing base," Thomas J. Usher, chairman and chief executive of the United States Steel Corporation, told reporters in a telephone news conference.

Mr. Usher insisted that the White House had not indicated what Mr. Bush would do, and said he planned to ask the president about the issue on Tuesday.

He will have his chance: awkwardly for Mr. Bush, to whom the decision is fraught with political implications, Mr. Usher is a host of a \$1 million fund-raiser scheduled for Pittsburgh on Tuesday, and it appears that the White House may be delaying any announcement until the president has left the city that steel built.

"I will be quite anxious to see the president," Mr. Usher said. "I haven't heard anything from him of a decision. I intend to ask him where he stands on this."

Contrary to news reports that first appeared on Sunday night, the White House said publicly on Monday that Mr. Bush had made no final decision. But administration officials who spoke on the condition that they not be identified did not deny the reports that he intended to lift the tariffs.

Further, William Gaskin, president of the Precision Metalforming Association, whose members oppose the tariffs as consumers of steel, said, "Nobody wants to say anything official for the record, but we've been hearing positive things for a while."

Mr. Bush was in Michigan on Monday, speaking near the headquarters of the Ford Motor Company. His appearance there, and in Pennsylvania on Tuesday, underscores the tug of war being played out between states that would be winners, and those likely to be losers, if the tariffs are lifted.

Manufacturers in Michigan, including automobile parts makers, have complained that the tariffs are making imported steel unnecessarily expensive. There is no question that if Mr. Bush removes the tariffs, he will please steel users in Michigan, Minnesota and Wisconsin, states that narrowly voted for Al Gore in the 2000 election and are up for grabs next year. But he will anger steel companies, and their workers, in Pennsylvania

and West Virginia, also crucial states in the coming election.

When he announced the tariffs last year, in response to domestic steel makers' complaint that the United States had become a dumping ground for cheap foreign steel, the president said they were intended to give the American steel companies a breathing space of three years to consolidate their industry and get it back on its feet. While some major steel makers say they have made headway in consolidating, they also maintain that they need the next 18 months to ensure that it is long-lasting.

At issue now is a ruling last month by the World Trade Organization's highest panel, which found the tariffs illegal. The W.T.O. authorized retaliatory tariffs of \$2.3 billion by Europe, which had spearheaded the case against the United States, and by Asian and South American exporters as well, if Mr. Bush did not act by the middle of this month. Officials say most of Mr. Bush's leading economic and trade advisers have told him that he has little choice but to accede to the W.T.O.'s ruling.

Mr. Bush has worked hard to woo union members, a strategy devised by his chief political adviser, Karl Rove, who pressed hard early last year in favor of the tariffs. Revoking them a year and a half before they are scheduled to expire could undercut that strategy at a moment when the Democratic presidential candidates are largely turning away from the free-trade policies that so often put the Clinton administration at odds with the unions.

Leo W. Gerard, president of the United Steelworkers of America, said his union "would be very disappointed and upset" if Mr. Bush removed the tariffs. "It would be like pulling out the rug from under us," said Mr. Gerard, who noted that "there are no votes for the president in Europe."

Mr. Bush made no mention on Monday of the steel tariff quandary or the political calculations it involves. But Democratic presidential candidates were already on the attack against the decision that is expected.

Representative Richard A. Gephardt of Missouri, who has been endorsed by the steelworkers' union, said a lifting of the tariffs would "endanger the existence of steel altogether."

"It's a bad decision," Mr. Gephardt said. "To me, steel is a basic commodity that we have to make in this country. How can we protect the United States militarily if we make no steel?"

In a taste of a debate within the Democratic Party over trade, another candidate, Representative Dennis J. Kucinich of Ohio, challenged the right of the W.T.O. to declare the tariffs illegal. "Clearly the tariffs are needed and are effective," he said. "But the president has abandoned the sovereignty required to maintain them."

The United States' domestic political circumstance has also entered the calculations of the European nations, whose retaliatory sanctions could begin as early as Dec. 15, a deadline that has helped propel the president's decision. The Europeans have made targets of products whose pummeling would hurt his re-election chances: American exports of not only steel but also textiles, important to the South, and citrus fruits, important to Florida and California.

Nor are the Europeans offering much wiggle room. Arancha Gonzales, the spokeswoman for the European Union's top trade official, said there was no possibility of compromise on the sanctions.

"Our strategy has been clear since June 2002," Ms. Gonzales said. "For absolute clarity, we published a law that if and when the W.T.O. rules definitely that the steel tariffs are illegal, we would immediately impose sanctions."

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