

## Timeline

### 1960s

1964 - 1969: steel imports increased from 7.3 percent to 16.7 percent

1969: steel imports disrupt the tight grip US steelmakers have on domestic market and producers began to seek protection but out of fear of a trade war no real policy could be made - negotiation of VRAs with the EC and Japan (scheduled to last until 1974)

Late 1960s Early 1970s: restructuring in the industry with major companies in the industry combining (**Wheeling-Pittsburgh Corporation and National and Granite City Steel**)

### 1970s

1971: key actor - **USWA president I.W. Abel and deputy under secretary of state Nathaniel Samuels** fighting for an extension of VRA but Consumers Union fought for liberalization and cheaper prices arguing for avoiding inflation

1971 and 1973: devaluation of the dollar took the wind out of the protectionist coalition

1972: elections for congress and president - top steel executives funneled more than a quarter of a million dollars into campaigns and slightly less into campaigns for **Nixon and George McGovern**

1973: **Stewart S. Cort** makes a testimony before the House Committee on Ways and Means arguing 3 main factors that were in favor of protecting steel: (1) exchange rates making foreign steel expensive (2) Experimental Negotiating Agreement (3) temporary increase in world demand. Four demands were made: (1) president's decisions to raise or lower tariffs should take into account those contributing to the trade deficit that could be harmed by increased imports (such as steel) (2) and (3) mandatory presidential action against imports after the Tariff commission decided imported steel contributed to injury (rather than waiting for proof that it was the cause) (4) reduce the tariff commissions discretionary powers by establishing specific criteria mandating the commission's action

1974: representative James Burke warned against giving the president more power but Trade Act of 1974 shifted power away from congress and toward the president through this the president gained power to renegotiate GATT which was good for those who want free trade but the protectionist gained concessions including amendments to the anti-dumping act which introduced the cost of production tests; president is required to conduct product by product negotiations and set up special trade advisory committees

1974 - 1975: oil crisis leads to a slow down in the industry growth but also makes the political economic climate more hospitable to protectionism

1977 - Inauguration of Trigger Price Mechanism for all steel imports Late 1970s: Congressmen from steel producing areas create the Congressional Steel Caucus to press for strict import quotas

### 1980s

1982:

January - dozens of antidumping and countervailing duty petitions filed against

EC countries

October - Negotiations with the EC (scheduled to last through Dec 1985)

1984:

Severe drop in steel sector employees since 1960 making steel industry concerns far less important for presidential campaigns 6

January - Escape clause petition filed by Bethlehem Steel and United Steelworkers

July - ITC rules affirmatively in the escape clause petition in 5 out of 9 product categories

September - Negotiations of VRAs on all nine steel products in escape clause petition: market share for participating nations 18.4 percent

1988 - **Candidate Bush** promises to continue VRA

1989 - Steel liberalization program - Coalition of American Steel Using Manufacturers make the argument that there are more people employed by Steel Using Manufacturers than steel producers (headed by Caterpillar inc)

**1990s**

1992:

April - termination of VRA; breakdown of MSA over allowable subsidies

June - Antidumping and countervailing petitions filed against flat rolled products

1993:

July - ITC rules affirmatively on only a subset of steel industry petitions

**FUTURE**

The evolution of mini mills and other technologies are weakening the political force of the steel industry

**Book Notes**

The Political Economy of Trade Protection

By: Anne O. Krueger

Chapter 2: The Rise and Fall of Big Steel's Influence on U.S. Trade Policy By: Michael O. Moore

- Protectionist steel import regimes: 1969, 1974, 1977, 1982, 1984
- “The main source of this political strength was the cohesive coalition of vertically-integrated carbon-steel producers, the steelworkers’ union, and member of congress from steel-producing regions” (15)
- “Another factor that contributed to steel industry political effectiveness was the relative lack of cohesiveness among domestic interests opposing steel protection in particular steel-using manufacturing industries” (15)
- The power of the U.S. integrated steel structure begins to go away:
  - 1989 - industry forced to accept a much less restrictive VRA
  - 1993 - instead of lobbying for a special import regime the industry relied

on administrative protection

- Changes in factors that earlier led to sector's political cohesiveness:
  - Rapidly evolving market structure in the US; "Minimills"; Resulting geographic dispersion
  - Drop in the number of steelworkers (thus less voters)
  - Increase in efficiency leads to less of a need for special protection
  - Opposition (steel using producers) have become more organized
  - Steel sector is one of the most important in the import protection

#### The Political Economy of American Trade Policy

Actors:

- U.S. Steel, LTV, Bethlehem, United Steelworkers of America
- American Iron and Steel Institute
- Steel - triangle: steelworkers, integrated steel firms, steel community congressional representatives (Important factors in their success (1) relatively small number of actors (2) immobility of employed factors - low transaction costs)

Attempts:

- Pressure on congress for direct legislative relief
- Lobbying for multilateral steel agreements
- Hundreds of anti-dumping petitions
- Assistance to the integrated sector:
  - Relaxed pollution requirement, Raising price of electricity to hurt the minimills, Reducing labor costs
- Import restriction
- Minimills can freeride

#### The Steel Crisis: The Economics and Politics of a Declining Industry

By: William Scheuerman

- The effect of the first VRA was unclear because there was also an increased demand for steel during that time
  - ?As the expiration of the initial VRA approached, the domestic industry increased its political campaign to secure protection against imports?
  - Table 4.5 has a list of Joint subsidiaries in the iron and steel industry
  - By the time of the oil crisis protectionism was gaining an upper hand thanks to the growing understanding that liberalization of trade was not always going to benefit the U.S. including within the steel industry
  - As the arguments for and against free trade change within individual industries there is difficulty defining thing in terms of ?free trade? versus ?protectionism?
  - Law firms donated on behalf of Steel companies
  - Armco, Bethlehem, United States, and the Cleveland Cliffs Iron Company maintained well financed professionally staffed lobbyists like Mr. John W. Byrnes 1945 to 1973 and Law firm: Foley and Lardner including several former employees of the antitrust division of the U.S. Department of Justice as well as the former counsel to the House Committee on the Judiciary Mr. H. W. Frost jr
  - Table 5.2 Law firms and government service many lawyers on the side of the Steel firms also held government positions
  - American Iron and Steel Institute 1960s drive for import quotas
  - ?Corporate officials frequently hold top-level positions in the executive branch of the federal government. Not only does this place former steel executives in positions where their decisions may have direct impact on the steel firms, but first-hand participation in government circles introduces steel officials to the most intimate workings of the national government?
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- Youngstown Ohio and Lackawanna New York
  - Not protecting the steel industry was still political suicide in the 1970s

Trade Talks: Episode 24 "The Trump Administration Views Trade as a National Security Threat"  
 February 21, 2018

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- Trump wants to cut steel imports by 12 percent of America?s demand
- Commerce department laid out 3 options:
  - Quotas - more binding / restraining
  - Tariffs - largely more substantial price effect than quantity effect; easier to allocate the revenue

- \* Applied on a non-discriminatory basis attempting to get steel production to a certain level in the US
- Target big threats and hit them with major tariffs (53 percent) - 53 percent tariff on 12 countries: Brazil, Korea, Russia, Turkey, India, Vietnam, China, Thailand, Egypt, Costa Rica, S. Africa etc. - not the top exporters to the USA - violation of WTO rules by selecting certain countries ?exemption for national security? Article 21 of GATT but WTO has to decide if they accept that the US is doing it for national security reasons but this opens the door for other countries to do the same thing; If the WTO denies then the US will react negatively; Everyone else will still be affected negatively
- Blanket tariff of 24 percent is big for steel; quota across the board is cutting out 37 percent off of what came in last year also big
- Decisions in the past to invoke this law was to avoid dependence on non trustworthy country
  - Steel is only 20 percent imports by volume used; Imports from Canada and trustworthy countries
- International trade commission Safeguards investigation of steel in 2001
  - Made clear what was the scope of investigation; Gathered a lot of facts (questionnaires); Conduct significant hearing (9 days long); Trades office ran exclusions processes
- This investigation had no questionnaires and there was a 2 hour long hearing - heavy reliance on economic modeling
- Scope of products: usually trade remedies are precise, in this case all that was said was ?steel?
  - Now we know it is very broad scope; Very unclear throughout the reports what areas of steel are being focused on
- Needs are very different for varying types of steel
  - It is possible that a blanket policy on steel can hurt the industry more than help it by not dividing out certain parts
- Goal: raise volume produced and prices, but this may not occur in places where they need
- Companies within the US steel industry
  - Blast oxygen furnace method
  - Integrated electric arc minimill: Uses scrap steel and putting into a large vat and recast the steel with electricity; They can now make an array of products

- Big change in employment - how much steel is produced per man hour is much higher
- Losers: those that consume steel - autos, farms, etc. (downstream industries), could affect infrastructure projects such as building bridges
- Countries who feel targeted will retaliate and others will suffer (not just steel consumers)
- Something has to happen because of overcapacity

### **Other Book Suggestions**

Politics Pressures and the Tariff

By: E.E. Schattschneider 1963

The Decline of American Steel

By: Paul A. Tiffany

Running Steel, Running America

By: Judith Stein

Big Steel and the Wilson Administration

By: Melvin I. Urofsky