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Christian A. Conrad*

Steel: A New Round of Protectionism in American Trade

Traditionally the American steel industry is the most protected industrial sector in the USA and internationally it is the largest user of anti-dumping and anti-subsidy proceedings.¹ At the end of 1994 a ruling from the GATT Panel² settled the most recent trade dispute in the steel market. A number of the anti-dumping and anti-subsidy proceedings applied for by US integrated steel producers in 1992 remain in effect. The following paper outlines the latest trade dispute in the steel trade, beginning with an overview of the various rounds of protectionism to date, and seeks to analyse the background to and causes of the dispute.

The American steel industry has enjoyed almost constant protectionism for 25 years. Until 1982 steel imports were controlled by voluntary restraint agreements (1969-1974) and a system of import controls known as the trigger price system³ (1978-1982). In 1982 integrated steel producers⁴ filed 132 anti-dumping and anti-subsidy complaints. This was the largest number of claims that had ever been brought at one time. However, the American government was able to persuade the steel producers to withdraw their actions by negotiating voluntary restraint agreements with the major importing countries. The import quotas limited imports of low-carbon steel from 28 countries to 18.4% of US steel consumption. The voluntary agreements were extended to other countries and in 1985 prolonged to 30th September 1989. That meant that the American steel market was fully protected; all significant steel imports into the USA were governed by voluntary restraint agreements. In 1989 the voluntary restraint agreements were renewed for the last time by President Bush. To prepare the way for the abolition of import restrictions, the quotas were to be increased gradually to 20.3% in 1992. At the same time it was intended to use this transitional period to draw up a Multilateral Steel Agreement (MSA)⁵ for 1992.⁶

Before the voluntary restraint agreements expired the US integrated steel producers were facing a

serious demand crisis, due to the US recession and a number of other problems. Capacity utilisation fell below 70%⁷ and the American steel producers recorded losses of US\$ 2.2 billion.⁸ In the period preceding the agreements' expiry the producers campaigned for an extension. They started an advertising campaign against the growing competition from abroad. They argued that once the agreements expired the American market would be swamped with foreign steel and that this would cause considerable damage to the domestic industry.⁹ On the other side of the debate, some major steel users expected lower costs once the voluntary restraint agreements expired and they therefore attempted to influence the President and the American public to prevent the agreements from being extended.¹⁰ The position of the American steel producers was also undermined by the American minimills that explicitly distanced themselves from the demands for import restrictions, pointing out their high level of competitiveness.¹¹

¹ Cf. Richard Boltuck and Robert E. Litan: *Down in the Dumps*, Washington 1991, pp. 2.

² In this instance, in its role as the GATT (General Agreement on Tariffs and Trade) conciliation committee.

³ In this system of controls Japanese production costs were used to set the minimum price. The Japanese were the lowest-cost producers at this time. The American authorities automatically initiated anti-dumping proceedings against imports below this minimum price.

⁴ Integrated steelworks are production units in which pig-iron production, subsequent steel production and steel processing are all combined. Cf. Peter Oberender and Georg Rüter: *Stahlindustrie*, in: *Marktökonomie*, Munich 1989, p. 39.

⁵ The agreement was intended to ensure fair terms of trade in the form of a multilateral agreement.

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Once President Bush had declined to extend the voluntary restraint agreements that had been in place since 1982 and the MSA negotiations had failed, all contractual obligations ceased to apply on 31st March 1992.¹² A few days later the American steel producers submitted the first eight applications to the International Trade Administration (ITA – the USA's equivalent of a ministry of trade) for the initiation of anti-dumping and anti-subsidy proceedings. A short time later a further 84 complaints (48 anti-dumping and 36 anti-subsidy complaints) were added.¹³ The applications to ITA for subsidy-compensation duties of up to 164% were directed against 21 foreign governments, including EU member states,¹⁴ who were accused of subsidising exports. Italy, Spain and New Zealand were considered to be the most guilty of providing subsidies, whereas South Korean and Mexican producers featured strongly in the 48 anti-dumping actions.¹⁵ The steel imports affected by the actions totalled 6.5 million tonnes and had a value of DM 3 billion, of which DM 815 million came from the EU.¹⁶

The reactions of the countries affected by the actions varied, ranging from public indignation in the case of the EU¹⁷ and Japan to the announcement of retaliatory measures in the cases of Mexico and Canada.¹⁸ The Canadian steel producers retaliated by bringing anti-dumping actions against American steel imports.¹⁹

⁶ Cf. Rainer K u l m s : Das Antidumpingrecht im amerikanischen und europäischen Recht, Baden-Baden 1988, pp. 92 ff.; Frank Benyon and Jacques Bourgeois: The European Community – United States Steel Agreement, in: Common Market Law Review 21, 1984, pp. 305-354, here pp. 319 ff.; A. Austmann: Basispreise und Trigger-Preise im Antidumpingrecht, Heidelberg 1989, pp.158 ff.; Hans Mueller and Hans van der Ven: Perils in the Brussels-Washington Steel Pact of 1982, in: The World Economy, Vol. 5, No. 3, 1982, pp. 259-278; Thomas Grunert: Der transatlantische Stahlstreit in den achtziger Jahren: Integrationsfortschritt über Aussenhandelskonflikte?, in: Integration, Vol. 8, 1/85, pp. 318 ff.; Frankfurter Allgemeine Zeitung, 2nd December 1992, No. 280, p. 38; Stahlmarkt, 5/92, p. 15; and Metal Bulletin Monthly, May 1994, p. 14.

⁷ Cf. Stahlmarkt 7/1991, p. 13.

⁸ Cf. Frankfurter Allgemeine Zeitung, 12th December 1992, No. 289, p. 14.

⁹ Cf. Stahlmarkt, 11/91, p. 15.

¹⁰ In 1988 the first coalition of steel users was formed. This coalition opposed the extension of import quotas. The Coalition of Steel Using Manufacturers (CASUM) consisted of about 300 steel users who accounted for about a third of American steel consumption. The steel users complained about the increase in steel prices resulting from import quotas. However, for Caterpillar, the coalition's leader, the production bottlenecks that arose because of the reduction in product quotas in the 1984 voluntary restraint agreements were the main reason for forming the coalition. Cf. Stahlmarkt, 11/91, pp. 19.

¹¹ Cf. Stahlmarkt, 5/92, p. 15.

¹² Cf. Frankfurter Allgemeine Zeitung, 18th April 1992.

¹³ Ibid.

Following the imposition of provisional anti-subsidy duties and anti-dumping duties in November 1992 and January 1993, the International Trade Commission (ITC) determined the injury caused to the American steel industry by the imports in question in March 1993. That June, the ITA imposed the final anti-dumping duties at substantially increased levels. In some cases they were even double the levels of the provisional duties.²⁰ However, in the case of anti-subsidy duties the final levels were reduced substantially, except for those imposed against Italy.²¹ The anti-dumping and anti-subsidy offensive by the US integrated steel producers ultimately ran up against the politically independent ITC. In September 1993, the commission gave its final decision and rejected 42 of the 74 remaining actions.²² Thus the attempt by American producers to establish a total wall of protection using anti-dumping and anti-subsidy duties failed.

Effects of the Punitive Duties

The US integrated steel producers regarded the use of punitive duties to reduce competition from imports as the only way of increasing prices on the American steel market.²³ According to estimates made at the time, the introduction of the punitive tariffs applied for was expected to result in a price increase of at least 10%.²⁴ As a result of the duties imposed, imports of steel into the USA fell by 45% between January and February 1993 and imports of European steel fell by as much as 48%.²⁵ As a result steel imports were diverted to the EU and elsewhere and this additional supply exacerbated the already difficult market conditions being experienced by

¹⁴ Germany, Italy, France, UK, Belgium, the Netherlands, Italy and Spain; cf. Stahl und Eisen, 14th September 1992.

¹⁵ Cf. Frankfurter Allgemeine Zeitung, 2nd July 1992.

¹⁶ Cf. Frankfurter Allgemeine Zeitung, 24th June 1993, No. 143, p. 15.

¹⁷ In November 1992 France demanded that the EC Commission take retaliatory measures, but it declined to do so because of the "small scale of the dispute". Cf. Süddeutsche Zeitung, 30th September 1992; Ruhrnachrichten, 7th October 1992.

¹⁸ Cf. Frankfurter Allgemeine Zeitung, 2nd July 1992.

¹⁹ Cf. Stahlmarkt 9/92, p. 19.

²⁰ For example, provisional duties on imports of French steel were 11-23% and the final duties 44-79%.

²¹ The duty on steel imports from Italy was increased from 59% to 73%. Cf. Metal Bulletin, 24th June 1993, p. 19.

²² Cf. US International Trade Commission: Steel Semiannual Monitoring Report, September 1994, Publication 2807, Annex E 2.

²³ Cf. Stahlmarkt, 8/92, p. 19.

²⁴ Cf. Stahlmarkt, 12/92, p. 21.

²⁵ Cf. Metal Bulletin, 22nd April 1993, p. 22.

European steel producers.²⁶ In February 1993 the US import ratio for steel fell to its lowest point since 1975.²⁷ The anti-dumping and anti-subsidy duties, combined with the economic recovery in the USA, allowed the American steel industry to achieve the price increase it had sought. At the beginning of 1994 the American market even experienced a steel shortage. According to EU Commission estimates, the provisional duties led to a reduction in European steel exports of 25%.²⁸

A coalition of 1,200 American steel users together with the electrosteel producer²⁹ NUCOR was formed to oppose anti-dumping and anti-subsidy actions. Known as the "Coalition of American Businesses for

Stable Steel Supplies (CABSSS)", its membership accounted for 50% of the US consumption of flat steel.³⁰ The coalition was founded by former members of CASUM.³¹ Their organisation costs were low because of the contacts already built up by the CASUM coalition.³² The steel users complained about the increase in price and the supply shortage caused by the anti-dumping measures. They argued that American steel could replace imported steel neither qualitatively nor quantitatively. In one of the companies wastage increased threefold and another company had to cease manufacture of one of its products because the steel required was not available in sufficient quantities on the American market.³³

²⁶ Cf. Frankfurter Allgemeine Zeitung, 18th February 1993, No. 41, p. 11.

²⁷ Cf. Frankfurter Allgemeine Zeitung, 7th June 1993, No. 129, p. 13.

²⁸ Cf. Frankfurter Allgemeine Zeitung, 24th June 1993, No. 143, p. 15.

²⁹ "Electrosteel producer" and "minimills" refer to the same class of firms.

³⁰ Cf. Metal Bulletin, 19th July 1993, p. 19.

³¹ Cf. footnote 10.

³² In the steel sector users have a very unfavourable market position relative to that of the steel producers: there is a small number of large producers and a large number of small users.

³³ Cf. Metal Bulletin, 28th March 1994, p. 19.

Hans-Eckart Scharrer (ed.)

Economic and Monetary Policy Cooperation: The EC and Japan

Any meaningful discussion about "managing macroeconomic interdependence" must take into account the national policy objectives, institutional arrangements, and socioeconomic challenges. This collection of papers presents seven contributions of European and Japanese economists relevant to that issue.

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The volume is of interest to economists, political scientists, and all active observers of European, Japanese, and international economic policy.

1994, 176 p., paperback, 48,- DM, 374,50 öS, 48,- sFr, ISBN 3-7890-3419-3

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The Multilateral Steel Agreement

The talks on a Multilateral Steel Agreement (MSA) took place between 32 steel-producing countries within the framework of the general GATT negotiations. The American steel producers expected the MSA to deal with the question of international overcapacity, government subsidies, closed markets and "unfair trade practices".³⁴ The Agreement was also intended to abolish all import duties on steel. December 1993 was the deadline set by the parties to the negotiations for completion of the MSA. But this date also passed without agreement being reached and the MSA had to be separated from the Uruguay Round negotiations.³⁵ As part of the MSA negotiations the EU proposed that the MSA should prohibit support subsidies for uncompetitive suppliers if the USA withdrew the anti-dumping complaints against European companies. Subsidies granted for the purpose of restructuring were to be permitted. However, this was rejected by the US integrated steel producers who did not want to withdraw their anti-dumping actions. The Americans also feared that support subsidies for uncompetitive firms could be disguised as restructuring subsidies.³⁶ A short time later the EU withdrew this proposal on the initiative of the European steel producers and repeated its demand that an MSA be conditional upon the withdrawal of anti-dumping actions. The USA declined by stating that an MSA could not deprive the American steel producers of their right to pursue anti-dumping actions.³⁷

Certain of the EU's objectives in the MSA negotiations, such as the legalisation of regional aid, research and development subsidies and an increase in the lower limits for dumping and injury (de minimis criteria) were already written into the new text of the Uruguay Round of GATT, with the result that interest in a separate MSA waned. The only remaining point to be negotiated that continues to be of interest to the

EU is an anti-harassment clause. This provision is intended to prevent American steel producers from excluding European importers from the US market for a given period of time by concentrating a large number of anti-dumping actions at one time and by imposing provisional anti-dumping duties, even if the actions are subsequently proved to be unjustified (see below). However, the US integrated steel producers have far too much political influence for this bargaining point to stand any chance of success.³⁸

American Accusations Regarding Subsidies

In May 1993 the European Commission applied to the GATT Secretariat to establish a panel to investigate the legitimacy of anti-subsidy duties on ferrous and bismuth steel. The criticism voiced by the EU to the panel in respect of the American anti-subsidy duties was as follows:

- ☐ Some of the duties related to subsidies that had been granted up to 15 years ago.
- ☐ The voluntary restraint agreements concluded with the USA in 1978 had led to a sharp reduction in steel imports, so the EU refuted the injury accusations made by the USA. Furthermore, the European steel producers had not used up their quotas.
- ☐ The US claims were not based on the actual amount of the subsidy, but on the discounted present value.
- ☐ ECSC loans were also classed as subsidies, even though they were financed by the European steel industry itself via the ECSC levy.
- ☐ Subsidies were attributed in full to firms in the countries concerned, ignoring the fact that part of the money was received by foreign subsidiaries.
- ☐ Firms that received funding not directly from the government but from subsidised enterprises were also classed as having themselves been subsidised.
- ☐ A credit renouncement agreed by a private German bank in respect of an insolvent enterprise was classified as a subsidy by the USA.³⁹
- ☐ Subsidies paid by the British Government prior to the sale of the British Steel Corporation (BSC) were also taken into account. The EU contended that the purchase price paid to the government by the new owners cancelled out the effects of subsidies.

Certain insufficiencies in the GATT regulations were one reason for the interpretational differences in the previous GATT subsidies code.⁴⁰ The GATT did allow

³⁴ Cf. Stahlmarkt, 6/92, p. 10.

³⁵ Cf. United States – General Accounting Office: The General Agreement on Tariffs and Trade – Uruguay Round Final Act Should Produce Overall US Economic Gains, Vol. 2, Washington D.C. 1994, p. 173.

³⁶ Cf. Metal Bulletin, 4th October 1993, p. 19.

³⁷ Cf. Metal Bulletin, 30th June 1994, p. 17.

³⁸ Cf. Metal Bulletin Monthly, May 1994, pp. 13-14; Metal Bulletin, 30th June 1994, p. 17.

³⁹ Cf. EUROPE, 21st September 1992, and 28th May 1993, No. 5989, p. 9.

⁴⁰ Prior to amendment by the Uruguay Round.

countervailing duties to be levied (Art. VI, 3) in respect of subsidies causing injury, but the antisubsidy code neither defined the permitted domestic subsidies nor clearly demarcated them from the prohibited export subsidies. Although it was recognised that such domestic subsidies could also injure foreign industry, the only specific provision covering this case was that the subsidising party should call a halt to the injuries. Moreover, the corresponding sections were amenable to differing legal interpretations.⁴¹

Finally, in October 1994, the GATT Panel agreed substantially with the EU and judged the USA's application of the antisubsidy code to be an infringement of GATT. The Panel decided that the subsidies received in the case of the BSC were already reflected in the Corporation's purchase price, with the result that the goods exported subsequently could not be classified as subsidised. The Panel ruled that the interest calculation used by the ITA to determine the benefit received by Usinor-Sacilor from government credits was unjustified, because the ITA had not given sufficient grounds for its decision. The treatment of a credit renouncement from a private bank as a subsidy was also rejected by the Panel, as was the treatment of an increase in a government's shareholding in a company as a subsidy in its entirety. The ITA's interpretation was confirmed by the Panel in only two cases, namely its taking into account of subsidies granted during a preceding period of up to 15 years, and its general classification of increases in government shareholdings as subsidies.⁴²

American allegations of subsidies must also be viewed in the context that the US integrated steel producers are themselves subsidised. For example, in 1994 Bethlehem Steel was awarded \$35 million from the US State of Pennsylvania to avert threatened job cuts.⁴³ However, the EU also played its own part in pushing events towards anti-subsidy proceedings, as its member states vied with one another to provide their industries with subsidies in the 1980s. The negative effects of indirectly subsidised⁴⁴ exports on foreign profits and jobs cannot be tolerated, because

the pressures placed on suppliers from other countries are not generated by domestic firms' own competitive efforts, thus causing distortions to competition which are damaging to the market system.

American Accusations Regarding Dumping

The claim made by the US integrated steel producers that the dumping⁴⁵ of steel imports was pushing American steel prices below the cost of production and so damaging the American steel industry have to be qualified in that American steel producers were themselves supplying their home market at prices below the cost of production, i.e. were also engaging in dumping, and thus helped to bring about the collapse in prices they complained of.⁴⁶ One reason for this was a bitter price war amongst the US integrated steel producers as demand fell off during the recession, and another was the similarly bitter price war between the integrated steel producers and the minimills.⁴⁷ For example, by the first quarter of 1992 the import share of the American steel market fell to 17.2%, whereas market share of the US minimills rose to 35% (cf. Figure 1).⁴⁸ As a result, Nucor, the electrosteel producer, was able to increase its profits from 1991 to 1992, notwithstanding the falling demand for steel in the US market, whereas the large integrated steel producers were forced to sell steel at prices below their full costs, and hence to make losses.⁴⁹ Imports were not therefore the main cause of losses amongst the US integrated producers. Nor is there any direct correlation between the trend in imports and the profits of the integrated steel producers. In 1987 the integrated steel producers recorded profits of \$1 billion, while imports accounted for 21% of the American market, whereas in 1991 they incurred losses of \$2 billion, even though imports had fallen to 18% of the market (cf. Figure 1).⁵⁰

As a supplier to the capital equipment industry, the steel industry is heavily dependent on the business

⁴¹ Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the GATT; and Art. 12, Para. 2; Frank Benyon and Jacques Bourgeois, *op. cit.*, pp. 319 ff.

⁴² Cf. Inside U.S. Trade, 21st October 1994, pp. 8-9.

⁴³ Cf. Metal Bulletin, 28th March 1994, p. 19.

⁴⁴ In principle this applies only to export subsidies, but the borderlines are hazy. For instance, the mere prospect of subsidies or recovery of losses from the state can cause a firm to undercut the prices of its competitors on export markets to find a new outlet for its products, as it can assume that it will not have to meet any resulting losses itself.

⁴⁵ Dumping refers generally to the sale of goods on a foreign market at a lower price than on the domestic market. The GATT also regards sales below domestic production costs as dumping. According to Art. VI of the GATT dumping violates the rules of international fair trading and is "to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry".

⁴⁶ Cf. Stahlmarkt, 11/91, p. 16.

⁴⁷ Cf. Stahlmarkt, 6/92, p. 12.

⁴⁸ Cf. Stahlmarkt, 7/92, p. 15.

⁴⁹ Cf. Stahlmarkt, 6/92, p. 12.

⁵⁰ Cf. Metal Bulletin, 1st February 1993, p. 3.

cycles of the economy, with the result that economic trends are transferred overproportionally, and productive capacity is underutilised on a cyclical basis. In order to be able to cover its very high fixed costs when utilisation is low, the steel industry would have to increase its prices during periods of undercapacity, but this is almost impossible to achieve against a background of weak demand. As a result companies are forced to sell at prices lower than the costs of production, that is, to engage in "dumping", during this period. To allow for these swings in the cost calculation during the dumping investigation, production costs ought to be based on an average utilisation of 85% or measured for the duration of a full business cycle. However, the Commerce Department (ITA) works on the basis of a one-year period, which ultimately allowed American petitioners to influence whether the ITA would determine that dumping had taken place or not by timing their action accordingly.⁵¹ Dumping can also be caused by fluctuations in exchange rates, a further

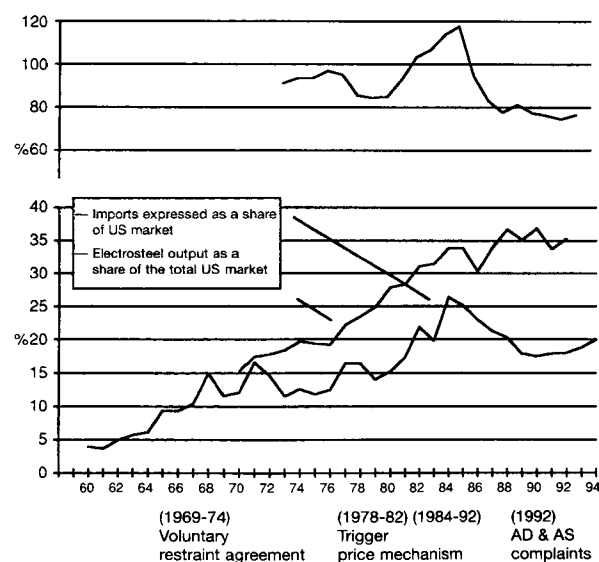
objection raised by the European steel producers. As a result when the ITA ruled that dumping had taken place EUROFER⁵² pointed, by way of explanation, to the decline in the value of the US dollar during the period of the investigation.⁵³ If the value of the dollar depreciates even the maintenance of export prices in dollar terms leads to dumping determination, because the "normal value",⁵⁴ if it is calculated, will have increased in dollar terms as a result of the appreciation of the exporters' domestic currencies. Exporters are therefore forced to increase their dollar prices and thus lose market share.

The European Accusations of Harassment

The interest group representing the European integrated steel producers, EUROFER, pointed to the bundling of anti-dumping actions and accused the American producers of misusing anti-dumping law to "harass" them.⁵⁵ The bundling of complaints is advantageous in that the probability of the ITC's determining injury is increased by the cumulative effect of imports ascertained in its investigations. In addition, the political significance of the anti-dumping actions is increased by this cumulative effect. It can also be assumed that the authorities, overloaded by such a flood of actions, will be unable to carry out the preliminary dumping investigation very meticulously within the fixed time-period of 115 days and will therefore be inclined to impose a provisional anti-dumping duty in order to keep its options open.

However, even if it is finally rejected the benefit of an anti-dumping petition for domestic producers substantially exceeds the average legal cost of \$400,000 per complaint, because foreign producers are temporarily pushed out of the market by the provisional duties, which also leads to an increase in the price level.⁵⁶ Based upon the US integrated steel producers' annual output of approximately 40 million tonnes in 1993, even an average price increase of \$1

Figure 1
Trade-Weighted Value of the US Dollar Relative to the Currencies of 18 Industrialised Countries
and
Trends in US Market Shares of Competitors of the Integrated Steel Producers



Sources: Deutsche Bundesbank: Devisenkursstatistik, August 1994; OECD: World Steel Trade, Developments 1960-1983, Paris 1985; Donald F. Barnett and Robert W. Crandall: Up from the Ashes, Washington D.C. 1986, p. 7; Metal Bulletin and American Iron and Steel Institute: Steel Works. (The 1994 import ratio is estimated.)

⁵¹ Cf. Rainer K u l m s , op. cit., p. 135.

⁵² Group representing the interests of European integrated steel producers.

⁵³ Cf. Metal Bulletin, 1st February 1993, p. 13.

⁵⁴ The price used to compare the export price during the dumping investigation. This is usually the selling price in the exporting country. The difference between the normal value and the adjusted export price results in the dumping margin and thus the maximum anti-dumping duty. In exceptional cases the production costs of the foreign producer can also be used to calculate the normal value.

⁵⁵ Cf. Metal Bulletin, 1st February 1993, p. 13.

⁵⁶ Cf. The Economist, 16th May 1992; and Metal Bulletin, 1st February 1993, p. 3.

per tonne would mean an increase in profit of \$40 million. Experts estimate that prices rose by \$20 per tonne as a result of the anti-dumping actions and that the American steel producers' legal costs amounted to \$40 million, which would mean a net increase in profit of \$760 million.⁵⁷

Negative Determination of Injury

In analysing injury, GATT no longer stipulates that imports must be a significant cause or even the main cause of injury. This position was abandoned as long ago as the Tokyo Round.⁵⁸ To achieve a positive result it is therefore sufficient to prove that the imports are one cause among others of significant injury to the domestic industry. For example, the principal cause of injury may be domestic competition, structural change, recession or even mismanagement and yet this does not affect the determination of injury. American steel producers can therefore choose the most favourable time to bring their action based upon profit trends and employment figures. Moreover, the purpose of the investigation is often not regarded by the national authorities as one of establishing whether the proven dumping of imports damaged the domestic industry at the time the imports were made, but rather whether the imposition of anti-dumping duties would improve the difficult situation faced by the domestic industry.⁵⁹

For the most part the various votes within the ITC were relatively close. The individual opinions of the six members of the Commission determine whether the injury proved is substantial. This opinion depends not least on the personal economic and political beliefs of the individual members of the Commission. Two factors are supposed to have played a part in the predominantly negative determination of injury by the ITC. Firstly, that in spite of the difficulties experienced by the US integrated steel producers at the beginning of the 1990s there were few redundancies and secondly, that by the time of the final determination of injury the position of the integrated steel producers had improved considerably as a result of the increase in international demand for steel.

Conclusion

The flood of anti-dumping and anti-subsidy actions was the US integrated steel producers' attempt to protect the American market from foreign imports of flat steel in order to be able to achieve the general price increase urgently required because of the increasing competition between them and the mini-mills. The integrated producers were not successful in

keeping imports of flat steel out of the market completely, but did manage to exclude some foreign suppliers on the basis of the provisional duties and the remaining definite duties. By pushing back foreign imports the integrated producers were able to achieve the desired increase in prices, a trend strengthened by the recovery in demand for steel. This was the minimum outcome the integrated producers could expect to achieve when they commenced their complaints. Seen against this background, the anti-dumping and anti-subsidy actions were far more advantageous than an extension of the voluntary restraint agreements, whose quotas were so high that they had not been used up by the European steel producers in any case. The integrated producers therefore gave up their original demand for an extension of the voluntary agreements.

As illustrated, the protective effects of American anti-dumping and anti-subsidy law goes beyond providing defence against breaches of fair international competition. One reason for this lies in decades of protectionist lobbying by the US integrated steel industry.⁶⁰ Once the US Federal Government had granted the American steel industry protection at the end of the 1960s because of its political importance, the integrated producers recognised the value of good political representation. The US Government therefore pointed the way to a "rent-seeking society". So it is little surprise that even the resources available to the political representation of the integrated steel producers in Washington far exceeds that of the more competitive mini steel producers, although in the meantime the mini steel producers account for about 40% of the US steel market. But, like the first articulation of the interests of the American steel consumers, this market shift can also be regarded as a positive development, for with the fall in their share of the US market and the structural retrenchment of the integrated producers, their political importance also diminishes. For their part, the American mini steel producers are more interested in opening up world markets than in protecting the US market for they currently rank among the world's most efficient producers of steel.

⁵⁷ Anti-dumping and anti-subsidy proceedings would therefore seem to be lucrative, particularly for companies in large markets, because the "return" increases in line with the size of the market, whereas legal costs remain roughly constant.

⁵⁸ Cf. Rainer K u l m s , op. cit., pp. 78 and 204-205.

⁵⁹ Ibid., p. 207.

⁶⁰ Cf. Michael K. L e v i n e : Inside International Trade Policy Formulation, New York 1985, pp. 13 ff.