POLITICAL ECONOMY OF AUSTRALIA’S STEEL TRADE
WITH THE UNITED STATES

Introduction

Steel is Australia’s largest single manufactured export to the United States and is likely to continue to be so for some time to come. The steel export trade has a significance for Australia far greater than what its dollar value represents in that it has constituted an example of Australia’s ability to diversify into the export of manufactured products. While Australia’s exports of steel to the U.S. have not been a major source of foreign revenue, they have been part of recent trend which has seen exports of manufactured goods rise as a percentage of Australia’s total exports.112

Broken Hill Proprietary Ltd (BHP)(the largest Australian steel producer) has a monopoly over Australian steel exports.113 In 1988, BHP had an output of 6 million tonnes, ranking it as the 16th largest steel company in the western world on the basis of aggregate raw steel output (see Table 1).[International Iron and Steel Institute, 1989, 2] However, like other Australian steel producers, BHP has traditionally been domestic-oriented and has not been a consistent exporter of steel. In fact, until recently, steel was only exported when a surplus occurred over and above local demand. Top priority was given to the domestic market as export markets were considered unreliable and high prices could still be obtained on the domestic market.

While the Hawke Government had encouraged the expansion of the domestic industry so Australia could become a larger and more reliable exporter of steel, production is still directed principally at the domestic Australian market. It is a highly concentrated industry with BHP and its subsidiaries dominating domestic production.114 Of total Australian production, BHP has maintained approximately 85 percent of the Australian market. [BHP Steel, 1989b, 7] While BHP’s production of marketable steel increased over the late 1980s and early 1990s to 5,735 million tonnes in 1992, domestic demand for steel was depressed by the recession and sales to the domestic market have declined by 28% from a high in 1989-1990.
There is evidence that domestic demand is growing but, partly reflecting new attention to the export market, BHP has experienced a 23 percent increase in export sales, bringing export sales to 43 percent of total sales. [Broken Hill Proprietary, 1992a, 16] The increase in total exports has not, however, resulted from an increase in access to the U.S. market. In the late 1980s and early 1990s, about 20 percent of Australia’s exports were destined annually for the North American market (predominantly the U.S.) The U.S. has remained an important market for Australia’s steel but has now slipped from being Australia’s second largest market to its third largest steel export market.115 However, problems of access to the U.S. market are, if anything, more important for Australia than they ever were.

Australia has considered the U.S. a significant steel export market over the postwar period but, not surprisingly, Australian steel exports are not nearly so important for the U.S. For example, Australia’s sales to the U.S. in 1992 were 350,000 tonnes which was 0.37 percent of the total U.S. domestic market of 88 million tonnes.116 This study is concerned with the U.S.’s role as both producer and importer of steel.117 While the U.S. produced 90.1 million tonnes of steel in 1988, it still needed to import nearly 20 percent of its domestic consumption needs (see Tables J, K). [International Iron and Steel Institute, 1989, 3,11]

The story of U.S. steel trade policy over the period of the 1980s is one of growing protectionism which dates as far back as 1968. The latest manifestation of this protectionism were the Voluntary Restraint Agreements (VRAs) which were introduced in 1984 and continued until March 1992. These VRAs involved negotiated agreements with 29 countries (including Australia) which constituted a majority of steel exporters to the U.S. This study will examine the nature of this form of protectionism and the filing of unfair trade suits which have reappeared since the expiration of the VRAs.118

The U.S. steel trade policy process will be examined in order to understand the roles played by the various U.S. state and societal actors in providing protection for the U.S. industry. The focus will be upon the interaction of the state and societal actors and the relative influence of ideas promoting either free trade or industry protection in U.S.
policies. As well, the part played by each of the U.S. political institutions in the formulation and implementation of steel policy will be addressed.

World steel trade experienced a severe downturn in demand in the early 1980s. This was coupled with an excess of supply resulting from the buoyant 1970s. U.S. steel producers, as with many of their foreign competitors, suffered a competitive decline together with a resultant increase of imported steel into the U.S. This downturn exposed the internal structural failings of much of the U.S. steel industry, especially as compared to the efficient and low-cost industries of many of the developing countries. Following the filing of legal suits with the International Trade Commission (ITC) alleging dumping on the U.S. market by foreign producers, U.S. steel producers were eventually able to convince a politically-sensitive Reagan Administration to initiate a 5-year program of VRAs in 1984. The 1989 renewal of this program for a further 30 months followed a fierce debate between advocates and opponents of further industry protection.

The VRA program was introduced essentially to combat what the U.S. industry considered to be heavily subsidized producers, the European Community (EC) and Japan. However, the U.S. industry lodged an antidumping suit against BHP in 1984 as well as against other small and lightly-protected steel exporters. Whether BHP was guilty of dumping steel on to the U.S. market was never actually tested. To maintain access to the U.S. market, the Australian government was keen to dispose of this suit and negotiated a VRA with the U.S. government. BHP willingly cooperated with the Australian government in the negotiation of the VRA given that the alternative would have been an expensive and time-consuming legal suit. The resultant agreement of 1984 provided Australia with 0.18 per cent of the U.S. domestic consumption market.

These developments in the U.S. and the protectionist responses of various other countries only exacerbated the difficulties facing the Australian steel industry in the early 1980s. Experiencing a downturn in its sales as a result of the diminished world demand and the other macroeconomic problems of this period, the Australian industry urgently sought assistance from the Australian government. BHP underlined the gravity of the situation by even threatening a shutdown of its steel-making activities if some aid was not forthcoming.
In August 1983 the Australian government announced the Steel Industry Plan whereby assistance would be provided to the industry for a period of 5 years with industry (principally BHP) agreeing to continue to operate integrated steel mills and to invest a certain amount in the industry and with the unions agreeing, for their part, to exercise wage cost restraint. A Steel Industry Authority (SIA) was established to monitor and advise the government on progress made under the Plan. While it is doubtful whether the Plan, as the centrepiece of the Hawke government’s domestic steel industry strategy, was a major contributor to the Australian industry’s recovery, it did serve to improve industrial relations which assisted the future development of the industry.

The Australian steel industry has been a domestic-oriented one and the move to increase the steel export market independently of domestic demand has been a recent one. While the added emphasis upon export markets has drawn attention to new markets, especially in Asia, established markets such as the U.S. market have also become more important. A study of these Australian industry developments helps to explain the changing nature of the domestic bargaining process between those Australian state and societal actors involved in making Australian steel trade policy. Together these sections help to explain the Hawke government’s domestic steel industry strategy and the relations which developed over this period between state and societal actors involved in making Australian steel trade policy. This in turn has helped to explain how the bargaining between Australian state and societal actors has influenced Australia’s approach to seeking an improvement in its steel trade outcomes with the U.S.

The study will initially consider the particular problems experienced by Australia in exporting to the U.S. under the VRA program and subsequent unfair trade suits. This will be followed by an examination of the roles performed by Australia’s state and societal actors in the Australian steel trade policy process, how they interact in that process and the influence that each has upon the other in the making of policy.

The final section considers the approaches Australia has adopted, be they bilateral or multilateral, towards solving the problems presented by the nature of U.S. steel import politics. Linked as it must be to the previous discussions of the U.S. steel policy and policy-making process and the Australian domestic bargaining process, this part will
refer to the strategies adopted by both Australian industry and its lobbyists and the Australian government in bargaining for an increase in U.S. market share.

U.S. Steel Trade Policy and Programs

Brief History of the Postwar Period

Where in the 1950s the U.S. steel industry had the preeminent position in the world market due to the scale of its plants, it had fallen behind by the 1970s. The industry experienced an extraordinary rise in labor costs over this period and these were passed on to domestic purchasers by virtue of the oligopolistic competitive structure of the industry. [Walter, 1983, 486] The nature of the U.S. industry largely explains the deepening penetration of imports into the U.S. from the 1960s through to the 1980s.

In the late 1960s Japan and the European Community both had surplus steel capacity and targeted the U.S. market. The resultant influx of imports was encouraged by the fact that U.S. consumers, fearing industrial strife in the U.S. industry, ordered heavily from foreign producers. [Hogan, 1987, 354] Reacting to these increased imports the steel industry together with the industry’s unions were able to force President Johnson’s hand in 1968. To forestall congressional action, Johnson directed the negotiation of the first of many VRAs with Japanese and European steel industries.\textsuperscript{122}

There were no VRAs or other protectionist devices in operation in the period 1974 to 1976 because of both an upsurge in domestic demand for steel and an anti-trust suit filed on behalf of steel users by the Consumers Union. In 1976, the steel industry, facing a depressed domestic market and a new surge of mostly Japanese imports, sought more comprehensive forms of protection which would cover other countries which had not been signatories to previous VRAs.

Responding to the filing of antidumping suits by the U.S. industry and following a taskforce report, the Carter administration introduced the Trigger Price Mechanism (TPM) in February 1978. The TPM aimed to be a more systematic protection device (covering all foreign producers and all steel products). It was ostensibly an antidumping
rather than a protectionist measure and established what were referred to as ‘fair value’ import reference prices.\textsuperscript{121} [Walter, 1983, 491]

The TPM remained in place, albeit in a revised form, until 1982. With the U.S. steel industry feeling the full effect of the recession,\textsuperscript{124} the TPM proved to be an insufficient guarantee of the minimum acceptable market share for the domestic industry and in February 1982, the seven largest firms filed 110 charges of unfair trading practices against 11 countries. The U.S. industry remained convinced that the flow of imports could only be effectively stemmed through the imposition of quantitative restrictions and 1982 saw a hardening of this protectionist position.\textsuperscript{125} [Walter, 1983, 495]

In October 1982 the U.S. signed a steel pact with the EC which saw the EC’s share of the U.S. market reduced in return for the lifting of dumping and countervailing duty charges against the EC. [Conybeare, 1987, 210] This pact effectively provided an incentive for the diversion of supplies from non-EC producers on to the U.S. market. Together with the U.S. industry’s view of a demonstrably successful 1982 campaign, this immediately created more pressure by the U.S. industry for control of imports.\textsuperscript{126} [Jones, 1984, 396] For the U.S. steel industry, the import issue remained the avenue of immediate relief. In seeking a global import quota, the industry sought protection through various channels. These included petitioning for relief through the escape clause (being Section 201 of the 1974 Trade Act); the filing of many ‘unfair’ trade suits; and the introduction of industry-sponsored legislation in Congress, resulting in The Fair Trade in Steel Act of 1984.

In 1984, for the first time, there was a simultaneous push for industry protection by means of escape clause petitioning and the filing of unfair trade suits.\textsuperscript{127} In mid-1984, the U.S. International Trade Commission (ITC) recommended relief on most steel products in the form of a combined program of increased tariffs and quotas. The industry was disappointed that more comprehensive protection was not recommended and turned its attention, together with unions and supporting politicians, to the President.
While the Reagan Administration took into account a number of important international considerations in devising a recovery plan for the U.S. industry, domestic political issues dominated the policy formulation process and a new program of protection was introduced. Aware that a program of export restraint agreements would not expose the U.S. to retaliation or claims for compensation by dissatisfied exporting countries (and avoid retaliation under GATT procedures), the Reagan administration became more interested in negotiating these than in implementing the ITC recommendations.

Voluntary Export Restraint Agreements

The VRAs, negotiated as part of the Reagan plan, were an attempt to overcome the leakages of previous protectionist measures and establish a global system of binding bilateral arrangements. The invitation to foreign producers to enter into VRAs was made with the blatant threat of the use of U.S. trade laws and their remedies as leverage with which to pressure reluctant governments into making such agreements.

The system of VRAs sought to be comprehensive, covering all ‘unfair’ traders, and thus aiming to fully insulate the U.S. domestic industry from world market effects. Foreign suppliers were faced with little choice but to negotiate an agreement given that any exporter under investigation was deemed to be an unfair trader. While initially seeking to protect the arrangements (both formal and informal) made between the U.S. and the EC and Japan, and to cover the increasing exports of the developing countries, the very design of this VRA program ensured that it also covered lightly-subsidising countries such as Australia.

This quota plan was designed to limit penetration to 18.5 per cent of the U.S. market for steel mill products (down from the 25.4 per cent at which it stood in June 1984) with a limit of 1.7 million tonnes on annual imports of semi-finished steel. Congress endorsed this plan when it passed the Steel Import Stabilisation Act of 1984, which became part of the Trade and Tariff Act of 1984.

The plan had seven important components: there were to be negotiated 5-year export limits on the countries whose steel prices to the U.S. had surged ‘unfairly’ in recent
years; coverage was to be over all steel mill products with product-by-product limits based on historical patterns; there was to be a system of licensing to enforce the export limits; there was to be continued 'rigorous' enforcement of the U.S. unfair trade laws; there was to be the possible termination of unfair trade investigations in exchange for export-restraint agreements; existing steel trade agreements were to be reaffirmed; and consultations were to be undertaken with the U.S.'s trading partners on ending 'trade-distortive and trade-restraining practices' in other markets. [Jones, 1984, 400]

While this system of VRAs was ostensibly voluntary, in reality the export limits were enforced by a licensing system.\textsuperscript{132} The agreements with various states contained a number of common features including permission for a foreign country to enter into consultations if it believed it was being unfairly treated in relation to other countries; permission for the foreign country to borrow against future allocations up to 5 percent of its quota; the withdrawal of unfair trade cases after consultation with the US industry; and consultation by exporting countries if there appeared to be a shifting of products within product categories. [Cantor, 1986, 6]

The 1984 VRA program had resulted from the Reagan Administration's frustration with the ineffectiveness of previous protectionist measures (the TPM and the previous VER). The Administration wished to satisfy steel industry demands, while at the same time appearing to remain a free trader in the world steel trading community.

\textbf{Arguments over the General Effects of the VRAs}

Arguments over the effects of the VRAs surfaced in the debate over whether the 1984 program of VRAs should have been extended beyond September 30, 1989. The steel industry argued that the VRA program should be extended for a further 5-year period. It contended that while the program had made an important contribution to the recovery of the industry (from its low point in the early 1980s)\textsuperscript{133} and had restrained 'unfair and illegal' imports, more time was needed for both a full recovery and for the U.S. government to combat these 'unfair and trade-distorting practices'.

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While proponents and opponents of the VRA program agreed that the trade-distorting conditions of the world steel market had not changed much since the VRA program was introduced, opponents argued that the program had itself contributed to the distortions in the world steel market [Jones, 1984, 406] and that the program effectively did nothing to correct the world market situation. Instead of discriminating between fair and unfair traders, opponents argued that the VRA program actually exempted the unfair traders from U.S. trade laws and guaranteed them a share of the U.S. market. [The Stern Group, 1989, 63]

The industry argued that the VRAs were necessary in order for the industry to improve its international competitiveness and that additional time was still required.\textsuperscript{134} The U.S. industry stressed that while progress had been made in modernizing plant (for example, in product yield and energy use), the industry was in a transitional phase having suffered US$12 billion in losses in the early 1980s and still lagged behind its major competitors by the late 1980s. [Putnam, Hayes and Bartlett, 1988, 38]. Opponents of the VRA program answered this by arguing that by 1989 the indicators showed an industry profitable and ready to face foreign competition without the aid of the VRAs.\textsuperscript{135}

It was argued that steel as a strategic industry required assistance because of its importance to the health of the U.S. economy and particularly the manufacturing sector. Without denying the strategic importance of the steel industry, opponents of further protection for steel argued that many steel-using industries were both important sources of exports for the U.S. (being disadvantaged by the higher costs of steel which resulted from the imposition of the VRAs)\textsuperscript{136} and employed many more people than the steel industry.\textsuperscript{137}

Arguments over whether the VRA program caused steel price rises for steel-users and consumers were also important.\textsuperscript{138} The industry has argued that the price rises in the late 1980s averaged only 3.4 per cent higher than in 1984 and only 1.7 per cent higher than in 1981 while for users, when adjusted for inflation, the prices were in fact 5 per cent lower than when the VRAs were instituted.\textsuperscript{139} [Putnam, Hayes and Bartlett, 1988,
22] Opponents have countered by referring to price rises directly resulting from the operation of the VRAs and the costs resulting from shortages.\textsuperscript{140}

The fact that VRA countries undershipped in 1987 and 1988 undermined the argument that the quota arrangements of the VRA program were a significant cause of any price rises. Quotas were only capable of causing price increases when the quotas were binding or filled which was certainly not the case.\textsuperscript{141} [Cantor, 1989b, 1] In addition to the inflexibility of the quota system under which foreign exporters supplied to the U.S. market, there were also some 40 foreign exporters not covered by the VRA program.

While the evidence of undershipments undermined the argument that the quota arrangements contributed to the rises in steel prices, it also weakened the argument of the VRA advocates that the VRA was needed to maintain an effective barrier to a surge of imports. While other effects of the VRA program were problematic, it proved to be highly successful as a measure to control imports from those countries with whom a VRA had been signed.\textsuperscript{142} Given that many foreign exporters did not fill their VRA quotas, it could well be argued that one of the significant effects of this import control program was as a deterrent to these exporters. Certainly BHP officials believed that the difficulties experienced in adhering to the program made alternative markets more attractive. [Interviews with BHP officials]

Opponents of the VRA program argued that shortages had resulted producing problems of both cost and availability for steel-users. One steel-user association argued that members' investment decisions had been affected by what it considered to be the risk of insecure supply both from domestic and foreign steel producers.\textsuperscript{143} The steel industry in reply referred to a Short Supply procedure which it claimed had been underutilised. [American Iron and Steel Institute, 1989e, 8] This procedure, which as part of the VRA program allowed U.S. steel users to seek additional supplies of steel when not available domestically, effectively exempted a particular importer from the quota limits. Opponents of the program countered by arguing that the process was time-consuming and allowed domestic suppliers to quote high prices. [Cantor, 1989a, 6]
Opponents of the VRAs argued that the program acted as a disincentive to modernization and adjustment for the U.S. industry and had undermined the industry’s capacity to compete internationally. Import restraints were seen as having adverse effects upon both domestic efficiency and the economic welfare of steel consumers. The program also provided manufacturers with an incentive to seek either alternatives to steel, (foreign sources of steel-intensive components) or to minimize the use of steel in their products. [The Stern Group, 1989, 26-27]

Internationally, the VRA program had removed the incentive for foreign suppliers to produce efficiently and at the lowest possible cost. With the threat of trade cases removed, suppliers who were granted a quota share, were assured of sales into the U.S. at prices which did not reflect the world market price.

U.S. President Bush announced on 23 July 1989 a "Steel Liberalization Program" which would phase out the VRAs while negotiating an international consensus to remove unfair trade practices.\(^{144}\) [United States Department of State, 1989, 35] The VRA program was extended for a further 30 months to 31 March 1992 while allowing for the progressive annual lifting of import ceilings by one percent. The VRA program had served its purpose in effectively allowing time for the U.S. industry to modernize and place itself in a more competitive position for the time when the program was withdrawn. The lifting of the U.S. import ceilings did not give any priority to relatively subsidy-free steel exporters such as Australia\(^{145}\) as had been hoped by the Australian government and BHP. [Hywood, 1989] However, while predictions that the 1992 expiration of the extension period would see no further extensions of the VRAs proved to be correct, [Hancock, Porter and Hily, 1990, 10] no sooner had the program ceased to exist than the U.S. steel industry lodged unfair trade suits against foreign exporters.

**Effect of the VRA Upon Australia**

The effect of the VRA program upon Australia has been both beneficial and detrimental. Australia has historically been a small exporter into the U.S. and its small quota share of 0.18 per cent reflected this fact. It was affected both directly and indirectly by the import restraint applied by the U.S. VRA program. Directly, the VRAs had the effect
of limiting the amount of steel Australia was able to export into the U.S. While BHP considered this to be an irritation throughout the period of the program, the effect was aggravated as Australia geared up to expand its exports, both generally and to the U.S. Indirectly, with the U.S. as the largest steel importer, its VRA program acted to both reduce import competition into that market and constrain the world trade in steel.

Together with the other 29 countries holding quota shares into the U.S., Australia had gained the benefit of the higher rents guaranteed by the program. The program had not, however, rewarded Australia (or other countries for that matter) for having been an efficient and lightly-subsidized exporter of steel. If anything, the VRA between Australia and the U.S. had acted as a disincentive to greater efficiency given that Australia’s membership of the cartel (of exporters to the U.S.) was based on previous market share and bore no relation to the price at which Australia had been able to export steel into the U.S.

Given that Australia had not filled its VRA quota throughout the period of the program, the VRA had not, strictly speaking, limited the amount of steel Australia exported to the U.S. However, BHP was concerned at not only the great amount of paperwork the VRAs entailed for both it and the Australian Department of Foreign Affairs and Trade, but also that the limit imposed affected BHP’s ability to respond flexibly to the requirements of the world market. [Phillips, 1992b]

**U.S. Steel Trade Policy-Making Process**

The U.S. steel trade policy-making process and the implementation of a program of VRAs from the early 1980s through to the 1990s should not be interpreted as simply a reactive executive and Congress facing powerful and organized industry interests. Without understating the strength of the steel producers lobby and its position in relation to other societal actors involved in the making of U.S. steel trade policy, state actors in both the executive and the Congress played the dominant roles in this policy process. The restrictive nature of the VRA program was not only the result of a powerful and articulate domestic constituency pressuring for some protection from import competition,
but it also represented a strong interest within this policy-making establishment in the U.S.'s role as an exporter rather than as an importer of steel.

The late 1980s and early 1990s witnessed a decided shift of opinion within policy-making circles away from providing protection to the steel industry. This was derived not only from the increased prominence of anti-protection societal forces but from changing attitudes within the executive and Congress as to the economic position of the steel industry and the provision of governmental assistance. The decision to extend the VRA program only till March 1992 and then only upon certain terms was testimony to this shift of opinion.

An assessment of the roles performed by each of the state actors within the two central political institutions and how they interact is critical to understanding U.S. steel trade policy-making. This will be followed by an examination of how various pro and anti-protection societal actors have competed for influence over the making of U.S. policy.

**Role of the Executive**

Since the late 1960s, the executive has had a central role in the making of steel policy and, on many occasions, as with the 1984 VRAs, has taken the lead. This was partly the result of the nature and perceived importance of the industry and partly due to the industry's ability to take advantage of both legal avenues and political circumstances to apply pressure upon the executive. Within a VRA program, where both exporter and importer producing interests have wanted a deal (admittedly for different reasons), it has been difficult for the executive to resist the temptation to proceed with such a trade restricting deal. [Destler, 1992, 161]

The institutionalization of the VRA as the main instrument of steel policy acted to enhance the role of the executive and its implementing agencies. Within the executive branch, it was the Office of the U.S. Trade Representative (USTR) which negotiated these agreements, while other agencies were involved in both monitoring steel imports and in ensuring the compliance by foreign exporters. The VRAs, as negotiated forms of protectionism, provided the executive with a certain discretion with which to implement
the program. The authority and discretion of the executive was, however, limited by the
general enforcement authority exercised by the Congress and the fact that Congress
monitored both the level of imports and how well the domestic industry was meeting
its modernisation requirements.

In both 1984, when the President was considering some form of assistance for the steel
industry, and then again in 1989 when renewal of the VRAs was being debated,
policy-making within the executive branch was conducted through an inter-agency
process. The principal agencies which handled steel policy were the Office of the U.S.
Trade Representative (USTR) and the Department of Commerce while other bodies such
as the Departments of Justice, Labor and State, the Treasury, and the Office of
Management and Budget (OMB) were also involved.

Important agencies of the executive took varying positions as to whether the program
of VRAs was desirable. The USTR and the Departments of Commerce and Labor were
generally supportive of the VRAs while the Treasury and the Departments of State and
Justice were generally against such protection.

There were in 1984, according to one analysis, three broad groupings which sought to
influence the President over steel trade policy. [Walters, 1987, 17-18] The first of these
groupings was what was termed "the principled-free-traders" who espoused a preference
for market solutions. This group included the then Secretaries of the Treasury, State,
Defense and the director of the OMB. They believed that protection would not only
prolong the steel industry's problems but also harm the exporting steel-using industries.

The second group were "the pragmatic-protectionists" who shared the philosophy of the
principled-free-traders but saw some value in devising a policy of import restraints to
help the steel industry. This group included the then USTR and the Secretaries of
Commerce and Labor. This was the group closest to the problems facing the steel
industry and held the general view that a significant proportion of steel imports entering
the U.S. were unfairly traded.
The third group were the White House domestic political advisers and were those most keenly concerned with the need for President Reagan to be re-elected in 1984 and to get as many Republicans elected to the Congress as possible. This group sought to both address the concerns of an industry represented in a number of important states, and avoid a confrontation with a Congress concerned to provide some protection to the industry.

This division gives some idea of the tensions and compromises generated in 1984 and the problems faced by the Bush Administration in 1989 when it wrestled with the issue of whether to renew the VRAs. A shift of opinion in favour of the "principled-free-traders" was evident in 1989 with a change of political and economic circumstances. The steel industry had returned to profitability; the administration and Congress were not as vulnerable to industry pressure, and there were in existence much stronger and organized anti-protectionist forces.

The Department of Commerce had day-to-day responsibility for steel policy and maintained close relations with the steel industry through its International Trade Agency (ITA). Given this close and continuous relationship, it was understandable that this Department tended to support protection.

USTR took a similar, though less overtly protectionist line to that of Commerce, on the steel trade issues of the 1980s. According to a senior Australian embassy official, the USTR emphasised the importance of viewing any protection for the steel industry very much linked with the need to gain an international consensus against dumping and subsidisation of exports. Within the USTR, the sub-cabinet Trade Policy Review Group (TPRG) considered steel trade issues while on a more day-to-day basis, the Trade Policy Staff Committee (TPSC) took responsibility for the formulation of the agency’s policy.

The importance of the USTR’s coordinating role is illustrated by the establishment within USTR Carla Hills’ office of a special working group to consider the 1989 renewal of the VRA program. This group worked with other agencies of the executive, with the Congress and with steel producers and users, to flesh out the administration’s
steel policy from the framework given in the letter of President Bush of November 1988. [United States Congress, 1989, 13-1] The importance of this USTR process is illustrated by the fact that the resultant executive policy on the VRAs was derived from the deliberations of the USTR task force.

Those executive agencies with responsibility for the implementation of steel trade policy also had, by the nature of that function, an important role in policy formulation. They were the USTR, the International Trade Agency (ITA) of the Department of Commerce and the Customs Service.

The U.S. Special Trade Representative (USTR), as the principal trade agency, had the responsibility for negotiating the bilateral VRAs with the foreign exporting countries. As a general rule, it was an agency which encouraged the expansion of trade and has argued against the implementation of trade distorting mechanisms. However, in arguing for linkage between limiting U.S. imports and international reform of steel export policies, the USTR supported the adoption of the VRAs.

The ITA's role involved monitoring the operation of the VRAs and, through its Office of Agreements Compliance, was responsible for enforcing compliance with the agreements. The ITA also had responsibility for selecting the independent forecaster who estimated the market outlook for each product. From this forecast, the ITA specified the tonnage of each product that VRA countries could export to the U.S. Foreign exporters shipping steel to the U.S., for their part, were required to have export licences for the quantities involved. As an aspect of the institutionalization of the post-1984 VRAs, the ITA received copies of all export licences in advance of the actual entry of the steel, thus enabling it to monitor all steel shipments to the U.S.

The Department of Commerce has also been very much involved with the administration of the unfair trade laws which succeeded the VRA program. The Department interacts closely with steel producers and has been more concerned with the economic conditions that they face rather than with whether these laws were being used for protectionist purposes.[Baldwin and Moore, 1991, 258] Following allegations of dumping, for
instance, Commerce had the responsibility to determine whether the alleged imports were dumped and, if so, to estimate the margin of dumping.\textsuperscript{149}  [Murray, 1991, 24]

The Customs Service had the least policy-oriented role of the implementing agencies. The Service processed the entry of the steel shipments, furnished the documentation to the ITA and simply enforced any restrictions imposed by the ITA. It was the collector of duties, undertook necessary inspections of steel shipments upon entry and classified the products. [Cantor, 1986, 8-9]

**Role of Congress**

The 1984 steel policy does not represent the dominance of Congress over the executive in trade policy-making. Congressional assertiveness was directed at pressuring the executive to respond positively to the demands coming from the U.S. steel industry. In contrast to most other protectionist initiatives of the 1980s, the thrust of the policy originated with the Administration's response to industry demands for protection. Rather than provide for statutory restrictions upon steel imports, Congress sought an Administration program to the same effect. When 201 Representatives signed on to the steel quota bill in 1984, this was more to apply pressure upon the Administration than to have the bill placed on to the statute books. [Destler, 1986, 77] In this way, steel policy-making over the 1980s involved particular members of Congress acting more as lobbyists to the administration on behalf of the steel industry than as legislators.

Congress was not, however, simply a cypher or conduit for industry pressure upon the executive. There was a genuine body of opinion within the Congress which believed the steel industry was suffering badly from unfair competition and sought a change of policy which would help to alleviate this problem. Some members of Congress were obviously motivated by the fact of their closeness to the steel industry or its importance to their constituency, while others believed that steel, as a strategic industry, was close to extinction.

Congress' formal response to the Reagan Administration's decision to impose VRAs upon foreign exporters incorporated provisions that were not in the Reagan plan (and
had in fact been advocated by his 1984 presidential challenger, Walter Mondale). These were a market-share target of 17 per cent for steel imports (rather than the 20.5 per cent sought by Reagan) and a reinvestment requirement provision for the steel industry. Prominent Democratic members of Congress persisted in the negotiations with the executive and the resultant compromise bill, (the Trade and Tariff Act of 1984) reflected congressional wishes as much as those of the executive. President Reagan, in seeking re-election, was prompted to take the lead in answering industry demands for protection at this time. However, members of Congress, mindful of their role in providing the necessary legislation to implement and enforce the executive’s proposals, played a central part in the process which established the VRA program.

A steel caucus had been established in Congress since the early 1970s. Its existence was testimony to the geographical spread of the steel industry across the U.S. and its influence over many members of Congress. In 1984, the importance of this large and sympathetic body of opinion was evidenced by the fact that the 9 largest steel-producing states had 225 out of a total of 270 electoral college votes needed by President Reagan to be re-elected.

Congressional support for the steel industry was both organized and focused by the steel caucus, and this was enhanced by the high profile which the steel industry had traditionally enjoyed across the U.S. Over the period of the 1980s, the efforts of the steel caucus to secure increased protection for the industry were reinforced by the growing protectionist sentiment within the Congress as a whole.

Steel industry interests were represented much more prominently within the Congress than were those of the steel-using industries. Protection for the steel industry proved to be a political good around which industry groups were able to organize and pressure state actors much more effectively than groups (such as the steel-using industries and consumers) which sought the removal of the VRAs.

While many within Congress had been prepared to legislate protection for the steel industry, a number of members of Congress remained keenly aware of the harmful effects such protection had upon other steel-using industries and upon the economy as
a whole. The realisation by many in Congress of the seriousness of the industry's problems, did not mean that they blindly accepted the industry's arguments for protection from imports. There was also evidence of ideological opposition within Congress to the use of VRAs because of their effect upon steel-using industries.152

A vital part of the congressional decision-making process, as in other trade sectors, was the committee system. The committee system was, however, of lesser importance in steel trade policy-making than in other sectors given the role of the steel caucus in bringing steel policy issues directly on to the floor of each House. However, the committees of the Congress still performed key policy oversight functions through the use of their hearings on steel policy and related issues. These functions were performed principally by the trade committees: the House Ways and Means Committee and the Senate Finance Committee.

With the implementation of the VRA program, the congressional committee system performed another important function. Congressional authority for the enforcement of the VRAs, to be renewed each year, required the certification of both the House of Representatives Ways and Means Committee and Senate Finance Committee that the domestic steel industry had reinvested substantially all of the net cash flow back into its steel operations.153

In contrast to its role in the instigation of the VRA program, Congress has been the more dominant player in both the formulation as well as implementation of the unfair trade laws. Over the years, Congress pressed for a tightening of the enforcement of these laws and (in parallel with its policy as evidenced in the VRA legislation) sought to ensure that the executive's discretion was limited in the execution of these laws.154 [Baldwin and Moore, 1991, 254-263]

**Role of U.S. Societal Actors**

Steel provides an excellent example of where the pluralistic structure of the U.S. system of government has provided a number of pressure points where societal actors could seek to influence the policy-making process. Over the 1980s, the nature and extent of
societal-actor influence in the U.S. steel trade policy-making process changed. While lobbying by societal actors seeking further protection for the industry remained important, by the end of the decade their influence over policy-making was no longer decisive.

The steel industry was in the 1980s and into the 1990s, the most influential societal actor in the making of steel trade policy. As the producer group, it has been critical of both U.S. government intervention in terms of taxes and charges and government inattention in terms of assistance to match the government support given to its chief foreign competitors. The industry’s trade body, the American Iron and Steel Institute (AISI), had lobbied both the Administration and the Congress for the establishment and then the continuation of some form of protection. In the early 1980s, the industry used the filing of legal cases by individual firms with the ITC to reinforce its demands for some form of comprehensive protection.

Since the late 1960s the United Steelworkers (covering almost all workers in the industry) have supported the industry’s case for protection. As they saw it, the decline in the competitiveness of American steel production made trade restrictions essential in order to protect their wage structure. This in turn made it imperative for the union to throw its weight behind the political campaign for protection. [Jones, 1984, 394] As illustrated in the 1989 VRA renewal debate, there was little to distinguish the position of the union from that of the industry on protection.

From the time of the pressure for protection of the early 1980s to the renewal of the VRAs in 1989, industry tactics changed. In the early 1980s, the industry was seeking to change the status quo and found it necessary to apply pressure upon three different institutions: the ITC, the Congress, and the Reagan Administration. By 1989 the industry was determined to maintain the status quo (the system of VRAs) and to do so agreed not to institute legal cases against foreign countries who agreed to negotiate a VRA. This meant the industry could no longer use pressure upon the ITC to ensure a continuation of policy. Industry pressure was thus directed to the 1988 Presidential candidates and to influential members of Congress.
The AISI and certain research bodies were also active in promoting ideas akin to viewing the steel industry as a strategic one deserving of assistance. Conscious of the strength of ‘free’ or liberal trade thinking in policy-making circles in Washington, the industry’s argument that steel be treated as an exceptional case was promoted in publications ranging from pamphlets to full-length books.[see for example, Howell, Noellert, Kreier and Wolff, 1988] Even opponents of protection have acknowledged the importance of the steel industry’s publicity and promotion campaign.

The 1980s saw the rise of many interest groups opposed both to the granting and then extension of protection to the steel industry. Most active amongst these anti-protectionist groups were the steel-using industries which argued that the increased domestic price for steel was caused by import restrictions. In their view, any quota system not only protected the domestic industry but also gave importers the opportunity to quote as high a price as the market would bear. [Wasowski, 1988, 22] The increased activity of these groups was partly a reaction to the increased protectionist activity of the steel industry and partly due to the steel users’ own increased dependence upon trade. [Destler and Odell, 1987, 27]

In the debate over the renewal of the VRAs, the activity of the anti-protectionist groups was, however, generally not as intense as that of the protectionist threat. Some large steel-using firms such as Caterpillar Inc. were especially sensitive to the threat posed to their input costs by the VRAs and became leaders in the fight against extension of the VRA program. However, downstream users such as in the U.S. automobile and construction industries did not play a major role in the trade politics of the time. [Destler and Odell, 1987, 49]

These anti-protectionist societal actors cannot be credited with the decline in support for the steel industry over the initial 5-year period of the VRAs. Some major steel users indeed showed inexplicable reluctance to become very involved in lobbying against the VRAs, while others, conglomerates with steel-producing subsidiaries and hence conflicting interests, showed even less interest. In fact, even in the initial campaign against the introduction of the VRAs in 1984, efforts to build a broad coalition between users and importers met with little success. Much of the lobbying by anti-protectionist
interests in fact came after the decision and was directed at receiving favourable treatment for their own imports. Perhaps, as has been suggested, there was a broader ambivalence amongst users than amongst producers, with the users having been dependent not only upon imports but also upon their traditional domestic steel suppliers. [Destler and Odell, 1987, 48]

Towards the end of the 1980s, the steel-using industry, despite its organizational problems, became more vocal in its opposition to both the renewal of the VRAs or in fact any form of industry protection. U.S. steel importers have also expressed concern over both the VRA and more recently the unfair trade suits.157 Their calls have struck sympathetic chords in many quarters of both the Administration and the Congress (including within the steel caucus) where ideas of ‘free’ trade were still widely held.

The steel users and importers have, however, had a limited impact upon the making of steel trade policy. One of the principal reasons for this was that they had not established a political tradition for lobbying and pressuring the organs of government over the past 20 years or so of steel protectionism. As well, during the period of the post-1984 VRAs, these steel users have not taken every opportunity to argue against the VRAs nor acquired the kind of cohesion and focused attention so characteristic of the steel industry itself. Largely for these reasons, anti-protectionist activity by steel users and consumers was not as effective as the steel industry’s lobbying and certainly not as much as it should have been.

The steel industry has made good use of its oligopoly arrangement during the 1980s and early 1990s and, together with the United Steelworkers (with its virtual monopoly over labour), successfully argued that steel was a special case requiring each President to depart from the favoured free trade posture and apply a protectionist program for the industry.

The steel trade policy-making process in the U.S. has exhibited a number of interesting features over the period of the 1980s and early 1990s. Congress, which began the period as the more protectionist of the two political institutions of government, found strong competition from the executive branch for control of protectionist policy. Another is that
the executive, as a result of its role in both instituting and then implementing the VRAs, became the primary focus of industry attention as the latter sought to continue to restrict import penetration.

Support for the steel industry, though diminished over the period, was still substantial in both the Congress and the executive at the time of the expiration of the VRA program. However, despite this support, there was within each political institution, an ongoing debate during the period over whether and what kind of support should be made available to the industry.

**Australian Steel Industry**

The Australian steel industry is small by world standards but rates highly in relation to other Australian manufacturing industries. While primarily an industry oriented to satisfying the domestic market, steel has constituted one of the top Australian manufacturing exports by value.158 The industry has also been a highly unionized one with only a few unions representing the great bulk of employees. It has had a history of industrial disputation which has badly affected both its productivity and efficiency. Any attempt to improve the efficiency and international competitiveness of the Australian industry would have to directly involve both BHP and the steel unions.

The steel industry has not been a highly protected one, by Australian or world standards, and received an average effective rate of assistance of 12 per cent as compared to 23 per cent for the manufacturing sector as a whole. [Industries Assistance Commission, 1985, Table 3.7] Until the early 1980s, the tariff was the main form of assistance and rates ranged from 5 to 15 per cent for most basic steel products with some specialised steel products, albeit subject to phasing arrangements, attracting duties of 22 to 25 per cent. In 1982, tariff quotas were introduced to restrain imports of certain hot and cold rolled products and pipe and tube to the 1981-82 level.159
The Steel Industry Plan

In August 1983, not long after the election of the Hawke Labor Government, the largest government assistance plan in the history of the steel industry was announced. The Steel Industry Plan (SIP) was influenced, to a varying extent, by the findings of a steel inquiry by the then Industries Assistance Commission (IAC) in 1982-83 and the recommendations of a tripartite Steel Industry Advisory Council (SIAC). As well, the government seemed to accept the general realization, both inside and outside of industry that, largely due to the severe economic climate of this period, BHP could well close down its steel-making. Importantly, the SIP was an attempt by the Hawke government to provide assistance to the industry without insulating the industry from the need to be internationally competitive.

The SIP, which was put together by the industry, the unions and the Australian government, aimed to "establish a viable and internationally competitive steel industry in Australia capable of providing competitively priced steel to domestic downstream users and job security for the industry's employees." [Steel Industry Authority, 1988a, 33] The Plan involved obligations on the part of the government, the steel industry and the steel unions, and fitted within the pattern of 'consensual politics' of the early years of the Hawke Government. In contrast to its predecessor, the Hawke Government had sought to reach tripartite agreements involving the government, the unions and employers.

A Steel Industry Authority (SIA), with tripartite representation, was established to implement and monitor the success of the Plan as well as monitoring and analysing developments in the industry. The Authority reported in mid-1988 that the Plan had been a success and that all specific short-term objectives on production, investment, employment, productivity and steel prices had been met. [Steel Industry Authority, 1988a, 1]

1988 saw the steel industry recover sufficiently for the then Minister for Industry, Technology and Commerce to decide, on the advice of the SIA, that no further assistance would be granted to the industry. In ending the Plan, the Minister announced
the end of governmental intervention or any special treatment for the steel industry (that is, apart from the tariff levels which were being lowered), and reduced the government’s role to that of monitoring the continuing process of negotiation between the industry and the unions. [Minister for Industry, Technology and Commerce, 1988]

While the Plan was well-timed as a response to the problems being faced by the Australian steel industry in a world steel market characterised by government subsidisation and excess capacity and experiencing the worst post-war recession, it was not without its problems. The Australian government cut its bounties for the steel industry in 1986 and failed to provide a fast-track antidumping mechanism against steel imports. 1986 also witnessed an increase in industrial disputes with unions failing to comply with dispute settlement procedures which had been negotiated between BHP and the Australian Council of Trade Unions (ACTU). However, despite these problems, the Plan had encouraged the development of better relations between management and unions at the various plants than had previously been the case.

The SIP represented the first manifestation of the Hawke government’s emphasis upon sectoral policies and contained a mixture of social and political purposes while ‘buying time’ for the industry to modernize and restructure itself. [Warhurst and Stewart, 1989, 174] During the period of the Plan, investment by BHP had totalled approximately AUD$2 billion, which was more than double its original pledge; price rises had remained generally in line with the Consumer Price Index; and there had been a marked improvement in productivity. However, in terms of supplying the demand of its steel-user customers, BHP’s performance showed little improvement from the years before the Plan. During the period of the Plan, BHP admittedly made only one involuntary retrenchment of workers. However, this should be balanced off against the massive cuts in its workforce which BHP had made in the years immediately preceding the Plan.

The SIP was hailed by all three parties to it as a success. It was generally considered to have provided some stability for steel-making while giving the industry the confidence to continue its operations. The Plan’s greatest contribution was probably in providing both a framework for the restructuring and modernisation of the industry and
a learning experience for all the parties as to how they could cooperate in the interests of both the industry and its employees.169

As against the praise given to the Plan by government, industry and the unions, should be placed the criticisms of the Industries Assistance Commission (IAC) and two other reviews of the Plan. The IAC, the most critical, argued that the end of the recession and the depreciation of the Australian dollar were the important factors in returning the industry to good health and noted that BHP had returned to profitability before the Plan had begun. An inquiry by the Bureau of Industry Economics (BIE) also found that the Plan was not responsible for the industry’s recovery by the late 1980s but argued that the Plan had been beneficial in establishing a climate of confidence for investment.170 The other review, by the House of Representatives Standing Committee on Finance and Public Administration, agreed that macroeconomic factors and not the Plan were responsible for the industry’s recovery. However, this Committee also stated that the climate of confidence provided by the Plan had been vital for investment and without the Plan, BHP may well have closed one of its plants.[Australia, House of Representatives, 1987, 77]

The Plan cannot be dismissed as being irrelevant to the recovery of the Australian steel industry or of little value as an innovation of industry policy worthy of extension to other sectors. However, while of some importance, the Plan was not the principal cause of the industry’s recovery. Many of the problems facing the steel industry in the early 1980s were neither of local origin nor confined to the industry. Thus, not surprisingly, its return to profitability was prompted by external and macroeconomic factors such as the end of the world recession in the mid-1980s, the concomitant strong domestic recovery, and the depreciation of the Australian dollar.

In judging the relevance and success of the Plan, account must be made of the circumstances in which it was originally formulated and implemented. The Plan satisfied the Hawke Government’s desire to assist the industry while, at the same time, not insulating it from international competition. What can be said in the Plan’s favour is that it helped achieve an improved industrial relations climate in the industry that placed the
industry in a more favourable position to contend with adverse global economic circumstances, and more importantly, to promote its own future development.\textsuperscript{171}

**Australian Industry’s Domestic Focus**

The steel industry’s domestic orientation is underlined by the fact that the Australian industry’s improvement over the 1980s was largely due to its increased share of the domestic market. As recently as the late 1980s, approximately 90 per cent of local production was consumed domestically. This helps to explain why Australian steel makers have traditionally not considered the export market to be nearly as important as the domestic market.\textsuperscript{172}

During this period, however, the domestic steel users, for their part, were concerned at the inability of the industry to adequately meet even local demand. Steel users found themselves having to continually pressure the industry for steel in reliable quantities and at competitive prices. As an official of the then Steel Industry Authority pointed out, government officials were well aware that many steel users were important industries in the Australian economy and were exporters themselves. Concerns about the situation facing these steel users finally surfaced in criticism of steel producers, especially BHP, by Australian state actors.[Davies, 1988c, 5]

The domestic market has remained the central focus of the industry’s attention into the 1990s. This was despite the fact that domestic orders dropped significantly as the recession bit deeply into the order books of steel-using industries.\textsuperscript{173} There has, however, been a general move by BHP (as the Australian steel exporter) towards developing overseas markets. In a recent report, BHP indicated that this was not a temporary trend but would be continued even after the domestic market had moved out of recession and domestic orders had returned to their old levels of the late 1980s.[Broken Hill Proprietary, 1992a, 18] \textsuperscript{174}

In tandem with this industry move has been pressure from the Australian government for BHP to overcome its production problems and become a reliable exporter without, at the same time, sacrificing the domestic market. From the late 1980s, for example, the
Australian government has supported moves by BHP to lay greater emphasis on higher value-added products, especially for the export market.

The recession which hit the domestic demand for steel in the early 1990s has helped to move the focus of attention on to the export markets. Despite depressed international markets, BHP was able to export a record 2.4 million tonnes of steel products in 1991/92 which amounted to 43 percent of total Australian despatches for the 1992 year. [Broken Hill Proprietary, 1992a] These steel products, consisting of steel sheet, rod and bar and coated products, were part of a trend towards increased exports of higher value-added and specialty steel products, especially the coated products. As the Pappas Report into manufacturing had previously noted, production of more higher value-added steel products would make the industry less vulnerable to the ups and downs of the global steel trade. [Pappas, Carter, Evans and Koop/Telesis, 1990, 134]

The trend should, however, not be exaggerated for, as the SIA noted, the Australian steel industry must still rely on its domestic market and could not depend upon simply developing an export specialty niche market. [Steel Industry Authority, 1988, 188] As a government official has pointed out, the Australian government has remained uncertain as to whether BHP’s planning would enable it to increase capacity to such an extent as to make the export market a major component of its production. [Interview] The domestic market has remained the principal market for BHP’s steel production and once that market has moved out of recession (which both industry and government predict will occur in late 1993), the export share of dispatches is expected to revert to something like its level of the late 1980s. [76]

**Australia’s Steel Exports to the U.S.**

The U.S. market remains a major destination for Australia’s steel exports. However, increased exports to Asian markets have meant that those markets now offer more potential than the U.S. market for Australian steel export development. With the ending of the Plan, BHP was targeted by the government to increase its export tonnage of steel as part of a general thrust to make Australian manufacturing industry more internationally competitive. At this time, the Minister for Industry, Technology and
Commerce called upon the industry to pay particular attention to the U.S. market, describing an improved performance in this market as essential if Australia was to have a reputation as a reliable supplier. [Davies, 1988c, 5]

Australia has mainly exported coated products into the U.S., an aspect of production in which BHP has become an internationally-competitive producer. This aspect of the Company’s steel-making had been subject to the same shortages as other areas and Australia, while complaining at the presence of the VRAs, had been unable to fill its quota share of exports into the U.S. because of poor demand and low prices in that market. As an industry official has commented, the U.S. steel producers had themselves forced prices down as a result of market share wars between each other.[Phillips, 1992a] Another factor in explaining the unfilled quota was the attraction of the Australian domestic market which until the late 1980s showed sufficiently strong demand to provide good prices for BHP.

While there is an increasing focus upon the export market generally and those markets in particular where Australia had managed to retain a share (such as the U.S.), the Australian steel industry (namely BHP) has adopted a rather cautious approach towards export expansion. While industry, like the Australian government, has been aware of the potential gains to be made in the export market, it has also been conscious of the volatility of the world market and has been reluctant to have too much of its production geared to satisfying export demand. Industry’s view reflected the fact that the 1980s had been a period of reduced world demand for steel and that the early 1990s had also witnessed depressed world markets.

BHP officials understand well that the company’s commanding position in the Australian domestic market could not be replicated in the world steel market where it would remain a price taker. BHP is looking to expand its exports of those categories of steel (such as coated products) which it produces efficiently and which have represented the more value-added end of the world steel market. Australia’s export trade into the U.S. has been predominantly of such refined varieties of steel, and this partly explains the increased emphasis which both government and industry have given this market in recent years.
Australia will remain, for the foreseeable future, a small steel exporter into both the US market and the world market. While the 1980s rationalisation of BHP’s steel operations placed it in a good position to maintain its standing as an efficient supplier to the US, this has not meant that BHP has been able to use its greater productivity to further penetrate that market. BHP had been unable to fill its quota during the period of the VRAs. This was not only because of the administrative problems for the Australian government and BHP in adhering to the VRA program, but also because of the higher prices for steel in the Australian domestic market (due to the assistance of the Steel Plan and the depreciation of the Australian dollar) which provided incentives for BHP and other Australian steel producers to sell domestically. At the same time, however, the operation of the VRA acted to limit Australia’s flexibility to expand to meet any increase in demand in the U.S. market.

After the expiry of the VRA program in March 1992, BHP was able to maintain market share. However, the filing of the unfair trade suits against Australia have provided difficulties and uncertainty for BHP, sufficient to act as a further disincentive to any attempted expansion of its access to the U.S. market.

The VRA program had been an administrative irritant for Australia as well as a major factor in distorting world steel market signals. The program’s eventual termination in March 1992 was, however, something of a pyrrhic victory for anti-protection forces as Australia and other foreign exporters were faced with a series of antidumping and countervailing suits filed with the ITC by a number of U.S. steel mills.¹⁷⁷

The antidumping and countervailing duty suits which followed the ending of the VRA program, while not imposing limitations upon the absolute tonnages Australia could sell into the U.S. market, constitute a form of harassment possibly resulting in expensive and lengthy defences to unfair trade complaints. Of the 2 antidumping cases filed against BHP in 1992, one was dismissed while the other, involving a complaint on BHP’s sales of corrosion-resistant steel, remained.[Peers, 1992a, 21] Until the claim was settled in July 1993, BHP like all other foreign exporters, was required to post a bond equivalent
to the penalty, this being 21.47 percent on 135,000 tonnes of its annual exports to the U.S.[Gill, 1993a, 7].

The U.S. Department of Commerce, not surprisingly, in its final decision on the dumping complaints on June 23, 1993, upheld its initial decision and imposed a 24.96 percent duty on BHP exports to the U.S. of corrosion-resistant flat rolled steel. The International Trade Commission (ITC) followed this decision with a finding on July 27, 1993 which effectively targeted the value-added end of the steel import market for anti-dumping duties but left open foreign competition in the upstream end.[Stutchbury, 1993h, 12] The ITC, in voting 5 to 1 to find that BHP’s sales of corrosion-resistant steel was injuring the U.S. industry, made permanent the 24.96 percent duty imposed by the Commerce Department. While the decision is not a good one for BHP, industry officials have been reported as believing that the harm to Australia could be limited. BHP will have to increase the price of its corrosion-resistant steel by 25 percent but expects to maintain market share in the U.S., partly because U.S. steel producers have been increasing their prices during the 1993 year and partly because BHP has been one of the only suppliers of this quality of steel products to the U.S. steel market.[Howarth, 1993d, 12]

The decision has meant Australia has escaped from the imposition of duties on its hot and cold rolled steel. While not the focus of BHP’s export expansion to the U.S., the ITC decision has provided the opportunity for BHP, along with other foreign exporters, to attempt to increase exports of these products to the U.S. in competition with the U.S. steel producers. Another, and more important effect of the decision, has been the incentive it has provided BHP to increase its presence and become a producer within the U.S. market. BHP has been reported as having held negotiations with a U.S. mini-mill operator, North Star Steel about establishing a new mini-mill.[Howarth, 1993a, 21,28]

Another effect upon Australia, albeit indirect, of these lengthy and expensive unfair trade suits is that they could result in a diversion of steel exports (from especially European and South American producers) to Asia and possibly even Australia. This would hurt BHP by challenging it in its own domestic market (which still constitutes the greatest
proportion of its steel sales) as well as hindering its own exports into the Asian region. [Peers, 1992b, 21]

Australian Steel Trade Policy-Making Process

Role of Australian State Actors

Steel trade policy-making is principally handled within the Australian government by the Departments of Foreign Affairs and Trade (DFAT) and the Department of Industry, Technology and Commerce (DITAC).\(^{185}\) DFAT inherited the trade negotiations and monitoring functions of the old Trade Department and took the more trade and internationally-oriented perspective of the two departments. DITAC, as the more sectorally-oriented department, has liaised with the domestic industry on a day-to-day basis.

Within DFAT, the Americas and Europe Division handled Australia’s bilateral relations with the U.S. on steel. This Division contained officers with trade experience and knowledge of the American political system but generally reflected the Department’s greater attention to the political over the trade/economic aspects of the bilateral relationship. The high political profile given the U.S. VRA program by the Australian government, especially with the 1989 debate over VRA program renewal, gave the steel issue a prominence in this Division’s consideration of bilateral Australia-U.S. matters. Attention given to Australia’s steel trade with the U.S. by DFAT has not, however, been as pronounced as that given agricultural trade. This reflected the less important position occupied by steel in Australia’s export profile and Australia-U.S. economic relations.

Within DFAT, two other Divisions were concerned with aspects of steel trade policy-making. The Economic and Trade Development Division, which generally handled trade negotiations and analysis, was involved in monitoring developments in the U.S. Consulting with DITAC, this Division took the lead in negotiating the VRA with the U.S. government. The Multilateral Trade Division, which was chiefly responsible for both the formulation and presentation of Australia’s position in the Uruguay Round, also monitored the steel trade and the possibilities of its reform through multilateral fora.
In contrast to agricultural commodity export issues, this Division did not perform a prominent role on steel trade issues. Given the nature of the VRA program, once Australia’s VRA had been negotiated, DFAT’s role became principally one of monitoring developments in the U.S. market (and of course, the world steel market), including the problems BHP was experiencing in filling its U.S. market quota.

DITAC’s role in steel trade policy-making has concentrated on the domestic aspects of industry policy. Likewise, DITAC has been more concerned with the domestic impact of bilateral and multilateral steel trade negotiations. As the agency of government with primary responsibility for manufacturing industry policy, it was the department chiefly concerned with the steel industry.186 The Heavy Industry Sectors Division (with the Metals and Machinery Branch providing the primary avenue of contact between government and the steel industry) was the DITAC Division with primary carriage for steel industry policy. The Trade Development and International Relations Branch (part of the Industry Infrastructure Division) retained a monitoring brief over international developments affecting the steel industry.

During the 1980s, DITAC, as part of increased Australian government concern at the need to boost manufacturing exports, has become more involved in devising strategies to increase these exports. Despite this development, DITAC, while consulted by DFAT, has remained an observer in the negotiation of export access to foreign markets. The prominence given over the 1980s to developments to improve the Australian steel industry’s productivity together with the industry’s continuing emphasis on production for the domestic market, has meant that DITAC has continued to perform an important role in steel trade policy-making. For example, the Minister for Industry, Technology and Commerce has been the Minister chiefly responsible for keeping abreast of both steel production and trade developments, nationally and internationally.

Cooperation and liaison, both formal and informal, was extensive between DFAT and DITAC on steel trade issues. This reflected the increasing export orientation of the Australian industry and, to a lesser extent, developments occurring within the Australian steel industry. Unlike the handling of agricultural commodity issue areas, there were no divisions caused by the split up of the old Trade department. A possible cause of friction
between the two departments was thus avoided. Where there may not have been shared experiences for officers of these departments, their responsibilities were more clearly delineated on trade issues.

Other Australian government departments have not performed a significant role in steel trade policy-making. With the Steel Plan at an end and the Australian industry receiving low levels of government protection or assistance, neither the Treasury nor the Industries Assistance Commission paid much attention to the industry. Likewise, during the 1980s, the Department of Prime Minister and Cabinet experienced a diminished role in manufacturing industry policy-making and had little influence in steel trade matters.

Role of Australian Societal Actors

Australian societal actors have been influential, both formally and informally, in the making of Australian steel trade policy-making. BHP has had formal representation on both the Australian Manufacturing Council, a tripartite industry/union/government group, and the Metal Fabrication Industry Council. BHP has had a virtual monopoly within the domestic industry and has been the only steel exporter. This has placed the company in a position where it could make significant contributions to government policy in this sector.

The involvement of major societal actors in Australian steel trade policy-making has represented something of a departure from previous practice. In terms of bargaining with the U.S., the VRA program itself required a level of cooperation between Australian state and societal actors. The partnership which developed over the negotiation of the VRA was in recognition of the inextricably linked political and economic aspects of bargaining with the U.S. for market access. However, the greater degree of interaction between the two sets of actors in policy-making has also resulted from two other developments of this period. On the one hand, the Australian government has sought to encourage manufacturing exports which has necessitated greater liaison by state actors with important producers and exporters (BHP in this case). On the other hand, the difficulties (often due to politically-determined measures) which BHP has experienced
in securing and expanding market share in overseas markets has encouraged it to seek the assistance of state actors.

Australian state actors have also become more important to societal actors for a number of reasons. State actors have important political resources which can assist the negotiating of improvements in trade outcomes and are formally required to conduct bilateral relations. Societal actors in the steel industry must also take account of state actors’ views because of the continuing existence of tariffs, albeit low ones, on imports of steel into Australia.

Industry, and particularly BHP, has been the major source of information on international commercial developments in steel-making and trading. With respect to the U.S., BHP has gathered information independently through its own lobbyist in Washington D.C. and through visits made to the U.S. by its own senior officials. BHP officials have argued that their role has moved beyond merely supplying information to government and has extended over recent years to ‘setting the pace’ on a number of options to be adopted by Australia in approaching other states. While acceptance of the VRA option in 1984 was not an example of industry-led decision-making, BHP’s preference for such an agreement (anticipating that this would effectively mean no restrictions on Australian exports) was forcefully made to the Australian government which was itself concerned to dispose of the U.S. legal suits. Australian state and societal actors were both actively involved (albeit for slightly different reasons) in reaching the decision that a VRA was the best option in the circumstances.

**Australia’s Bargaining Approach to the U.S.**

Australia’s negotiation of a VRA in 1984 so as to avoid legal action by U.S. steel firms, has always been a source of contention in Australia’s trading relations with the U.S. Considering itself a low-cost efficient supplier of steel, Australia had protested, without success, to the U.S. about the indiscriminate application of the VRAs.

The Australian government and the steel industry have sought over the 1980s to both expand Australia’s share of export markets generally and to secure and improve its
position within the U.S. market, in particular. The increased emphasis upon the exporting of steel (as supplementary to rather than as a substitute for domestic sales) by both Australian state and societal actors was the product of the economic difficulties of the early 1980s and was driven by a desire to lift Australia’s economic performance (sectorally as well as generally) through trade.

Approaches to the U.S. on improving access for Australia’s steel products have, over this period, concentrated on bilateral representations. With the 1992 termination of the VRAs and the filing of legal suits against Australia, the need for Australian government and industry officials to lobby U.S. authorities has not been lessened.

The initial findings of the ITC were made within a political atmosphere coloured by U.S. industry claims that unfair trade in steel was preventing them from making a full recovery. This has necessitated ongoing lobbying of U.S. state actors by Australian state and societal actors in an attempt to influence a change in a policy which had encouraged the filing and successful prosecution of these unfair trade claims. Of course, irrespective of this lobbying, Australia (and this means BHP) also needed to directly answer the allegation of antidumping through the formal channels of the Department of Commerce and the ITC.

Prior to the VRAs, BHP’s strategy of monitoring and seeking to influence developments in U.S. steel policy had not directly involved Australian government officials. The onset of government-to-government VRA negotiations meant BHP had to consult with Australian government officials in DFAT to ensure that its interests were taken into account. For their part, government officials (involved in helping to implement the Hawke Government’s professed policy of promoting manufacturing exports) sought to display a common purpose with BHP in lobbying to both secure and advance BHP’s returns in the U.S. market. To be at all effective, Australian government and industry representations needed to display a common purpose.

While never complete, cooperation and liaison between Australian state and societal actors over approaching the U.S. to improve steel trade outcomes, has been at its closest in the 1980s and early 1990s. In general terms, the response to the U.S. policy called
for the application of both Australian state actors' political skills and stature as well as BHP's commercial intelligence. Australian state actors had been required to formally negotiate the VRA with U.S. state actors and thus were directly involved in the bargaining over market share. Such a combination (of state and societal actors) was considered imperative so as to address both the political and commercial dimensions of the U.S. steel policy. The VRA program in this way had served to promote an accommodation of Australian government and industry officials in negotiating continued access to the U.S. market.

However, not all approaches were made jointly and BHP continued to make independent overtures to the U.S. authorities. In addressing the antidumping suit which followed the end of the VRAs in 1992, the Australian government and BHP have maintained their VRA-induced cooperation. While BHP has also pursued its own independent lobbying in the U.S., both Australian state and societal actors have generally recognized the value of a joint approach to formulating trade policy responses to U.S. policies.

Distortions in world steel trade have remained an issue on the table in the Uruguay Round of multilateral talks. Australian state and societal actors have also been involved (the former directly and the latter indirectly) in these talks and in the serious efforts (by steel importers and exporters) to establish a separate Multilateral Steel Agreement. Such a global steel pact has, however, yet to eventuate and any improvement in Australia's steel access to the U.S. may well not occur unless a whole range of other issues are resolved in the Round, particularly agricultural reform.

**The Bilateral Approach**

Bilateralism, as exemplified by the U.S.'s VRA program, is at the heart of the U.S. approach on steel. American commentators have emphasised that the U.S. has preferred a bilateral approach which has enabled it to deal with each foreign steel exporter individually. This occurred in negotiating the VRAs and in the subsequent pursuit of unfair trade claims. Given the U.S.'s strength as an importer in the world steel market and preference for bilateralism in steel trade policy, it is understandable that Australia's principal approach to the U.S. on steel has had to be a bilateral one.
The bilateral approach enabled the U.S. to deal with weak and strong trading partners differently, should it have wished to do so. However, in respect of the VRAs and subsequent unfair trade suits, the U.S. has sought to treat all exporters equally and has not made conciliatory moves towards major exporters (such as the EC) despite their threats of retaliation. The bilateral approach has made it even more difficult for a relatively weak trader such as Australia to influence a change in policy.

Politics rather than commercial considerations have dominated U.S. steel trade policymaking. As portrayed by Australian industry officials, the U.S. industry has had something of a ‘shotgun’ approach to restricting imports, having sought to restrict the imports of all foreign exporters. With U.S. state actors having responded to these industry demands in one form or another, Australia was faced initially with a U.S.-determined VRA (or otherwise accept worse market access) and then later with unfair trade suits. While Australia has not been specifically targeted by U.S. authorities (particularly the Department of Commerce) or U.S. steel producers, presumably because of its weak position within the U.S. and world markets. This has been of little comfort, however, when one takes into account Australia’s inclusion within the category of offending or predatory exporters, despite Australia’s protestations that a lightly-subsidized steel trader should be treated differently.

Steel trade policy issues with the U.S. have enjoyed an enhanced political profile in Australia-U.S. relations over the past decade. This has been partly because of the controversial nature of the VRA program and partly because the continuation of the program into the early 1990s produced a heated debate between pro and anti-protectionist forces, both within and outside U.S. political institutions. The nature of this debate in turn provided opportunities for Australian government and industry lobbyists to attempt to influence the U.S. policy-making process. The 1992 filing of unfair trade suits against Australia served to renew the controversy over the nature of U.S. trade laws and their effect upon Australia’s bilateral trade outcomes. However, given the nature of this ‘process protectionism’, Australia’s efforts had to be directed to answering the specific claims made against it rather than in seeking to change the U.S. policy from which these claims had developed.
Much of Australia’s bilateral lobbying has had to be focused upon the executive. This was not only because it was the executive which instigated the VRA program but also because the executive agencies were responsible for negotiating quantitatively restrictive agreements with foreign exporters. Australian state actors and BHP have, both jointly and severally, sought consultation with the U.S. executive prior to implementation of any protectionist measure which would affect Australia.

While Australia has, somewhat optimistically, sought exemption from the need to negotiate a VRA, the more realistic purpose of the consultations was to bargain for a less restrictive and administratively inflexible arrangement. During the existence of the VRA program, BHP was prepared to negotiate a bilateral arrangement with the U.S. which would have operated in parallel with, but have been more flexible, than that program.[Interviews with BHP officials] With the unfair trade suits, the executive has continued to be an important focus of attention for foreign exporters. This has been chiefly because of the role of the Commerce Department in reporting steel shipments to the U.S. and in making determinations on unfair trade allegations.

Congress, despite the executive’s assertiveness, has remained attentive to developments in the implementation of U.S. steel policy. During the period of the VRA program and beyond, Congress was an equally important forum for the influence of competing U.S. societal actors (be they supporters or opponents of the steel policy). These U.S. societal actors (steel producers more so than steel-users and consumers) have remained influential with important members of Congress.

Certain features of the VRA program bolstered Congress’ importance and meant that neither domestic steel interests nor foreign exporters could afford to ignore the Congress.187 Australian state and societal actors have certainly not ignored Congress in recent years and have (either jointly or severally) attempted to influence the U.S. policy process and promote Australia’s steel export interests by directly lobbying prominent members of the U.S. legislature. Australia’s arguments to both the U.S. executive and Congress have centred on emphasising the relatively unsubsidized nature of Australia’s steel industry together with the fact that Australia, holding a small share
of both the U.S. and world markets, has been a non-disruptive trader deserving of more favourable treatment.

The Australian embassy in Washington D.C. was chiefly responsible for both monitoring developments in the U.S. steel VRA program and subsequent unfair trade suits and in lobbying on behalf of Australian interests. A First Secretary in the embassy took primary carriage of steel matters but others involved included the Commercial Counsellor as well as more senior staff up to and including the Ambassador\textsuperscript{188} when circumstances demanded their attention. Given that the U.S. steel VRA program was a legislatively-mandated program plus the importance of congressional involvement in its review meant that the Minister (Congressional Liaison) at the Embassy often participated in Australian government lobbying. Likewise, given that the unfair trade suits were made pursuant to certain trade laws, the Minister (Congressional Liaison) has also been routinely involved in lobbying Congress against the nature of these claims.

BHP has retained a lobbyist in Washington to maintain a watching brief and to take primary responsibility for the company’s bilateral approach to the U.S. BHP officials considered that the lobbyist’s role involved not only acquiring information about the U.S. steel market but also advising on how to approach the U.S. executive and Congress and on the strategies and responses best suited to deal with developments in U.S. policy. The lobbyist’s role was complemented by occasional visits of senior staff from BHP’s head office. While the lobbyist working on behalf of BHP kept in regular contact with the Australian Embassy, much of his work was done independently of the embassy and liaison only occurred where he considered that this would improve the chances of a successful outcome. Liaison between Australian government and industry officials, on the ‘frontline’ in Washington D.C., has not been institutionalized or even regularized.

Foreign exporters generally have had little impact upon the making of steel policy in Washington. This has been partly because of the U.S.’s position as an important producer and exporter of steel but, more importantly, because of the nature of U.S. import politics in this sector. Australian state and societal actors have sought to bargain with the U.S. for a relaxation of the application of the VRA program on the basis of a claim that it has been a lightly-subsidized and non-disruptive small supplier of steel to
the U.S. market. Linked to this claim Australia has argued (with other countries) for recognition by the U.S. of a small-supplier category (to include countries such as Australia and Thailand) which would not have to enter into VRAs to maintain market share or face harassing unfair trade suits.

Australia's claims for favourable discrimination have not produced any concessions from the U.S despite a recognition of its continuing trade surplus with Australia and the fact that Australia, as a lightly-subsidized small steel exporter, has not been a threat to the U.S. position within the world steel market. The July 1993 decision by the U.S. International Trade Commission to impose antidumping tariffs on Australia, as a result of the recent round of unfair trade suits, has been seen as hastening BHP's plans to produce steel in the U.S., thus avoiding future antidumping claims by the U.S. industry.[Howarth, 1993d, 12]

Formal coalition-building between Australia and those U.S. societal actors adversely affected by the VRA program or by the filing of unfair trade suits has not occurred. While not an integral part of Australia's approach to changing U.S. steel trade policy, Australia has sought common ground with such U.S. societal actors wherever the opportunity has arisen. U.S. societal actors lobbying for a change in U.S. steel policy have seen little to be gained from joining forces with Australia, given its relatively weak market position and few bargaining resources to offer towards such a change of policy. In seeking to influence U.S. steel policy-making and its execution, direct bilateral contact with the U.S. government and congressional representatives has remained the most important avenue for Australia.

The Multilateral Approach

Australia and the U.S. both considered the steel VRA program a policy measure to be dealt with principally through bilateral rather than through multilateral negotiations. The VRA was a bilateral instrument of market allocation and a non-tariff barrier to trade not within the purview of the GATT. The countervailing duty and antidumping suits which effectively replaced the VRA program were also bilateral measures and, while GATT-legal, have also been used in such a way as to contravene the spirit of the GATT.
The VRA program was on the table of the Uruguay Round of multilateral trade talks as part of an attempt to call attention to such non-tariff barriers and to place all such measures on the agenda for possible country-to-country trade-offs. As with agricultural commodity issues, the U.S. was prepared to place the steel program 'on the table' of the Uruguay Round in an attempt to lever reform from other countries (especially the EC and Japan) whose policies it believed had been responsible for distorting the world steel market.

The fact that the Round has been stalled since late 1990 has meant that the U.S. Administration has not had to approach the Congress seeking a reform of steel policies to accord with successfully concluded trade talks. The abolition of the VRA program and its virtual replacement by unfair trade suits provided a continuing role for the GATT Round as a possible avenue through which small, lightly-subsidized exporters such as Australia could improve their steel trade outcomes. Should the GATT Round be ultimately successful in removing distortions in the world steel market then the U.S., for its part, would conceivably have no grounds for pursuing unfair trade suits against foreign steel exporters.

As with the GATT Round generally, the multilateral steel talks have not had as high a profile in Congress as with the U.S. administration. The debate over the renewal of the VRA program and then its virtual replacement by unfair trade suits occurred without reference to the Uruguay Round talks. Independent of other developments in the GATT talks, Australia has actively participated in negotiations for a Multilateral Steel Agreement,¹⁹¹ which it had hoped would open up markets and eliminate subsidies and other unfair trade practices.¹⁹² These talks had broken down by mid-1992, largely due to the filing of the antidumping and countervailing complaints by U.S. steel producers.¹⁹³ While efforts at reviving the talks have continued since then, this U.S. development has significantly reduced the possibility of steel trade reform unless a general reform package is negotiated in the Round.

At the beginning of George Bush's term as President, he appeared keen to establish an international forum for negotiating U.S. and other countries' steel policies in an attempt
to remove the barriers to the free trade in steel. This had its genesis in Bush’s letter to Senator Heinz of November 1988 where, in promising to renew the VRA program if elected President, he also vowed to pursue international negotiations to remove world market distortions. The Administration, while leading multilateral steel discussions, did not give them a high priority and by the time Bush left the White House in January 1993, efforts to reach a global steel pact had faltered.

While multilateral reform of steel certainly has not attracted a high level of attention among U.S. state actors, there remains a chance that the GATT Round will deliver reform of the U.S. policy. The origins of the U.S. steel policy have lain with state and societal actors’ perceptions about the cause of the U.S. steel industry’s uncompetitiveness. While prepared to acquiesce to protectionist demands to combat perceived predatory foreign exporters, many within U.S. policy-making circles have remained receptive to ideas conducive to the liberalization of the world steel market. Should the GATT Round offer the possibility of the reform of the world steel market, including the removal of the ‘unfair’ pricing practices of the U.S.’s major competitors, these state actors would be expected to reciprocate with moves for a proportionate change in U.S. policy.

Australia’s position within the Uruguay Round has been, as in the agricultural commodity issue areas, to promote itself as a fair, lightly-subsidized and non-disruptive trader subjected to unfair trading policies which have aimed, at least ostensibly, to match the policies of other unfair traders on the world market. As a relatively small producer and exporter, Australia has always been a price taker and has believed that it can only gain significantly in terms of both market access and increased market share if there is a liberalization of the protectionist policies of the major steel traders, including those of the U.S.

In its approach to the Uruguay Round talks, Australia has not given manufacturing issues anywhere near the kind of emphasis given to agricultural commodity issues. There has indeed been increased attention by Australian state actors to the exporting of steel as well as other manufactured goods and Australia has participated in unsuccessful efforts to form a small-supplier group to secure a different and more favourable
reception from the U.S. However, Australia’s intention has never been to form a Cairns Group-style coalition of similar lightly-subsidized steel traders to promote steel trade reform in the GATT talks.

Reform in world steel trade is, however, not insignificant for Australia and, in the Round, Australia’s steel trade interests have not been used as a trade-off for multilateral reform in other areas. As with most issues on the agenda for discussion in the GATT Round, any agreement on reform of steel trade issues will be a matter largely decided by the major trading powers. With efforts at establishing a Multilateral Steel Agreement having broken down and a standoff between the major powers, aggravated as it has been by the U.S. industry’s unfair trade suits of 1992, the signs are not promising for Australia to expect reform of the U.S. policy through multilateral means.

Conclusion

Australia’s steel trade with the U.S. is the only manufacturing trade sector covered in this study. While the problems of import access for Australian steel exports have much in common with Australian rural exports to the U.S., the nature of U.S. protectiveness in this value-added sector (seeking to counter failing U.S. competitiveness) has confronted Australia with particular problems. This study has sought to explain how Australia has dealt with these problems and attempted to bargain for an improvement in its steel trade outcomes.

Bargaining between those state and societal actors involved in making Australia’s steel trade policy has been affected by political and economic developments, both domestically and internationally. This domestic interaction (with Australian state and societal actors being both highly influential) has, in turn, influenced the nature of Australia’s trade strategies adopted in pursuit of greater access to the U.S. steel market.

The VRA program of 1984 to 1992 was the product of a compromise adopted by the then Reagan Administration between the pressures produced by the international trading system and those coming from the domestic industry. It was, in this sense, a manifestation of both the relationship between state and society in a particular U.S.
industry sector and of that between the U.S. and the international trading system. The U.S. government sought to respond to industry demands for relief from foreign exporters while at the same time avoiding any contravention of GATT principles or inviting retaliation from these same exporters.

The VRA program was considered by the U.S. industry to have been a highly successful framework for import control. Anti-protectionist forces in the U.S. could take some comfort from the eventual ending of this program and the fact that there seemed little prospect of the program being reactivated. However, the increase in generic protectionism in the U.S. over the 1980s and early 1990s may yet manifest itself in another such import restrictive steel program, while the recent prosecution of unfair trade suits by U.S. steel producers has provided another example of a threatened industry successfully seeking other trade remedies. The response of both the executive and Congress throughout this period has been to accept what was essentially an easy option: acquiescence to industry appeals for import relief which has not required any new legislation or budgetary outlays. Industry demands have been satisfied while keeping possible demands for more intrusive forms of government assistance or intervention out of the public policy arena.

Liberal/free trade ideology has been dominant in U.S. government thinking since the 1930s and protectionist measures, such as the steel VRAs, have been considered departures from the norm. While GATT principles were still considered important, the U.S. government gave them only passing reference in steel trade policy-making as it took the immediate need to be to respond to what it saw as unfair pricing practices of other steel traders.

It is thus not surprising to find that a division of opinion existed within U.S. policy-making circles. One view has considered that the domestic industry deserved support against the predatory practices of certain foreign steel producers, while another recognized that the world steel market needed to be liberalized and that the harmful effects of protectionist policies (upon, for example, U.S. steel-users and consumers) should be minimised. The 1980s also saw growth in the political influence of other international and domestic actors and ideas opposed to steel industry protection. The
presence of these forces and ideas joined up with the anti-protectionist sentiment in the administration to persuade the President to terminate the VRA program in March 1992.

While Australia’s share of the U.S. market has not been diminished by the operation of the VRA or the unfair trade suits, the implementation of each has produced difficulties. The VRA program was administratively a problem for Australia and provided little scope for either negotiating increased access to the U.S. market or for promoting Australia’s immunity from its application. Likewise, the unfair trade suits were inflexible (as well as being costly and time-consuming to defend) and, in their prosecution, held a bias in favour of U.S. industry claimants. As well, neither the VRA program nor the filing of the legal suits made any discrimination between unfair and fair traders and these measures have effectively blocked Australian efforts to expand its access into the U.S. market on the basis of it being a relatively unsubsidized, non-disruptive steel exporter.

The VRA was ‘negotiated’ by Australia so as to maintain U.S. market share and thus avoid a legal suit. Similarly, the nature of the 1992 antidumping claim against Australia provides no opportunity for Australia (as it does for strong and weak traders alike) to negotiate an improvement in its trade outcomes. More importantly, Australia has few resources capable of effective translation into the U.S. policy-making process that determines the steel trade policies upon which the VRA program and unfair trade suits have been based.

Australia has been unable to make U.S. policy-makers sensitive to Australia’s export of steel such as to make it an issue of such foreign policy significance (and be classified as an ‘Australian’ issue as in the case of wheat) as to provide linkage across to the political relationship. While this political relationship with the U.S., from all accounts, has provided Australia with good access to top U.S. decision-makers, it has needed more than a mere hearing to be able to influence a favourable change in U.S. policy on steel imports. U.S. steel trade policies and programs have permitted little discretion to the executive in negotiating the relative market shares of foreign exporters and hence, little negotiating scope available for Australia within which to seek to capitalise on this sound
Australia-U.S. political relationship to improve its steel trade outcomes (even if linkage across to the political relationship was possible).

Australia's efforts at improving its access to the U.S. have concentrated on bilateral approaches. This has been partly because of the U.S. government's greater interest in resolving problems bilaterally (as evidenced by its approach to dealing with foreign exporters under the VRA program and by the prosecution of the unfair trade suits) and because steel trade reform has not been given a high profile by any of the major traders, including the U.S., in the multilateral trade talks of the Uruguay Round.

The domestic bargaining relationship between Australian state and societal actors has been responsible for the formulation of certain strategies which were executed as part of its bilateral approach. Australian efforts to maintain and improve U.S. market share were, for example, influenced by the domestic strategy of improving the Australian industry's international competitiveness, (notably through the implementation of the tripartite Steel Plan) while industry assistance was provided in such a way (it was hoped) as to be compatible with both the liberalisation of global steel trade and Australia's self-promotion as a lightly-subsidized non-disruptive steel trader.

Developments arising from the U.S. steel trade policy-making process or from the nature of the U.S. policies and programs acted as an exogenous source of influence upon the Australian actors and were transmitted through the bilateral bargaining process or indirectly through their effect upon the world steel market. In particular, the VRA program induced cooperation between Australian state and societal actors in negotiating the Agreement with the U.S.: state actors were required by societal actors (BHP) to negotiate the VRA and to lead the political lobbying, while BHP provided the necessary commercial and industrial information for Australia's case. In this way, contending with the VRA program provided a learning experience for each set of actors.

The level of collaboration developed during the period of the VRA program between Australian state and societal actors has continued after its expiration and has been in evidence in Australia's response to the U.S. unfair trade claims. There has been more of an equal partnership between state and societal actors in steel trade bargaining with
the U.S. than in the other trade sectors of this study. This has been partly because of the nature of the U.S. programs and the responses required of Australia, but more particularly because of the dominant position of BHP in both the Australian industry and as the only Australian steel exporter.

Industry cooperation has certainly strengthened Australia’s lobbying to the U.S. This was secured through the provision of industry assistance under the Steel Plan (in particular, the bounties and guarantee of Australian market share) which, however, also served to weaken Australia’s claim of being a lightly-subsidized steel exporter.

While also seeking an expansion of its U.S. market share, Australian lobbying efforts have concentrated on ensuring that even if Australia’s claims for special consideration were ignored, then at least it would not be targeted for further punitive measures. To this end, Australia’s principal strategy, pursued by state and societal actors, has been to emphasise Australia’s market position as a relatively weak, non-disruptive steel trader. Australia’s bilateral and multilateral approaches have also sought to promote the translation of ideas of freer and fair trade into U.S. policy in tandem with this self-promotion strategy.

In seeking to promote some discrimination in U.S. steel policies between ‘unfair’ and ‘fair’ or lightly-subsidized traders, Australia has joined with others in advancing a small supplier category. This multilateral strategy has, however, failed to have an impact given that each such exporter has little or no leverage and the dominant U.S. perceptions of an unfair global market. In similar vein, these countries have been seeking, through multilateral talks, to establish a consultative mechanism which would enable small exporters to argue (before the filing of an antidumping or countervailing duty complaint) that their low level of sales could not ‘injure’ U.S. producers. Another important strategy has been that of promoting the distortionary effects of the U.S. steel policy upon the world steel market and the harm it has caused to U.S. steel-users and consumers. While coalition-building with these U.S. societal actors has proved unsuccessful, the continued exposure of the costs of the U.S. programs has still been considered a worthwhile strategy by Australia.
While Australia has only had a small share of the U.S. steel import market, its weak bargaining position cannot be argued to have been derived from its power-capable position relative to the U.S. (with powerful steel traders such as the EC and Japan experiencing the same problems). Australia has been neither able to lever reform of the U.S. policy nor exact any favourable treatment under the existing policy. This has been because of the powerful influence of U.S. steel producers (particularly the less efficient ones) and the perception of U.S. state actors that the U.S. continues to face an unfair global steel market. It has been largely the protectionist measures of major steel producers, particularly the EC, which have helped to create the perception among U.S. state actors that unfair trade suits (if not VRAs) should be allowed to assist the U.S. industry to counter predatory steel exporters.

Australia’s self-promotion as a lightly-subsidised trader and promotion of steel trade liberalisation may well have served to ensure Australia maintained U.S. market share and did not receive more harmful treatment under the VRA program. However, the unfair trade suits, emphasising the importance of the Congress (over the executive) and the influence of steel producers in U.S. policy-making, have acted to reduce the opportunities for the application of these sectorally-specific resources through bilateral negotiation towards any improvement in Australia’s trading outcomes.

A change in U.S. steel trade policy (albeit gradual) may be a possibility in the near future because of the growing divisions within the U.S. steel industry between the increasingly important and competitive mini-mills and the non-competitive integrated mills. Such a change may well enhance the currency of Australia’s claims for positive discrimination as a relatively lightly subsidised trader while also promoting the liberalisation of world steel trade.

Bargaining with the U.S. over steel trade has either been conducted within the institutional restrictions of the U.S. VRA program or through the biased processes of ITC hearings of the unfair trade claims of U.S. steel producers. Australia’s steel trade outcomes have thus not resulted so much from its weak bargaining position as from the nature of U.S. policy and the policy-making process within this trade sector. They would, thus, be of limited predictive value in assessing Australia’s bargaining outcomes.
in other sectors of its trade relations with the U.S. This sector may be further distinguished from other trade sectors by the fact that BHP has continued to expand its U.S.-based operations as a means of circumventing the application of U.S. protectionist policies. If this development continues, as is likely, then a point may be reached where U.S. market returns for Australia’s current sole steel exporter will not be a product of bilateral bargaining.

Given that Australia has been able to maintain market share in the U.S. (though not as large as it would like) under the VRA program and despite unfair trade claims, it is not surprising to find that Australia has not considered its steel trade with the U.S. of such importance as to attempt to link it with either other issue-areas (with possibly greater issue-specific resources) or to the political relationship with the U.S. Equally, efforts at forming alliances with relevant U.S. societal actors have not been pursued seriously. While the more serious attempts at coalition-building with similarly-positioned foreign steel exporters have seen some progress of late, they have yet to prove successful.

Acknowledging that liberalisation of global steel trade does not offer the same magnitude of benefits as from agricultural trade liberalisation, Australia’s commitment to multilateral liberalization of steel trade has not been as forceful as has occurred in its lobbying for agricultural trade reform. However, with multilateral reform still promising (potentially) the greatest rewards for Australia, this serious level of commitment to multilateral liberalisation has remained an important sectorally-specific resource at Australia’s disposal.

While talks for a Multilateral Steel Agreement have broken down, at least for the time being,\(^8\) the multilateral discussions have at least helped to focus on the need for reform and may have acted to forestall the reintroduction of institutionalised protection for the U.S. industry. However, the possibility of securing improved U.S. trade outcomes as a result of the multilateral reform of steel trade has been affected by the fact that such reform has been kept somewhat apart from the general multilateral talks of the Uruguay Round. This was a contributory factor in steel reform not appearing as part of the successful Uruguay Round package of December 1993.
The nature of the U.S. policy-making process, with its highly influential domestic steel producers and accommodating state actors, has produced restrictive import control measures which have not discriminated on the basis of either the strength or efficiency of those foreign exporters seeking improved access to the U.S. market. Contending with these measures and with the relatively slight possibility of multilateral liberalisation of steel trade, Australia has found few opportunities through which to improve upon its U.S. steel trade outcomes.

...
NOTES

112. Exports of manufactured goods had risen to AUD$24,380 million or 56% of total exports by value by 1988 and then to AUD$31,433 million or 60% of total exports by value by 1990-91.[Australia, Bureau of Statistics, 1992]

113. BHP began steelmaking operations in 1915 and is Australia’s only integrated steelmaker, currently operating three integrated steelworks.

114. BHP, Australia’s largest corporation, has an extensive range of downstream processing industries with some 60 percent of its domestic sales being to affiliated companies and dependent outlets.

115. Australia has been looking increasingly to the Northeast Asian markets as destinations for its steel exports. This has been partly out of frustration with the U.S. Voluntary Restraint Agreements and unfair trade suits and partly from a desire to diversify its markets.

116. Australia’s share of the U.S. market has been a very small one. In 1992, while worth AUD$100 million, Australia’s exports amounted to less than 1.3 percent of total U.S. steel imports for that year.[Howarth, 1993d, 12]

117. The U.S. is also an important exporter of steel.

118. The General Agreement on Tariffs and Trade (GATT) allows member countries to offset the trade effects of dumping by imposing import duties. The 1979 Subsidies Code of the GATT also authorizes similar offsetting duties against imports that benefit from ‘countervailable’ subsidies.

119. Over the period of the 1980s, world steel trade amongst developed countries slipped behind both manufactured goods trade and total commodities trade.(see Chart D)

120. Dumping has been defined as international price discrimination or the practice of charging a higher price for sales in a foreign producer’s home market than for export to the U.S. [Boltuck and Litan, 1991, 8]

121. There was, of course, no guarantee that disputing the allegation of antidumping would have resulted in a victory for BHP.

122. This first use of VRAs in steel trade policy had the unexpected effect of increasing the overall value of steel imports while tonnage actually decreased. This was the direct result of exporters seeking to make the most of what limited tonnage they had by substituting higher-value specialty steels for lower-value carbon steels.[Conybeare, 1987, 207]

123. The import reference prices were made by reference to the average production costs, profit margins, and expenses of the most efficient foreign producer, the Japanese. Any foreign steel entering the U.S. market below this price would trigger a dumping investigation by the U.S. Department of Commerce.
124. In addition to the high production costs of the U.S. steel industry, there were also at this time, unfavourable exchange rate movements and questionable competitive practices by foreign suppliers.

125. There was also at this time very little opposition from steel users and other potential domestic opponents to the industry's filing of suits against the Europeans. [Destler and Odell, 1987, page 46]

126. The greatest surge of imports now came from countries other than the traditional foreign competitors (Japan, the EC and Canada) and included Korea, Brazil, Spain, Mexico, Sweden and South Africa.

127. The escape clause petitions sought relief on the basis of suffering from 'serious' injury due to increases of a particular product regardless of whether they were fairly or unfairly traded. As part of the lobbying for relief during the course of a presidential campaign, as in 1984, the unfair trade suits provided a forum for promoting the case for global import controls while the escape clause petition broadened the coverage to the whole of the domestic industry.

128. Important among these international considerations was the maintenance of what was effectively a cartel between the U.S., the EC and Japan as against the developing country suppliers.

129. If the President had not granted some form of relief for the industry, the industry's problems would have become a major issue during the last month of the Presidential election campaign in steel producing states of the industrial midwest. These states accounted for over a third of the 270 electoral college votes required to win the presidency. [Walters, 1985, 165]

130. The implementation of the ITC recommendations would had to have occurred within the framework established by the General Agreement on Tariffs and Trade.

131. The quota plan contained two stated objectives: to redress the injury to the domestic industry caused by unfair trade practices and give the industry time to modernize and become internationally competitive. [Cantor, 1986, 1]

132. The licensing system was first introduced in the 1982 steel pact between the U.S. and the European Community.

133. The American Iron and Steel Institute (AISI) claimed that industry costs were down 35 percent since 1982 and that labor productivity was up 40 percent (employment has dropped from 342,000 in 1979 to 123,000 in 1988). [American Iron and Steel Institute, 1989b, 1]

134. The U.S. steel industry claimed increased competitiveness from the operation of the VRAs by referring to industry costs being down 35 percent from 1982 to 1989, labour productivity up 40 percent and, as required by the 1984 Steel Import Stabilization Act, the industry having reinvested substantially all of its net cash flow back into steel operations (US$9 billion in plant modernization between 1982 and 1987). [American Iron and Steel Institute, 1989b, 1]
135. According to the Stern Group the U.S. industry had earned US$2.5 billion in the first nine months of 1988, capacity utilization was 96 percent in that year (as opposed to 70 percent in 1984-85), and imports were down and prices were firm. [The Stern Group, 1989, 11]

136. Reference has been made specifically to the manufacturers of machinery and transportation equipment which, it was argued, accounted for 44 percent of total U.S. exports in 1986. [The Stern Group, 1989, 4]

137. A leading opponent of protection for the steel industry has argued that metal manufactures, machinery and transportation equipment industries had 5.5 million employees in 1988 compared to only 170,000 to 210,000 found in the steel industry. [Coalition of American Steel-using Manufacturers, 1989, 3]

138. While steel price rises fell in 1985 and 1986, the downsizing of the U.S. industry and the increased demand for steel mill products both in the U.S. and overseas caused a price rise (variable across product categories) in 1987 and again in 1988.

139. Proponents of the VRA program argued that any price rises were at least partly caused by the strong worldwide demand for steel and other metals of the late 1980s.[American Iron and Steel Institute, 1989e, 8]

140. The Stern Group argued that a 15 percent increase in steel prices in 1987 and 1988 cost U.S. steel users at least US$6.5 billion in 1988, while extra costs were incurred by users having to carry large inventories (to cope with shortages) as well as having to apply for special import licences.[Stern, 1989, 8]

141. Industry sources put these undershipments at 900,000 tonnes in 1987 and 2 to 4 million tonnes in 1988. [American Iron and Steel Institute, 1989e, 8]

142. For example, U.S. industry statistics calculated that where in 1985 VRA countries accounted for about 81 percent of total U.S. steel imports, that figure had fallen to under 70 percent by early 1988.[Quoted in Cantor, 1989a, 4]

143. One company, Caterpillar Incorporated, also argued that its modernization program had been put in jeopardy because its management control system had become a "Just-in-case" system rather than a "Just-in-time" one. [Caterpillar Inc., 1988, 2] References were also made to the doubling of delivery lead times because of the effect of what were seen as VRA-induced shortages resulting in delayed production and frustrated attempts to meet demand.[Precision Metalforming Association, 1989, 3]

144. The extension of the VRA program by President Bush did not come as a surprise to any commentators given his assurance to Senator John Heinz, a steel industry supporter, in the final stages of the 1988 Presidential campaign that the program would be renewed. [Bush, 1988]

145. The Australian steel industry had, of course, received government assistance during the period of the Steel Plan in the form of guaranteed domestic market share and production bounties.
146. However, the influence of the political advisors, who believed that protection should be granted if the alternative would jeopardise electoral success, was in evidence in then Vice-President Bush’s promise of November 1988 to Senator Heinz to grant an extension of the VRA program.

147. The position of viewing domestic protectionism as a lever for international reform was revealed in then Vice President Bush’s letter of November 1988 to Senator Heinz. The letter stated that if elected President, Bush would seek an international agreement to remove distortions in world steel trade. [Bush, 1988]

148. This is subject to the VRA enforcement authority of Congress given in the 1984 Trade and Tariff Act.

149. The International Trade Commission, an independent creature of the Congress, is the other agency responsible for administering the unfair trade laws. Once a domestic industry files a petition alleging imports are causing injury, the ITC will conduct a preliminary investigation and then after a Department of Commerce report, will conduct a final one as to whether there has been a breach of the law.

150. Congress’ steel caucus numbered some 180 members and had been active throughout the 1970s and 1980s in obtaining industry concessions by threatening key trade legislation and in supporting several bills to restrict imports. [Conybeare, 1987, 226]

151. Something of a complementary relationship had developed over the years between the steel industry and members of Congress in the steel caucus.

152. For example, Representative Sam Gibbons, who headed the trade subcommittee of the House Ways and Means Committee, was vocal in his opposition to the establishment of a program of VRAs for any industry.

153. The largest of the U.S. steel firms were also required, under the 1984 legislation, to set aside a sum of money, equal to one percent of their net cash flow, for the retraining of unemployed steel workers.[Cantor, 1986, 4]

154. The determinations in unfair trade cases are based on considerations that Congress can largely shape through legislation as well as various pressures on the Department of Commerce and the International Trade Commission. [Baldwin and Moore, 1991, 256]

155. The wage structure for workers in the U.S. steel industry was well above and out of line with world levels. As U.S. competitiveness declined, so trade restrictions were considered essential in order to protect this wage structure.[Jones, 1984, 394]

156. In the view of Lynn Williams, the union president, the VRAs were critical to allow the steel industry to do its part to bring prosperity and security to the U.S. industrial base. [Economic Policy Institute, 1989]

157. In late 1992, the President of the American Institute for International Steel (AIIS) reportedly called for the end of dumping suits and argued that these trade sanctions risked retaliation by foreign producers and accusations of U.S.
dumping.[Reuters, 30 November 1992] Together with many small U.S. steel producers, the AIIS was reported as criticizing the ITC decision of July 1993 for injuring the "competitiveness of American steel-using manufacturers and the U.S. economy".[Gill and Peers, 1993, 12]

158. BHP has recently claimed that steel is the only Australian manufacturing export which earns above a billion dollars (Australian) per annum.[Prescott, 1989]

159.Imports above the quota were subject to an additional duty of 150 percent. In February 1983, a bounty of 5 cents for each dollar of the value of domestic sales was also applied to certain high alloy steel products.[Steel Industry Authority, 1988a, 32]

160. There was little doubt that the Labor Government would offer assistance to BHP given statements of commitment made by leading members of the Labor Party over the previous year to maintaining a viable steel industry.[Capling and Galligan, 1992, 179]

161. The IAC, in its report of March 1983, while recommending against any new protection for the iron and steel industry, called for the withdrawal of the developing country preference for steel imports from Korea and a five-year plan of value-based quotas.[Industries Assistance Commission, 1983, 188-193]

162. As well as indicating that the industry and the unions as well as government were willing to make serious commitments to a recovery plan for the steel industry, the SIAC recommended in early 1983 that government assistance was needed if there was to be a long-term solution to the serious problems facing the industry.[Steel Industry Advisory Council, 1983, 26-7]

163. The Australian Government provided a bounty scheme, and would review assistance if the domestic share of the Australian market in certain product categories fell below 80 percent or rose above 90 percent, a fast track anti-dumping system and a quota for imports from developing countries; the industry (in fact, BHP) agreed in return to continue the operation of its integrated steel centres, ensure job security for employees for the duration of the Plan and to undertake an investment program to increase its efficiency (AUD $800 million over 4 years for capital improvements to increase labour productivity and energy efficiency); while the unions agreed to keep wage increases within the prevailing community standards, to re-establish a specified labour productivity level, and to adhere to established dispute settlement procedures. [Steel Industry Authority, 1988a]

164. The Steel Industry Authority was given the authority to advise John Button, the Australian industry minister, on matters including 'steel industry investment, local production, imports, employment levels, productivity changes, wage settlements, steel prices and standards of product quality and consumer service, levels of state government taxes and charges, assistance provided and to be provided to the steel industry' and any other matter deemed relevant by the industry minister.[Australia, House of Representatives, 1983, 3032]
165. The Steel Industry Authority (SIA) had, however, expressed concern that while the Australian steel producers may have been price competitive with imports, the Australian steel-user may not be competitive due to the higher price paid for steel in Australia than that paid by the steel users' overseas competitors. [Steel Industry Authority, 1988a, 4] Another criticism of the Australian steel producers, and principally BHP, was that they had failed to adequately supply the domestic market and the SIA recommended that the Australian Trade Practices Commission (TPC) be empowered to intervene where such disputes arose. [Davies, 1988a, 3]

166. Further agreements, focusing on improving the productivity of the industry and security of employment without direct government involvement, followed the Plan. The National Steel Industry Development Program Agreement was concluded on June 1, 1992 while a new workplace agreement, the Steel Industry Improvement Agreement has been finalised since then. [BHP Steel, 1989b; Broken Hill Proprietary, 1992a]

167. As Capling and Galligan have pointed out, the Plan had been negotiated at the national level without local involvement and commitment by steelworkers and their shop-floor representatives. This was exacerbated at the Port Kembla plant by political antagonism between national and local branch leadership. [Capling and Galligan, 1992, 186]

168. Apart from 1987, working hours lost as a percentage of total possible working hours worked in the three steel plants were more than halved for all years of the Plan as compared to what they had been in the period preceding the Plan. It was reported that when the Plan came to an end, BHP Steel Division's industrial dispute level had been at a level less than half the national average for over 2 years. [Howarth, 1989a, 5]

169. By the end of the 1980s, BHP officials believed that the Plan had provided a favourable environment for the industry to expand, primarily in the export market. In particular, BHP was reported as viewing the capital investment which it had been making during the 1980s as necessary in order to increase its emphasis on exports. [Howarth, 1989b, 2]

170. The Bureau of Industry Economics was prepared to concede that the Plan had been an important factor for a brief period after its implementation, but that "as conditions changed the improved industry performance was due much more to the powerful influences of the recovery in world steel markets, the real depreciation of the dollar and the investment incentives of the corporate tax system." [Australia, Bureau of Industry Economics, 1988, 46]

171. The National Steel Industry Development Programme Agreement, which began in 1989, was focused primarily on an improvement in business performance through the setting of targets and by identifying and implementing measures to achieve them. The Agreement was premised on a continuation of the improved industrial relations as experienced under the Plan.

172. As recently as November 1988, then BHP Managing Director Brian Lotton was reported as referring to BHP having a policy of running a buffer capacity at about
25 percent above domestic market demands which in effect meant that it exported what it could not sell at home.[Stuchbury, 1988, 13]

173. By 1989, the steel industry was already feeling the impact of the slump in domestic steel demand. This continued through the early 1990s and by early 1993, while the trend was one of "incremental improvements", this was not seen by BHP as reflecting "any great strength in the general steel market." [Wood, 1993, 19]

174. As the SIA had noted in the late 1980s, it may no longer be sustainable for the Australian industry to see the export market as merely peripheral to addressing domestic demand.[Steel Industry Authority, 1988a, 188]

175. While BHP proudly referred to this 23 percent increase in exports over the more traditional 20 percent share of despatches, it readily acknowledged that softer international prices more than offset the increase in revenue from the stronger export sales.[Broken Hill Proprietary, 1992a, 16]

176. For the rest of the Australian steel industry (which produces only a fraction of that of BHP), the domestic market is effectively the only market.

177. In all, U.S. steel mills filed 84 unfair trade suits with the ITC against foreign exporters. On 1991 figures, this affected imports of 6.5 million tonnes out of a total U.S. market of 45.5 million tonnes annually. Two of these suits, alleging dumping, were filed against Australia.

178. Once a complaint has been upheld by the ITC, the US Department of Commerce will then make a preliminary determination on whether the foreign producer has pursued an unfair pricing policy. It is sometime after that (possibly 6 months) before a final decision is made on the complaint with both the Commerce Department and the ITC having to make final judgments. In a number of ways, the nature of and procedure for investigation of the unfair trade suits seem to favour the plaintiffs, the U.S. steel producers. For example, each U.S. sale by a foreign exporter is compared with the average price that prevailed in the exporting country over the period and if any sale was below the average, it will be deemed to have been 'dumped'.[Frum, 1992, 64]

179. The Commerce Department found that Australia was among 20 foreign exporters which had exported an estimated US$3.2 billion of dumped or government-subsidised steel into the U.S. market annually at 'unfairly' low prices.[Stuchbury, 1993b, 1,4] The duty imposed on Australia (up from the 21.47 percent dumping duty margin found in the initial Departmental determination in January 1993) was near the bottom end of the penalty list with the duties imposed by the Commerce Department on foreign exporters ranging between 1.47 percent and 109 percent.[Dowding, 1993a, 8]

180. The dumping finding against Australia may well have been caused by low U.S. market prices rather than a conscious policy by BHP to attempt to sell in the U.S. at below the Australian domestic market price. While Australian steel-users have complained of high steel prices in Australia, there has been no evidence that high prices were being exacted by BHP in its domestic market so as to, in effect, subsidise its exports to the U.S. Even though BHP continued to stress that its 0.37
percent of the U.S. steel market (and 1.3 percent of the corrosion-resistant steel market) could not possibly cause material injury to the U.S. industry, it was reported as being aware that the ITC’s practice of sometimes ‘cumulating’ the damage found to have been caused by ‘unfair’ competition from all sources could result in Australia being found guilty of dumping.[Stutchbury, 1993b, 4]

181. The ITC decision surprised U.S. and foreign steel commentators by determining that the U.S. steel industry did not face material injury from about half of the US$3.2 billion of steel imports as found by the Commerce Department in June 1993. Thus Antidumping and Countervailing duties will be paid on only about half of the steel imports coming into the U.S. market.[Stutchbury, 1993a, 12] An appeal against the decision not to impose duties on the hot and cold rolled steel imports from Australia, Argentina and New Zealand by the U.S. steel industry were rejected by the ITC in mid-August 1993.

182. BHP expects to pass on the almost the entire burden of the tariff to its customers, lifting annual export revenue from the U.S. from AUD$100 million to nearly AUD$125 million for the 350,000 tonnes of steel shipped to the U.S.[Howarth, 1993d, 12]

183. BHP already has a number of subsidiaries in the U.S. to which it has been supplying 37 percent of the steel exported to the U.S. This was one of the reasons presented by BHP to the Department of Commerce and the ITC to explain why it believed that its exports were not injuring U.S. steel producers.

184. The possible joint venture with North Star Steel would be to build a mini-mill of up to a million tonnes a year capacity somewhere on the West Coast of the U.S. It would use leading-edge, thin-slab-casting technology which could produce the requisite level of high quality flat steel for BHP’s purposes in supplying the high-grade corrosion-resistant product it has been exporting to the U.S.[Howarth, 1993d, 12]

185. Following the announcement of the Second Keating Ministry in March 1993, the Department of Industry, Technology and Commerce became the Department of Industry, Technology and Regional Development. However, its functions with respect to steel policy formulation and implementation are unlikely to be affected.

186. The Department of Industry, Technology and Commerce’s influence over the steel industry has traditionally been because it has administered the tariffs on the import of steel into Australia. It has always enjoyed a closer relationship with the steel industry than that enjoyed by the Department of Foreign Affairs and Trade.

187. The two important features of the VRA program which enhanced Congress’ position during this period were the fact that the program had been given statutory form in 1984 and; the fact that this legislation had been tightly drawn so as to minimise executive discretion and flexibility in its negotiations with foreign exporters.

188. The Ambassador for much of this period, Rawdon Dalrymple, has been vocal in his opposition to U.S. protectionist programs that affected steel and agricultural commodity trade. Dalrymple (now Australia’s Ambassador to Japan) recently hit
out at U.S. policies effectively accusing the U.S. of hypocrisy in its trade laws: seeking redress from countries with which it has had a trade deficit, but not being prepared to make concessions to those with which it had a surplus, such as Australia. [Hatcher, 1993a, 7]

189. For example, the 1992 U.S. Department of Commerce ruling of unfair trade practices covered imports worth US$2.6 billion and of this, BHP’s portion (135,000 tonnes) amounted to a mere US$45 million worth.

190. These societal actors included both importing organizations, such as the American Institute for Imported Steel, and steel-user organizations such as the Precision Metalforming Association and the Alliance of Metalworking Industries.

191. A Multilateral Steel Agreement would have included the following elements: elimination of steel tariffs over 10 years; the prohibition of steel subsidies except those relating to research and development, industry restructuring and environmental measures; prohibition of quantitative restrictions such as quotas, voluntary restraint arrangements and other discriminatory practices; and an enforceable dispute-settlement process.

192. There is no guarantee that a multilateral steel trade arrangement would effectively deal with the threat posed by the U.S.’s Antidumping and Countervailing Duty suits. Rather than producing a liberal steel trade arrangement, such an agreement may in fact have established (or ratified) a trade-distorting cartel. [see for example, The Economist, 1992c, 100]

193. The U.S. has also contributed to the stalemate in these talks by demanding that all subsidies on foreign steel be eliminated; that the U.S. keep the right to take action against imported steel produced with the assistance of past subsidies; and that its antidumping regime should remain intact. [The Australian Financial Review, 1993b, 20; Gill, 1993b, 7]

194. USTR Carla Hills confirmed the pursuit of these international negotiations in testimony before the House Trade Subcommittee in February 1989. [United States Congress, 1989, 13-1]

195. At the time of writing, there is no evidence that the recently-installed Clinton Administration’s steel policy will be any different from that of its predecessor. In general terms, the same references are given to free and fair trade while the same acquiescence seems to be being given to demands for departures from GATT norms.

196. BHP officials have expressed concern that in previous Rounds of multilateral trade talks, reform in steel trade was foregone by Australia so as to advance Australia’s interests in other goods sectors.

197. The United States was not, of course, the only steel trader to file unfair trade suits. The European Community, for example, applied antidumping duties to a range of East European products in 1992. [The Economist, 1993a, 71] Problems in the European steel industry are reaching a stage where drastic action will be required.
Such action may well produce further distortions in the world steel market. [The Economist, 1993b, 64]

198. Discussions for an agreement between steel producing countries were adjourned late in 1992 till early 1993. However, apparently fundamental differences have arisen between the U.S. and the EC over such a subsidy-ending agreement and no further progress has been made.