Steel wars between the united states and europe

Since the late 1850s, steel has continued to play a major role in the world industrial economy as the demand for easily produced and strong metals increases. The demand for steel has increased due to use in constructing rails, girders, bridges and automobiles. Since the early 1980s, the United States and Europe have had a dispute in relation to this industry (Barringer and Kenneth 2000). Decisions made by the two sides about steel production and marketing have resulted to a steel dispute between the two for about three decades.

In this paper, the dispute between the US and Europe in relation to the steel industry will be discussed a personal view point about the dispute given. Discussion In the late 1970s, European steel producers were able to enter the US market due to the opportunities created by the US intimidating effect of anti dumping suits against Japan. The suits lowered Japan's steel export performance. This move was meant to introduce import quotas and was supported by the US Congress. Japans' steel export to the US had increased by 35 per cent in the year 1976 which justified the introduction of import quotas.

When the European steel producers succeeded in pursuing the new opportunities available in the US market, antidumping complaints were also filed against them (Leibowitz, 2001). The formation of a Steel Task Force under US Secretary of treasury Anthony Solomon aimed at providing a compromise between some competing interests in the industry and the threat posed by European producers if they were to retaliate to the import protection measures. The task force came up with the " Solomon plan". The

Trigger Price Mechanism (TPM) was established under the plan to facilitate quick initiation of steel dumping complaints.

In 1979, the Trade Agreement Act made suspension of TPM and antidumping litigation attractive for America's steel industry. As a result, the US steel corporation provoked immediate suspension of TPM. This became possible when the corporation filed dumping complaints against major European steel firms (Yves et al, 1987). In early 1981, European steel companies considered their ability to export below the trigger prices without necessarily exporting below the fair value to be possible due to the appreciation of the US dollar.

The companies therefore requested for a preclearance which would allow them to export below the trigger prices without encouraging American antidumping investigations. This was rejected by America so as to prevent countervailing suits. The US had a conflict with European carbon steel companies in 1982. In January 1982, the American steel industry had the TPM enforcement debate ended after the filing of a large number of unfair trade suits. The petitions involved 7 members of the European community which included France, Belgium, Italy and West Germany.

As Carter administration stepped in to prevent the collapse of the US steel industry due to competition from European producers, the US put into place tariffs that allowed the domestic politics to encourage a pro-free trade government to support protectionist trade barriers. As the dispute continued, the American administration announced duties on steel imports of up to 59 per cent from countries such as Italy, France, Germany, Belgium, Spain and Britain.

The dispute was expected to affect European community rolled flat steel exports to America. By 1992, the European community considered America’s temporary duties on subsidized steel from some member countries to be an effort by US to lock away European steel producers from its market (Hufbauer and Ben, 2001). By 2002, the Bush administration supported the opinion that temporary restrain on imports was warranted if the imports posed serious harm to the domestic industries. This was meant to allow the restructuring of the US steel industry.

The European Union (EU) opposed the steel tariffs imposed by the US and argued that the US safeguard measures resulted to annual losses of about $2 billion in trade for European steel producers. However, both the European Union and the US were seen to be presenting interpretation of tariffs that favored them based on the multilateral trading rules. In 2002, the US government imposition of 30 per cent tariff on some imported steel products was meant to give the US steel makers an opportunity to restructure due to the surge of imported steel in the market (Nicholas and Robert, 2005).

The EU presented complains about this to the World Trade Organization which ruled that the US steel tariffs were illegal based on the world trade rules. As a result, European countries whose steel imports were minimized by the tariffs were entitled to imposing retaliatory tariffs equal to the loss caused by the US tariffs. In addition, the European countries demanded compensation for the loss incurred by the domestic industries. In 2003, President Bush announced a move by his administration to remove the import tariffs that had earlier been imposed on steel imports from Europe.

Due to the long-standing dispute, the European countries also supported the move to impose additional custom duties on imports of some commodities coming from the US (Charan et al, 2006). Counter measures were to be imposed beginning the March 1, 2004 in response to the US failure to comply with the World Trade Organization rulings. If the proposed counter measures were to be taken, steel from US was one of the products to be affected.

Because of the competition and problems experienced in the steel industry as well as the high prices of steel in 2004, the US steel production level did not increase in 2005. In 2006, the US steel imports increased by 34 per cent due to the trade deficit. In 2006, there was an increase in US steel production. Despite the global steel market environment and competition from European steel producers becoming a challenge for the US steel industry, the demand for steel is expected to rise when more focus is given on capacity utilization instead of capacity addition (US Steel Industry Outlook, 2007).

The European steel industry has become competitive and a major exporter of steel products, posing competition to the US Steel industry. However, the US and Europe are expected to promote economic co-operation by resolving the steel dispute. Personal View about the dispute Both Europe and the United States have been involved in steel production for many years. In the United States, high demand for steel rails in the 1880s made America the greatest steel producer in the world.

Competition and between European and American steel producers began when steel industries became modernized. As a result of the economic cooperation that the two have had for a long time, Europe and United States have become major trading partners. Trade disputes similar to the one involving steel threaten economic co-operation between the two parties. If this co-operation is to grow, there is need for the two to work towards achieving successful transatlantic economic co-operation in future.

America's effort to protect its steel market from the highly competitive international environment created by the growth of European steel industries goes against the WTO trade rules. Due to the significant role that steel production plays in the US and Europe economy, there is need for to resolve the steel dispute by coming into a compromise that satisfies both parties. The two sides should refrain from adopting unfair trade policies. For instance, to reach an agreement about the steel industry, the US and European Union can agree to improve their trade relationship by reducing global overcapacity.

Despite the growing economic competition between Europe and the US, they should find a leveled playing field so that trade disputes do not interfere with their economic prosperity. The need to work together has made Europe and the US form a single economic and security complex to face various challenges and because the US and European steel firms have proved to be some of the most competitive at a global level, there is need to let them operate and generate profits without interference by unfair trade practices.

Conclusion The steel industry in US and Europe contributes greatly to economic development and this makes it necessary for any disputes involving the industry to be resolved . The emergence of economies such as

India and China makes it necessary for Europe and America to strengthen their economic cooperation in order to compete favorably with these economies. Innovation has become the strength of the industry.

The World Trade Organization encourages fair trade practices between nations while globalization demands that countries work together . Under the Competitiveness Innovation Program (CIP), European steel producers are now able to devise better ways of succeeding in the global market. The US steel producers have managed to increase their production and therefore are well placed to compete with European producers.