constantly upgrading them to meet demand (Schorsch 1984). More recently, however, steel demand has begun to slow in other mature economies, including Japan. From 1969 to 1981, the new capacity has been built in the United States, and fell 0.9 percent in the United Kingdom (CBO 1984, p. 33). While steel demand has slowed in more advanced countries, new capacity has been built in the Third World, adding competitive pressure.

Analysts cite the shift of steel production away from advanced industrial nations to the less developed world as another major factor contributing to the long-term financial difficulties of U.S. steel producers. For example, the Third World accounted for 41.1 percent of the Western World's steel production and 96.1 percent of its consumption; in 1980 this had increased to 12.4 percent and 21.2 percent, respectively (CBO 1984, p. 34). Domestic steel producers contend that many Third World steel plants were built to enhance national prestige and to meet the competitive pressures they are currently facing due to the high costs of production. These new integrated facilities would not be competitive with smaller plants in the production of certain products, largely because of minimills' lower capital costs (Schorsch 1984, p. 36).

Conclusion

For the past 25 years, foreign steel producers have steadily increased their share of the U.S. market. Imports are now at record levels, and the domestic steel industry faces one of its most severe economic downturns. The world is currently plagued with excess capacity because of plant construction in Third World nations and a slower growth of steel consumption in many of the more developed countries. These two trends have resulted in vigorous price competition. Since the United States has relatively few trade barriers, domestic steel firms have been particularly vulnerable. Temporary import restraints could therefore prevent bankruptcies and unemployment, and the loss of some capacity that might be needed for the long term.

Nevertheless, the financial difficulties facing U.S. producers and the events in the world's steel markets are largely a result of long-term trends. If the domestic industry is to become more competitive, its investment strategies must be geared toward streamlining operations and perhaps adopting minimill techniques on a wider scale. Spending massive sums for modernizing old, capital-intensive plants, while the U.S. market is shrinking may only lead to overcapacity and perpetuate current problems.

For U.S. steel manufacturers, 1983 was not a banner year; one-third of U.S. steelworkers were on layoff, and it was the industry's second consecutive unprofitable year, and the market share of steel imported into the United States has been eclipsed by imports from other low-cost producers. Domestic steel manufacturers responded by appealing to the U.S. Congress to set global limits on imported steel and in November 1983, the Fair Trade in Steel Act was introduced. This act calls for setting import quotas at 15 percent of the domestic market supply for five years. (The foreign market share was 26.2 percent in the first three quarters of 1984). In September 1984, President Reagan announced he would push for voluntary restraints on foreign steel producers to limit imports of finished steel products to around 18.5 percent of the American market. Steel makers; they were aided by the threat of strikes during steel-labor contract negotiations in 1985 and 1986 (Hagan 1971, pp. 2037-8). Foreigners could cut prices because of declines in raw material and shipping costs and significant productivity increases due to the introduction of new technology. This was particularly true of Japan. In the decade after 1958, Japanese unit labor costs (a measure of both productivity and labor compensation) declined by more than 30 percent; material and shipping costs also fell; meanwhile, unit labor and material costs in the United States remained constant, and surface transportation costs rose (Crandall 1981, pp. 22, 27).

For example, a significant portion of imports has come from Japan, which is widely recognized as having a comparative advantage over the United States in the production of steel. More recently, steel imports from Japan have been eclipsed by imports from other low-cost suppliers. Many analysts would cite these trends as the fundamental cause for the current difficulties of older, established U.S. firms. In this context, temporary import restraints without recognition of the underlying trends would only protect the steel industry at the expense of consumers.
Domestic steel manufacturers were 41 percent of total U.S. imports (set at Japan was selling wire rods at a very low price, it was not dumping them; the Treasury Department ruled that while European wire rod producers were selling wire rods at less than fair value, they were doing so because the dumping was politically motivated (Hogan 1985, p. 197). When a bill to limit imports to 9.6 percent of the U.S. market was introduced in the Senate late in 1967, domestic steel switched its support from the levy to quotas.

Exercising Restraint

Rather than accept legislated quotas, the Japanese adopted a three-year voluntary export quota plan that went into effect in 1969. This arrangement allotted European Economic Community (EEC) and Japanese producers each 41 percent of total U.S. market. Any firm on import tariffs on steel and pig iron. Such a tariff, it was argued, would allow the U.S. industry to raise its prices and compete (Hogan 1985, p. 197). When a bill to limit imports to 9.6 percent of the U.S. market was introduced in the Senate late in 1967, domestic steel switched its support from the levy to quotas.

Recent Feints and Parries

Despite the new TPM, imports in 1981 in 1981, domestic steel switched its support from the levy to quotas. Second, VERs restricted tonnage rather than import value. This spurred foreign producers to import to avoid the TPM by shipping goods and requesting that special duties be imposed on these goods. The steel industry petitioned that European wire rod producers were selling wire rods at less than fair value. Nevertheless, the new TPM required that foreign firms show evidence of dumping. Such evidence had not been made, and the steel producers claimed that the new TPM was a disguised quota system that would force them to increase imports. The new TPM required that foreign firms show evidence of dumping. Such evidence had not been made, and the steel producers claimed that the new TPM was a disguised quota system that would force them to increase imports. The new TPM required that foreign firms show evidence of dumping. Such evidence had not been made, and the steel producers claimed that the new TPM was a disguised quota system that would force them to increase imports.