RING OF STEEL

HOW THE USA PROTECTED A KEY INDUSTRY

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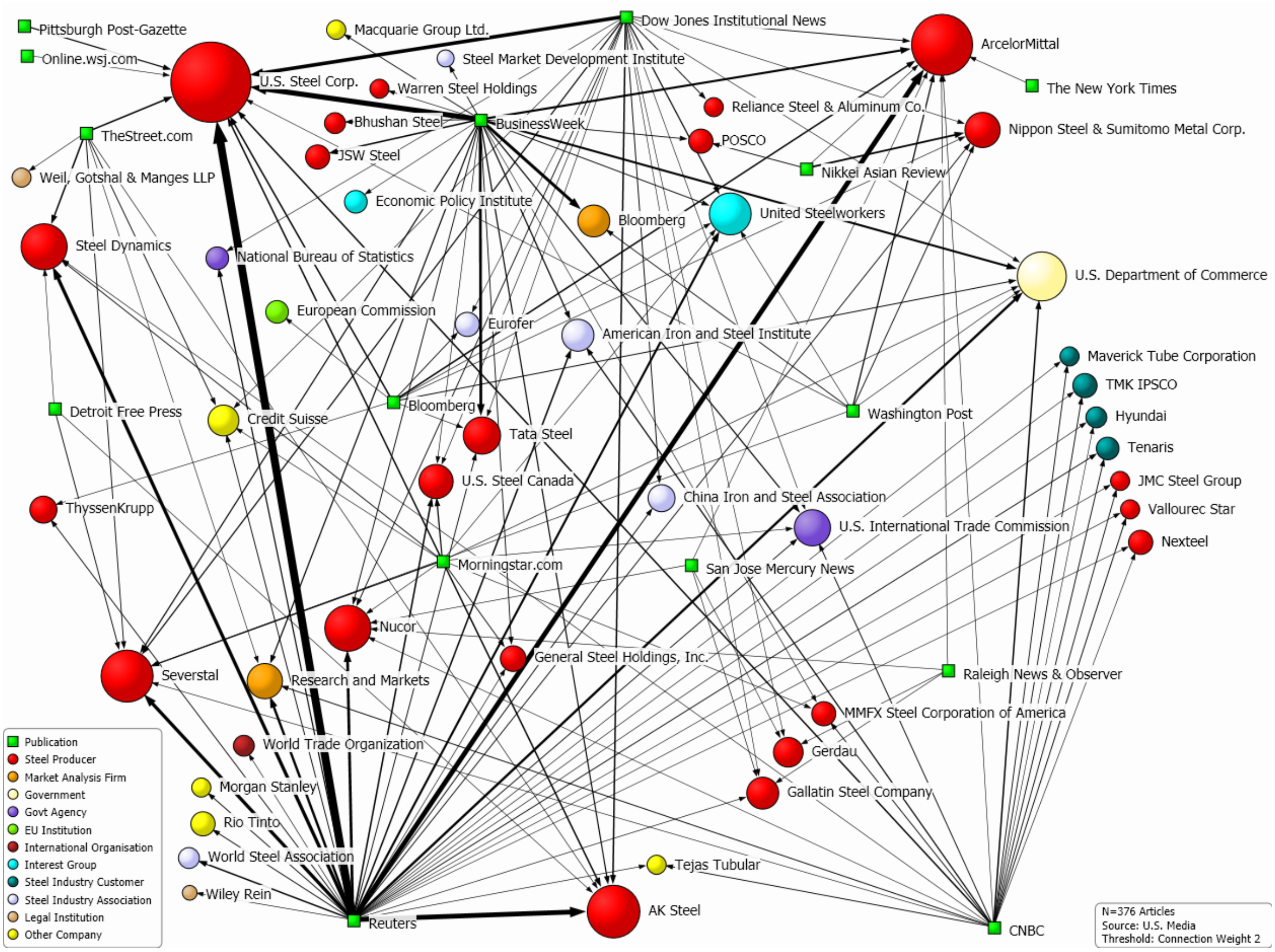
Big steel, unions and political foes rally round the flag to lobby successfully for tariff protection

With the USA one of the few Western economies which is growing apace, domestic US industries have been concerned that their home market has become a dumping ground for foreign imports. None more than one of the fundamentals of industrialised economies, steel. The challenge, particularly from South Korea, China and other Asian countries, unified political and industrial foes, as well as boardroom and factory floor. And their combined lobbying led to a US Commerce Department decision to impose duties on steel pipe and tube imports.

The whole process played out publicly in the US, in a textbook case analysed by Commetric. We looked at top US news and business media sources for feature articles relating to the U.S. steel industry between 1 May 2014 and 31 October 2014 to try and understand who were the key influencers in the debate. We used our award winning, proprietary *Influencer Network Analysis* software to understand the dominant topics, as well as pinpoint the networks between the key players.

We found that the U.S. Commerce Department's decision to impose duties on steel pipe and tube imports from South Korea and eight other countries dominated coverage during this period. Ahead of the decision, the Economic Policy Institute published a report in May warning that more than 500,000 U.S. jobs were under threat from a surge in cheap steel imports. Report co-author and Director of Trade and Manufacturing Policy Research at the Institute, Robert Scott, emphasised the severity of the problem when he said the U.S. steel industry was facing its "*biggest import crisis since 2001*," (*Dow Jones Institutional News*, 13 May 14).

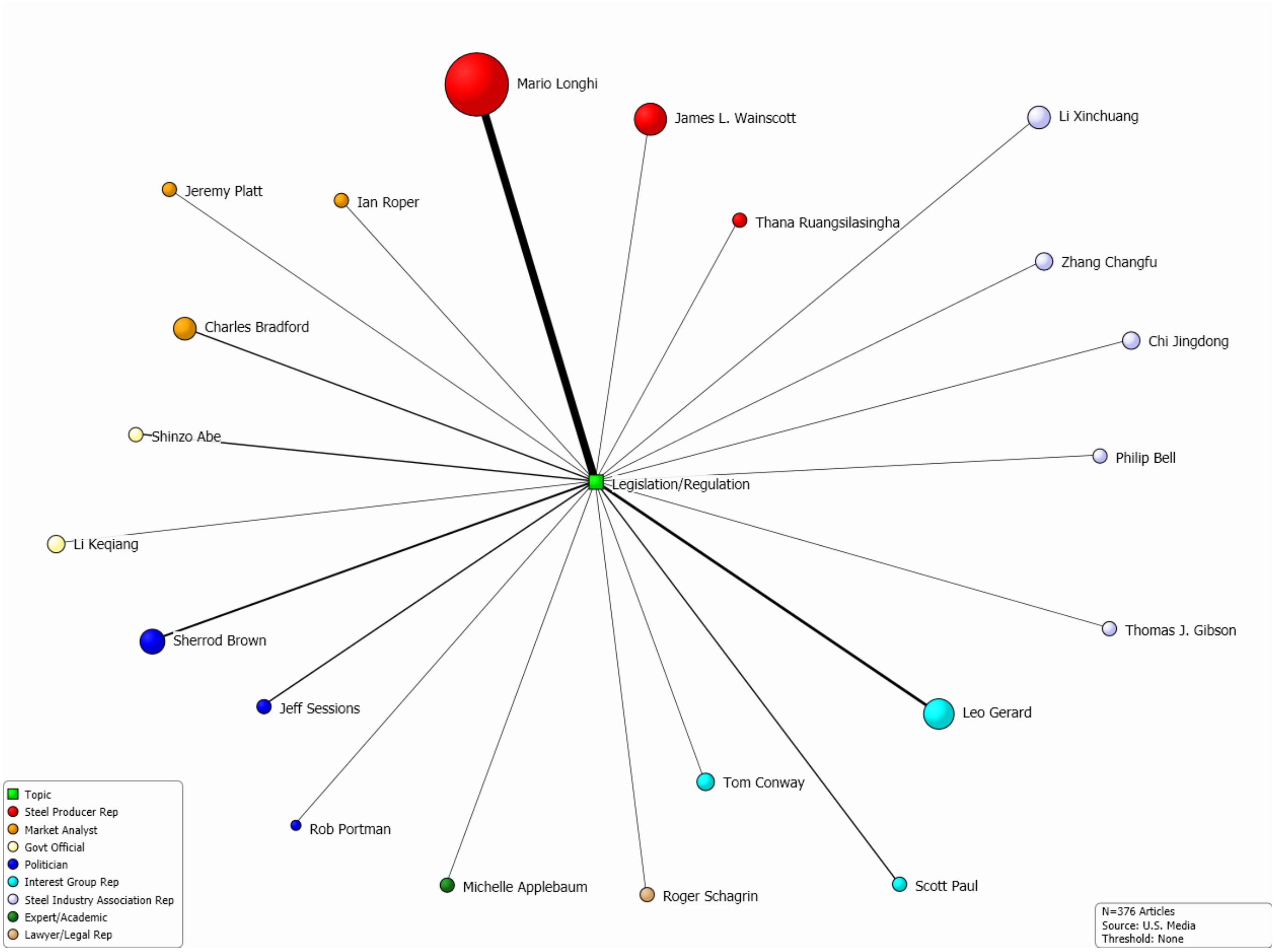


The size of the circle indicates the volume of coverage the subject received. The map above shows how central U.S. Steel was to the conversation about imports and regulation.

Boardroom and unions combined to make the case for government action. Key voices were U.S. Steel Chief Executive, Mario Longhi, and the International President of United Steelworkers, Leo Gerard. Longi urged the U.S. Department of Commerce to *"recognise and punish illegal South Korean dumping"* of steel prices (*Pittsburgh Post-Gazette*, 08 Jun 14), while Gerard highlighted the ground-level impact of allowing these imports, saying: "*Plants are being idled, workers are losing jobs and communities are suffering*" (*Washington Post*, 12 Jul 14). The duo joined forces to lobby on the issue and Gerard explained the unlikely collaboration, saying: "*The steelworkers and the steel companies fight a lot, but we're not going to fight over our survival*," (*Dow Jones Institutional News, 10 July 14).*

When the Commerce Department decision came in July, the announcement was dubbed "*a victory for U.S. Steel Corp. and the United Steelworkers union*" by commentators (*Washington Post*, 12 Jul 14 & *Bloomberg,* 14 Jul 14). The organisations worked harmoniously on the campaign, with Longhi and Gerard releasing joint statements and making "*frequent appearances in Washington in an effort to put political pressure on regulators*" (*Dow Jones Institutional News*, 22 Aug 14).

Leo Gerard and Mario Longhi did not call for a ban on imports. Their combined plea was simply that *"the law… be respected, applied in full,"* (*Bloomberg*, 11 Jul 14).



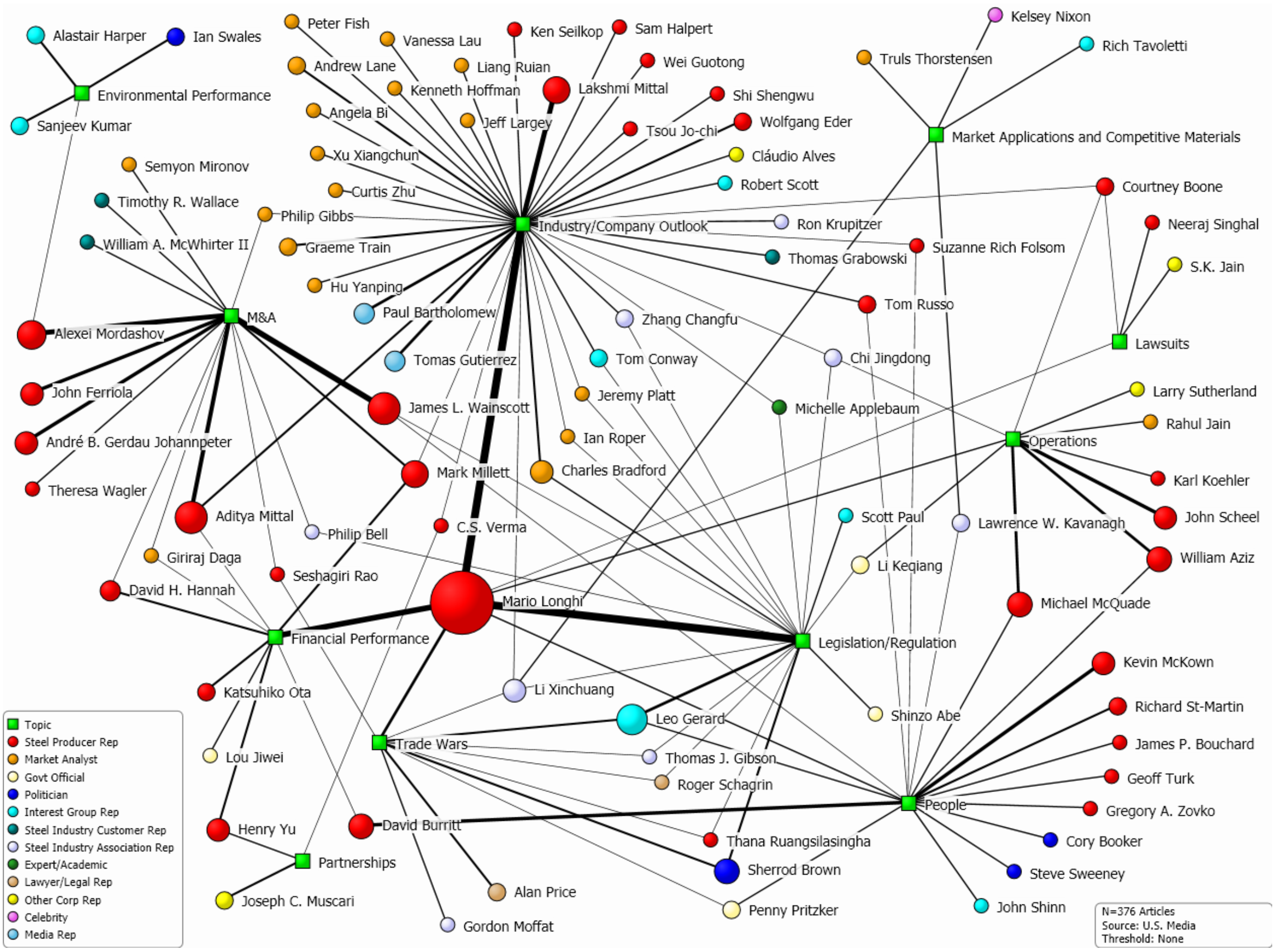
This map shows the individuals connected to Legislation / Regulation, either speaking about the topic or being mentioned in association with it. Mario Longhi is the most prominent *Steel Industry Representative*, while Sherrod Brown, Jeff Sessions and Rob Portman are prominent *Politicians*.

The menace of cheap foreign imports also unified political opponents, including Democrat Senator Sherrod Brown of Ohio and Republican Senator Jeff Sessions of Alabama, who spoke jointly to reporters on the issue in May (*Washington Post*, 13 May 14). Brown joined Gerard and Longhi's calls for a fair deal for U.S. producers, saying they were "i*ncreasingly losing business to companies that don't play by the rules*," (*Pittsburgh Post-Gazette*, 14 May 14). In a joint statement with another Republican Senator, Rob Portman of Ohio, Brown later welcomed the July ruling as "*an important step toward ensuring a level playing field for our workers and businesses*," (*Washington Post*, 12 Jul 14).

The duties levied at South Korean imports gave commentators the opportunity to speculate on the state of the Chinese market. Since South Korean steel pipe and tube products are often made from subsidized Chinese steel, analysts explored how a supply glut and stagnant demand in China had led to a collapse in domestic prices. Tangshan Donghua Steel Enterprise Group Co. was cited as one firm looking outside China to generate revenue. Wei Guotong, assistant to Tangshan Donghua's general manager, commented: "*We don't make any profit selling here…If we sell overseas, we can at least make some money*" (*Bloomberg*, 25 Sep 14).

Criticism of the Chinese industry was not restricted to U.S. voices. Eurofer's Director General, Gordon Moffat, accused Chinese exporters of "*flooding the markets which are still unprotected, like the EU*," (*Bloomberg*, 26 Jun 14) and Thana Ruangsilasingha, Chief Operating Officer of Tata Steel (Thailand), claimed "*Chinese subsidies are making fair competition impossible*" (*BusinessWeek*, 08 Oct 14). Chinese industry associations repeatedly pushed back against this negativity, resulting in higher media visibility than their U.S. counterparts. Representatives of the state-backed China Iron and Steel Association (CISA) often put a positive spin on their home market. Li Xinchuang, vice-secretary general at CISA, was adamant Beijing was not subsidising the Chinese steel industry (*CNBC*, 29 Oct 14) and Wang Xiaoqi, CISA's VP, downplayed the threat posed by the Chinese, asserting that *"[Chinese] companies are no longer expanding capacity. They are putting an emphasis on environmental protection*" (*Reuters*, 07 May 14).

CISA Deputy Secretary General Li Xinchuang went further, deflecting criticism back at U.S producers and accusing them of seeking government protection from foreign competitors: "*The U.S. should open the market and not protect some producers that don't have competitive ability*," (*Dow Jones Institutional News*, 10 Jul 14).



This detailed map shows the number of commentators voicing an opinion on the state of the U.S. steel market, in particular the impact of overseas imports upon the domestic market.

Analysts were not confident the Chinese industry would recover in the short-term, meaning cheap imports and potential dumping look set to be an issue for the U.S. into 2015 and beyond. Liang Ruian, vice president at Shanghai Jianfeng Asset Management Co., expected steel prices to fall until well into 2015. "*There's no miracle*," she said. "*There's only supply and demand, and you've got rising supply and slowing demand*" (*Bloomberg*, 25 Sep 14).

The steel case study suggests that, as the world economy continues to recover.at different speeds and growth in developing countries slows, other US industries may well call for protection. And despite the efforts of the WTO, this may become a popular model elsewhere with implications for marketers, communicators and lobbyists worldwide.

Commetric is an award winning media listening and evaluation agency.

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