

**THE IMPACT OF 201 TARIFFS ON U.S. STEEL USERS AND FOREIGN  
STEELMAKERS: A CRITIQUE OF PETER MORICI'S "SURVEY OF SOME  
COUNTERINTUITIVE RESULTS," JULY 2002**

**By**

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## **INTRODUCTION**

### **A Brief Note on the Economic Background of the 201 Tariffs**

The last three or four years have put the world's steelmakers and global steel trade under severe strain. More and more countries built up steel industries of their own. Several are splinter nations from the former Soviet Union that began refurbishing the mills they had inherited, although their home markets could absorb only a fraction of the mills' expanded output. With so many new sellers in the market, it became even harder to keep markets in balance when global demand fell. Even relatively short downturns caused profound price weakness in many regions. During this period, for example the Asian Financial Crisis, precipitated price collapses of prices of all metals, including steel, as well as other commodities such as oil.

It was in the United States where companies had first mastered the art of practicing "parallel conscious action," i.e., collectively curbing output in a declining market and, it must be noted, doing this within the bounds of competition laws. The steel industry of Japan had likewise developed an effective strategy for adjusting output during recessions, although on a few occasions this strategy failed.

The recent remolding of steel industry structures in the EU and Japan has begun to regenerate the skills for coping with recessions. Above all, this requires a system of sales management that will not crack under pressure from import surges. The U.S. steel industry will not be capable of managing its collective sales in a recession until after it undergoes a thorough structural reform. Over the decades, the integrated firms have dissipated their managerial energies on the containment of import pressures. With this objective in mind, they paid a high price to gain the political support of labor unions, transferring too much control over internal plant management to union leaders and granting generous healthcare and pension benefits. Moreover, the formerly tight industry structure has become an agglomeration of efficient and marginal firms whose existence is being challenged by the advance of domestic minimills.

The 35-year battle against imports was occasionally successful. With help from the minimills, it scored a major victory this year, when the President decided to impose additional controls on imported steel under the safeguard clause, or Section 201, of the trade law.

### **An Investigation of the Section 201 Impact**

The study by Professor Morici, which is being reviewed in this essay, discusses the impact that Section 201 tariffs are having on U.S. steel-using manufacturers and on international steel prices. The author investigates other variables affecting U.S. steel prices and concludes that the 201 tariffs had a limited effect on steel prices in the United States and, overall, also on the world steel market.

As is usually the case, the reviewer of such a study will not be in full agreement with all the methods applied in such a complex analysis. The most salient disagreement in this instance is Prof. Morici's use of percentages in his comparison of U.S. and international price changes and the findings he draws from this dubious approach. He is satisfied that domestic prices have barely reached their historic level and that international steel prices have increased rapidly. Hence, U.S. steel users should not be unduly affected by the higher spot prices they must pay for steel. Nor should they have any incentive to move their operations abroad, especially now that the dollar's offshore strength is weakening. In the end, Mr. Morici confirms: "the effect of the 201 remedy has been positive in both the United States and world markets."

This review will trace the use of data and methods applied in this study. Both the data employed by the author as well as alternative data will be examined and analytical methods will be checked. It should be noted at this point that in quite a few respects the study does not measure up to expectations heightened by the author's status and experience.

It was not so long ago that even small-town newspapers ran stories about the plight of domestic steelmakers. According to those press accounts, the problem was foreign competitive pressure. Company executives warned that the entire domestic steel industry would go bankrupt if the President did not initiate a 201 case to ease that pressure. Several months later, the papers carried articles announcing the President's decision to go ahead with the 201 initiative. After another interval, the news came out that the 201 had been put into effect, with some details added regarding tariffs, coverage, duration, etc. It was a lot of exposure—most of it positive—for an industry that had been out of the public limelight for some years, at least in those parts of the country where steel is not a major industry<sup>1</sup>.

However, more recently, stories appeared with a message that was less sympathetic to steel. They described the troubles of manufacturers like drum producers and makers of automotive parts whose companies were being pushed against the wall by a steep rise in steel prices and an inability to pass the higher cost through to their large, powerful customers. Some CEOs also complained that even though they were willing to pay high prices, products were not available for several months. They attributed both the price increases and short-supply occurrences to 201 restrictions and considered them a threat to the survival of their businesses.

Now comes Professor Peter Morici from the University of Maryland, formerly chief economist with the International Trade Commission, with a study aimed at dispelling apprehensions about the impact of 201 tariffs on steel prices here and abroad.<sup>2</sup> He disregards reports of sporadic shortages but instead focuses on concern that higher steel prices might cause U.S. manufacturers to lose sales to foreign competitors or, worse,

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<sup>1</sup> This review was written in Murfreesboro, near Nashville, Tennessee.

<sup>2</sup> Peter Morici, *The Impact of Steel Import Relief on U.S. and World Steel Prices: a Survey of some Counterintuitive Results*, July 2002.

move operations and jobs out of the country. He dubs previous concern about the 201 effect on prices “intuitive” and calls his own study “a survey of some counterintuitive results.” He also credits his study with demonstrating “the dangers of applying simplistic analysis to questions of trade policy, without considering the details of trade in the product involved or the structure of world and national demands.”

## PART I

### **“THE COUNTERINTUITIVE THRUST”**

To support his thesis that 201 tariffs have not pushed steel prices up sufficiently to cause U.S. manufacturers significant harm, Mr. Morici developed the following arguments:

- The recent increases barely brought U.S. steel prices back in line with their historic levels;
- the 201 effect on steel prices was diluted by (1) the limited quantity of imported steel made subject to the tariffs, (2) the import penalties already in place, and (3) the temporary immunity of long-term contract prices to the tariffs;
- international steel prices have likewise increased;
- the weakening U.S. dollar reduces the pressure from foreign competition and makes production abroad less attractive.

Mr. Morici is to be commended for setting up an analytical framework for his investigation. Enormous amounts of data are available nowadays and it helps to develop a systematic approach for marshalling them for efficient analytical use. If any changes to this framework might be suggested, they would go in the direction of shortening the list of arguments supporting the main thesis.

#### **I. THE 201 IMPACT ON DOMESTIC STEEL PRICES**

##### **“Current U.S. prices barely reached historic levels.”**

This argument is not relevant to the issue under investigation. What matters is not how current U.S. prices compare to U.S. prices in the past but whether the current gap between domestic and international prices has widened to the point of endangering part of the U.S. steel-using sector. To make this comparison, we need the most recent domestic prices as well as international (export and internal country) prices. As to the domestic part, the author provides an up-to-date price list of the products subject to the tariffs. Let us hope that we shall later see equivalent international data from Mr. Morici.

Mr. Morici disregards a related issue. The 201 impact was not limited to lifting steel prices to higher levels. American steel users were also troubled by the rapid-fire sequence of those price increases, which proved especially damaging in the large market for flatrolled products. An intense upward movement of prices had been compressed into a time span of just a few months. Steel users' cost structure and international competitiveness took a violent shock.

## **“Factors diluting the 201 effect on steel prices”**

### ***Only a portion of imported steel is subject to the 201 tariffs***

True, a large fraction of total imports is not at all affected by the 201 tariffs. However, within the group that is subject to the tariffs are three flat-product categories that account for more than 50 percent of total U.S. shipments and apparent consumption. They also account for nearly all the output of the U.S. integrated sector.

On page 3, Prof. Morici shows spot prices for June 1, 2001 and June 1, 2002. According to these data, the price of hotrolled coils rose 42 percent while coldrolled coil prices rose 28 percent and galvanized coils 24 percent. The first of these increases considerably exceeds the 30 percent 201 tariff rate for these categories, the others fall moderately short of it.

### ***AD & CVD penalties likewise raised prices of some imports***

This argument has little merit. Were imports not under plenty of antidumping and countervailing duty orders in December last year, when steel prices were at their nadir? Clearly, the large number of such orders in force at the time failed to keep steel prices from dropping to their lowest levels in recent history. It was precisely for this reason that a united front of integrated and minimills had launched a vigorous and in large part successful campaign for a four-year, 40 percent tariff barrier against imported steel. A major reason why trade cases had a limited impact on prices last year was intensifying competition among domestic producers, as several mills were selling their products at any price in order to stave off bankruptcy or closure. According to American Metal Market, Keith Busse, president of Steel Dynamics, “pointed out even after offshore producers threw in the towel last year, the U.S. market continued to tank, attributing that ‘last little bit of carnage’ to desperate domestic mills which rode the market all the way down to \$160 to \$170 per ton in an effort to salvage market share lost earlier to imports.”<sup>3</sup>

### ***Long-term contract prices not affected by tariffs***

This point is relevant to the extent that we probably won’t have to worry about steel users with long-term purchasing contracts getting squeezed by foreign competition or making plans to leave the country. But the fact that GM, Ford, and GE buy their steel at low prices that remain frozen for an extended period provides little consolation to the many small and medium steel users who are obliged to pay much higher spot prices.

A valid question, however, is whether the large steel users, many of them multinational companies, have used (or abused) their market power to drive contract prices for steel below the steelmakers’ unit cost and thus contributed to the industry’s misery.

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<sup>3</sup> AMM.com—Steel News—April 23, 2002.

## II. COMPARING DOMESTIC WITH INTERNATIONAL PRICES

While making our way through the discussion of these various points, we did at least obtain one crucial bit of information, recent domestic prices for three major flat product categories. If we can now get hold of equivalent international data, we could draw our own conclusion whether or not fast rising domestic prices had exposed a sizable segment of American steel users to potential harm.

This is where Mr. Morici's analysis takes a strange turn. Instead of letting the reader compare domestic and international price changes in dollar-per-ton terms, he switches the comparisons to percentages. One can only speculate about the purpose of this preference for percentages. It is well known, of course, that such comparisons may conceal the changing relationship between actual prices. The author presents December 2001 to June 2002 percentage price changes for various product categories, citing World Steel Dynamics (WSD) but providing no precise source reference. The data show that, except for hotrolled coil, the increases were larger for Antwerp export prices than for domestic prices. This is enlightening as far as it goes, but it does not address the question of price differentials in terms of dollars per ton. Did these differentials narrow due to the faster percentage rise in Antwerp export prices?

### HOTROLLED BAND SPOT PRICES, VARIOUS COUNTRIES

(in U.S. dollars per short ton, FOB mill)

	<u>Q4, 2001</u>	<u>June, 2002</u>
World export	168	245
Brazil home market	218	247
EU home market	197	222
Japan home market	166	227
Russia home market	145	218
Taiwan home market	203	245
<u>USA home market</u>	<u>218</u>	<u>355</u>

Source: Peter Marcus and Joseph Innes, *Global Steel Alert #5* --  
Steel sheet price boom, World Steel Dynamics, June 13, 2002, p. 43

This question is cleared up in some degree by another set of WSD statistics. According to data in *Global Steel Alert #5*, page 43, the June 2002 gap for hotrolled band between U.S. home market prices and world export prices had widened from \$55 per metric ton in the fourth quarter of 2001 to \$121 by June 2002. The difference between EU and U.S. home market prices had widened from \$15 to \$146 during the same period, the price gap between the U.S. and Japan from \$57 to \$141. Comparisons with other countries show similarly wide gaps, except for China where 2001 prices were above the

U.S. level. Another WSD index that only covers the period through March 2002, shows similarly wide price differentials for coldrolled and (except for Japan) galvanized coils<sup>4</sup>.

Mr. Morici does not refer to these numbers. Instead, he presents another set of percentage price increases for hotrolled band, also using WSD as a source. These data evidently pertain to the period between the fourth quarter of 2001 and April 2002 (see our note below *More on percentages*). According to the author, global export prices rose 35 percent, whereas the increase was 26 percent in Japan and “more than 11 percent” in the EU, Brazil, Russia and Taiwan. WSD statistics show that the dollar gap between the U.S. price and the respective foreign prices had widened to more than \$100/ton by April, a multiple of what it was in the fourth quarter of 2001.

Such sizable price differentials undoubtedly raise concern among those steel-using American manufacturers who must compete in the global market or who sell to global companies operating in the United States.

As to the weakening U.S. dollar in foreign markets, Mr. Morici expects steel containing imports to become more costly and domestic manufacturers to feel less inclined to move offshore. What actually will happen depends on exchange rates in specific regions. So far, the dollar value has changed quite unevenly around the world.

### **III. CONCLUSION**

Mr. Morici did not furnish sufficient data to sustain his conclusion that “the effect of the 201 remedy on U.S. consumers has been limited” or that “rising steel prices should not cause consuming industries to lose sales to foreign competition or move manufacturing operations abroad.” Moreover, because at a crucial stage he switched to less revealing and potentially misleading percentage comparisons, his analysis hardly deserves a passing grade.

A passage from the author’s conclusion indicates either a compositional lapse or a deliberate attempt to confuse the reader: “To the extent that [U.S.] prices have increased, it has been only to levels approaching historic levels. Outside the United States, foreign steel producers and distributors are obtaining much higher prices for their products.”

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<sup>4</sup> Peter Marcus and Joseph Inname, *Global Steel Alert #3*, Global steel demand miracle, World Steel Dynamics, March 19, 2002, p. 23.

## PART II

### CAUSES OF PRICE INCREASES

Part I posed the question whether the gap between U.S. and international steel prices has widened since the end of last year or, more specifically, since inception of the 201 tariffs. Although international prices have likewise risen, there is clear evidence, at least with respect to hotrolled bands, that the gap has considerably widened during the first half of this year. A large segment of American steel users has been negatively affected by this differential. Part II will look into the causes of the price increases in domestic and global markets. It will also investigate several other points discussed in Mr. Morici's study.

#### I. CAUSES OF DOMESTIC PRICE INCREASES

Let us first look at the domestic scene. In the Executive Summary, Mr. Morici gives two reasons other than the 201 tariffs for the price increases, improved demand and recent AD and CVD investigations. He neglects to mention the role of capacity closures (although he does bring that up later in the text)<sup>5</sup> and he never refers to inventories. That AD and CVD investigations have recently had little influence on U.S. market prices was already discussed. Did rising steel demand help to pull prices up? The answer is, hardly, if at all. Apparent demand remained stagnant from the last quarter of 2001 through the first quarter of the current year. If last year's inventory reductions are calculated in, actual steel sales may have declined slightly. There was a two percent up tick in April, but that is hardly a sufficient basis for designating demand as one of the forces behind the explosive price increases this year<sup>6</sup>.

A much greater impact on prices can be assigned to capacity closures and the pronounced switch from rapid inventory sell-off to a rebuilding of stocks. Since the middle of last year, shuttered and idled capacity has taken more than 12 million tons of shipments off the U.S. market<sup>7</sup>. Over 90 percent of this total consisted of flatrolled products. Furthermore, the threat of 201 tariffs kept imports of finished steel mill products during the first five months of the current year below the level achieved during the last five months of 2001. The restocking of inventories added further pressure on the remaining sources of supply. No wonder spot prices shot up, especially those of flatrolled products.

The fact that a high proportion of domestic sheet capacity was tied to long-term supply agreements put all the more pressure on spot prices. This is precisely the opposite of the "price-dampening effects" that Mr. Morici ascribes to those agreements.

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<sup>5</sup> Morici, p. 13.

<sup>6</sup> American Iron and Steel Institute, [www.steel.org/stats/02jan—may](http://www.steel.org/stats/02jan—may) For inventory depletion and rebuilding see Marcus and Innace, *Global Steel Alert* #5, p. 30 and Charles Bradford, Bradford Research Inc., *Steel Industry Outlook*, April 8, 2002, Chart: Steel Apparent Supply. Marcus and Bradford predict a drop in actual U.S. steel consumption of 3.5-4.8 million tons from 2001 to 2002.

<sup>7</sup> Estimated from Mark Parr, McDonald Investments, *Metal Research Series*, Industry Commentary, May 7, 2002, p. 13, Tables 3 and 4.

## II. CAUSES OF INTERNATIONAL PRICE INCREASES

Mr. Morici lists three causes for higher international prices--trade barriers erected in other parts of the world in response to the 201 tariffs, stronger global steel demand, and “a widespread realization that world steel prices had sunk to unsustainable levels.” He seems to regard the break-up of the global market into regional protectorates as a success story, noting that “the 201 relief has led to improved market conditions in both the United States and the rest of the world” and further, when he concludes “that the effect of the 201 remedy has been positive in both the United States and world markets.” Yes, it has been a smashing success, except for companies caught on the wrong side of the market as, e.g., steel users. The 201-driven regionalization of international steel trade also goes against the grain of continuing globalization in the automotive, appliance, and electronic manufacturing sectors.

Demand is still rising at a fast pace in China. But that by itself did not have the effect of firming up domestic prices up in the rest of the world, especially after the Chinese erected comprehensive import barriers. Demand either rose very little or actually weakened in other regions and therefore could have played only a minor role in the strengthening of international prices<sup>8</sup>. Nor should we place much credit in the “widespread realization” of an unsustainable situation as a cause of rising prices. Such situations do not vanish if people muster sufficient realization or if a king commands them to go away.

The principal two forces behind higher international prices are similar to those that have been at work in the U.S.—output restrictions, mill closures, and the restocking of depleted inventories. The output cuts were mainly applied in the EU, Japan and, to some extent, Korea<sup>9</sup>. Mr. Morici alludes to the EU reductions but ignores the others. The specific objective of these cuts was to shore up prices, although Europeans are understandably reluctant to admit that without some qualification. Production cuts and mill closures slowed price erosion in Western Europe and parts of Asia. Eventually these measures—in combination with inventory rebuilding and pin-pointed trade action by the EU, reversed the downward trend of international prices. As has been discussed, international \$/ton price increases considerably lagged those achieved in the United States.

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<sup>8</sup> Global consumption data are available only with a lag of a full year. It is therefore necessary to look at global crude steel production data in combination with data regarding inventory movements. Thus from March to June 2002 global output remained stationary (See *Steel Times International, Statistics*, March to June 2002 issues; and IISI [www.worldsteel.org/cs](http://www.worldsteel.org/cs)). Because some rebuilding of inventories took place in major Western regions, actual consumption may have weakened slightly during this period.

<sup>9</sup> *Metal Bulletin*, May 24, 2001, p. 11 (Japan, Korea, and France); *Metal Bulletin Monthly*, June 2002, p. 20 (closures at Arcelor), and *AMM*, June 17, 2002, “EU price upturn lagging behind the US market,” [sr01.htm](#) (referred to cuts at Arcelor and Thyssen but failed to mention closures at Corus).

### III. OTHER TOPICS

#### **Historic levels of U.S. steel prices**

This concept must be dear to the author's heart, for he mentions it six times on 12 pages of double-spaced text. At times, he also uses mid-2000 as a benchmark for a comparison with current prices.

One may ask, just what is sacrosanct about "historic standards" for steel prices? There are no similar historic standards for steel industry employment, energy rates, or investment requirements per ton of capacity, especially since minimills have forced their way into many product categories. Continuing technological and organizational changes have put (nominal) steel prices on a gradual downward trend during the past decade and a half<sup>10</sup>.

The mid-2000 comparison deserves attention, because it also crops up in remarks made by steel company CEOs. This was a peak in domestic steel prices, the result of another of those staccato price increases by U.S. steel producers, who were then (in the first half of 2000) experiencing the highest shipment rate in their entire history. The question is why a short-lived pricing peak should represent the norm for current prices.

#### **"Intuition vs. bruises"**

Many expectations regarding the international fall-out of the 201 tariffs were no doubt of the intuitive kind and many were entirely rational. A huge quantity of steel is being traded every year. If a large market imposes high tariffs on well over one third of its imports, this tonnage could be expected to seek entry into other markets. So far this reaction has been staved off by output cuts, mill closures, and the end of massive inventory depletion. Mr. Morici mentions some of this.

However, Mr. Morici is wrong when he also applies the "intuitive" label to the views of American steel market participants. The views expressed by the CEOs and workers of steel-using manufacturers, stated in newspaper and TV reports, were not at all intuitive. They reflected a harrowing experience caused by steeply rising steel prices.

#### **More on percentages**

Did the author resort to the use of percentages because actual price data were not available? It seems that in his discussion of hot band prices on page 12 of his study it was he himself who converted into percentages a series of numbers that were originally furnished in dollars per metric ton. Again, the source was WSD, but not the publication he cited. His percentage numbers fail to match the dollar/tonne increases shown in *Global*

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<sup>10</sup> WSD, *Steel Strategist* #27, June 2001, Table 3 Carbon Composite Pricing; Bradford, op. cit., Chart: U.S. Steel Industry, Steel Prices 1980-2002.

*Steel Alert #3* at 23 (the author's endnotes 24 and 25 refer to *Steel Price Alert 3* at 22). Instead, the author's percentage numbers match the dollar/tonne price changes between the fourth quarter 2001 to April 2002 listed in *Global Steel Alert #5* at 43. The focus of this critique is not on minor notational errors but on the author's deliberate effort to displace changes in prices per ton with percentage changes.

### **Imports subject to 201 tariffs**

In a graph on page 8, Mr. Morici gives 29 percent as the fraction of last year's imports that became subject to 201 tariffs. Use of correct data for total imports (in the graph they are overstated by 2.1 mt) would raise that fraction to 31 percent. Perhaps semifinished steel imports should be removed from the total, because the purpose here is to determine the impact that 201 tariffs have on the prices of steel products purchased in the market, prices that were paid by service centers and by the users of these products. The analysis should exclude deals made between domestic and offshore steel mills. If such semifinished imports are excluded from the total, the fraction subject to the 201 tariffs rises to 39 percent.

### **Price increases not correlated**

On page 2 the author notes an absence of "obvious correlation" between the price increases of specific products and their inclusion in the 201 action. In contrast to the sharp increases of hotrolled, coldrolled, and galvanized sheet prices, the prices for coiled plate, cold-finished bar, and rebar hardly rose from mid-2001 to mid-2002, although the latter were likewise subject to the tariffs. This is not the place for a product-by-product market analysis; a few brief comments must suffice. (1) Coiled Plate: This is a complex product, because it is produced on hot strip mills in widths up to 80 inches and, for wider dimensions, on Steckel mills. Most likely the reason for moderate price increases is the ramping up of new domestic capacity during the reference period, specifically the IPSCO Alabama mill. The Nucor North Carolina mill does not coil its plate but it nonetheless affects the prices of coiled plate, as it competes for many of the same customers. (2) Cold-Finished Bar: The most likely reason for the small price increase is a weakening of the market since 1999 and restructuring of the industry. (3) Rebar: The most important aspect of this market is the steady rise in domestic shipments during the past three-year period. The decline in import tonnage, after large penalties were imposed on the top rebar importers in mid-2001, came at a time when some regional markets were weakening<sup>11</sup>.

### **Few long-term sales contracts for LTV**

On page 9 the author cites a Federal Reserve Bank estimate that spot price increases affected only 20-50 percent of steel sales in the Cleveland Federal Reserve District. We infer from this that 50-80 percent was sold under long-term supply agreements. Then, on following page the author states that LTV, which must have sold heavily in the Cleveland area, ceased production in December 2001, "largely as the result

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<sup>11</sup> U.S. International Trade Commission, *U.S. Imports of Steel Products*, Detail by Steel Product Group, [usitc.gov/scripts/steel](http://usitc.gov/scripts/steel).

of foreign competition.” Is there a slight discrepancy between these two pieces of information? Or is it true that those widely employed long-term supply agreements played no significant role in LTV’s demise.

### **Quoting company officials**

Adding quotes can liven up a story or, sometimes, clinch the essence of a complex discussion with a short, pungent phrase. However, anyone quoting a CEO or other executive should make certain the remarks can be backed up by statistics or facts. Especially when they make off-the-cuff remarks, CEOs have been known to dispense chaff along with food for thought.

The author accepts a June 13, 2002 Reuters report quoting Voest Alpine chairman Franz Struzl that European steel producers “are not exporting significantly less than they have done up to now.” A look at the data shows that, as far as EU exports to the U.S. are concerned, they definitely took a nosedive, namely from 542, 000 short tons in February to 230,000 short tons in May this year. They were 584,000 short tons in May last year<sup>12</sup>.

A quote reproduced by Mr. Morici from American Metal Market has Duferco chairman Bruno Bolfo saying that everyone expected the Section 201 would result in tough times “and the exact opposite happened, with flat-rolled prices soaring more than \$100 per ton in three months after the trade remedy took effect.” Mr. Bolfo may know of individual export deals registering such large increases but, according to available data, they were not typical. WSD estimates the increase in the world export for hotrolled bands to have been \$65 per short ton from the first quarter of 2002 to June 2002. Metal Bulletin, which gives a \$15-30 price range for most products, reports a maximum increase for hot and coldrolled coils of \$88 per short ton between mid-March and mid- June, 2002. For galvanized coils the increase was at most \$44 dollars per short ton<sup>13</sup>.

According to the author, the president of Nippon Steel USA agreed with Mr. Bolfo regarding the 201 impact on international prices. Well, it was not exactly like that. On June 18, 2002, in the question-and-answer session of a conference held in New York, Mr. Keiichiro Shimakawa was asked whether Japan and other global steel producers had benefited from a rise in prices since the inception of Section 201. Mr. Shimakawa obviously had trouble understanding precisely what the questioner was getting at and “reluctantly agreed that was so.” It was, of course, a trick question. The trick was embodied in the expression “benefited from” which could be interpreted to mean “attributable to.” Does this perhaps imply some kind of telepathic impulse going out from Washington, DC, that motivated steel buyers around the world to abandon their habitual resistance to higher prices? What comes to the fore here must be the propensity of detective-story fans to see a cause-and-effect relationship in all parallel or sequential events or processes? At any rate, the questioner must not have listened to the beginning

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<sup>12</sup> American Iron and Steel Institute, [www.steel.org/stats/02jan—may](http://www.steel.org/stats/02jan—may)

<sup>13</sup> Marcus and Innace, *Global Steel Alert #5*, p. 30 and Metal Bulletin, March 18, 2002, p. 26, and June 24, 2002, p. 22.

of Mr. Shimakawa's presentation<sup>14</sup>: "Nippon Steel has cut back production since last year, while at the same time working hard to obtain better prices." In other words, the impulse for better prices came from within and not from without the steel market of Japan.

### **About the Author:**

Mr. Mueller is a part-time consultant on steel-trade issues to various steel trader and producers associations, who also writes reviews of steel-trade related conferences and reports. He wishes to express his appreciation to the American Institute for International Steel for facilitating the completion of this review. Another of Mr. Mueller's reviews, discussing the latest New York "Steel Success Strategies" conference, will appear in the August issue of Steel Times International, UK.

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<sup>14</sup> Keiichiro Shimakawa, presentation at Panel II of the conference *Steel Success Strategies*, organized jointly by AMM and WSD in New York, June 17-19, 2002.