LATIN AMERICA
AN AFTERTHOUGHT IN US STEEL TRADE POLICY?

WHILE CHINA HAS dominated the trade agenda for American steel mills as well as the US government, the countries of South and Central America seem to have been an afterthought. Since May 2007, the US industry has filed 14 antidumping (AD) and countervailing duty (CVD) complaints against a wide range of steel products from China, including downstream articles like nails, garment hangers, threaded rod, inner springs, and wire shelving. However, during this period of hyper-activity at the US Department of Commerce (DOC) and the US International Trade Commission (ITC), only one case -- involving light-walled rectangular tubing from Mexico -- has touched our neighbors to the south. And that case was really the settling of old business because the US pipe industry lost a similar case filed against Mexico in 2004.

Yet the steel industries of Mexico, Brazil, Argentina, and even Trinidad and Tobago have not always been a secondary target in US steel trade proceedings. Starting with the massive series of AD and CVD complaints against flat rolled products in 1992, Latin America (in particular, Argentina, Brazil and Mexico) joined Europe, Japan, and Korea as the primary focus for US steel producers filing trade complaints. More recently, American pipe and tube companies have sought trade remedies against imports of standard and line pipe, OCTG, and rectangular tubing from Argentina, Brazil, Colombia, Mexico, and Venezuela. Over the past two decades, the wire rod mill in Trinidad and Tobago -- now owned and operated by ArcelorMittal -- has been subjected to seven AD and CVD proceedings in the United States. From 1985 through 2002, there were 26 AD and CVD investigations of Venezuela, covering everything from flat rolled products to wire rod and rebar to standard and line pipe to wire fabric and pipe fittings. Even minor actors in the international steel sector, like Peru, have not escaped the scrutiny of the US industry's trade lawyers in Washington, D.C.

The legacy of some of those cases remains with us today. For instance, Brazil and Mexico share the dubious distinction of being subject to the greatest number of current US trade remedies among all of the Latin American countries. Brazil is subject to ten AD and CVD orders, including hot rolled sheet and plate, carbon and alloy steel wire rod, standard pipe, pipe fittings, construction castings, and prestressed concrete strand. Mexico is second with five orders, covering stainless steel sheet and strip in coils, carbon and alloy steel wire rod, standard pipe, light-walled rectangular tubing, and prestressed concrete strand. Trinidad and Tobago continues to be subject to an AD order against carbon and alloy steel wire rod, despite being involved in interminable appeals before the US courts which oversee the enforcement of the trade laws. Finally, Argentina is currently subject to an AD order on barbed wire -- an order that has been in effect in the United States for almost 25 years.

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Despite the recent decline of US trade actions against Latin America, a significant part of global steel production continues to be accounted for by this region. The World Steel Association reported that in 2008, steel mills from Mexico to Chile turned out 66.3 million metric tons of basic steel products. While that total is only a fraction of China's 500.5 million tons or the European Union's almost 200 million tons, it still represented almost three-quarters of the output of the United States. Moreover, there is additional tonnage available from Latin America because the steel industry there has unused capacity that can be utilized if demand eventually improves.

With the predominance of China in the US import market -- and the continuation of some AD and CVD orders against several key products -- Latin America has been a secondary actor in most of the sectors of the US steel market. During 2008, for example, total imports of carbon, alloy, and stainless steel mill products from Central and South America were 4.5 million tons, or about 15.4 percent of all US imports.

Mexico accounted for the vast majority of the region's shipments to the United States -- more than 65 percent. Brazil was second with 27 percent, and the next largest supplier -- Argentina -- represented just under three percent of total imports from the region.

Nevertheless, although the Latin American mills have not been major players in America's overall steel market, there are persistent rumors that -- given the current economic climate -- the US industry may decide to bring 1992-style trade cases against a range of basic steel products and cast its net to cover countries in addition to China. The so-called cumulation provision of the US trade laws enables US petitioners to include relatively minor suppliers in their complaints because the ITC's injury analysis will cumulate or aggregate the volume of imports, pricing, and other factors of all of the countries subject to the investigation. Thus, the impact of the Chinese imports on the US industry will be added to the impact of those other countries, making it far more likely that those other countries will also be found to be causing injury to the American producers. In this way, a case against China can be expanded to ensnare other, less significant suppliers who -- by themselves -- would be unlikely candidates for a trade action. Thus, it is possible that steel producers in some of the Latin American countries -- like certain producers in Europe and Asia -- may be subjected to new trade actions that are actually focused against China.

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While steel trade issues with Central and South America have appeared relatively dormant recently -- excluding, of course, the possibility that new trade cases against China may be broadened to cover other countries -- there have been a number of areas of contention between the United States and the countries of the region. Recently, Mexico imposed retaliatory tariffs against American exports because the United States canceled a pilot program that allowed Mexican-registered trucks to transport cargo on American roads. The pilot program was implemented under the North American Free Trade Agreement (NAFTA), but US trucking and related interests lobbied the US Congress to terminate the program. The retaliatory tariffs cover $2.4 billion of US products annually, though none of these covered products are in the steel sector. Another area of dispute has involved the free trade agreements that the United States has negotiated with Panama and Colombia. Although it appears that the agreement with Panama will be approved, there is serious Congressional concern about the labor and environmental provisions of the agreement with Colombia as well as the recognition of workers' rights by the Colombian government. These agreements will probably dominate the trade agenda with Latin America this year, but they will have little impact on the trade in steel products, largely because the United States eliminated import tariffs on all steel mill products and many downstream steel products ten years ago.

Thus, if China were not in the picture, the US steel industry's relationships with its Latin American counterparts would probably remain relatively placid. The fact that some of the largest producers in the United States, Mexico and Brazil are part of the same corporate family (such as ArcelorMittal or Gerdau) no doubt contributes to a relationship of cooperation and conflict-avoidance in the steel sector in this hemisphere. However, if the American steel industry decides to expand the reach of its long-expected trade actions against China, then our neighbors to the south may soon be brought back into the center of the US steel trade cauldron. ■

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