The Political Economy of U.S.-Northeast Asian Trade Conflict in Steel

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Abstract

This article examines the influence of the US protectionist measures on the government’s policies and behaviour adopted for the steel industry in Northeast Asia by using the ‘voice, exit and follow’ framework. In particular, it examines the policies and actions of the Japanese and Korean governments, which have implemented critical actions against US trade policies in steel. It argues that successive US antidumping measures encouraged some Northeast Asian governments to raise their voice against US protectionist measures exemplified by antidumping practices. At the same time, the measures urged the Northeast Asian government to develop alternative institutional settings to prevent steel trade disputes in the region. Importantly, the measures invited follow actions among Northeast Asian countries, which became more willing to use antidumping measures for protecting their domestic markets.
1. Introduction

The steel industry has been one of the major industrial sectors for Japan, South Korea, Taiwan and China. Japan became the primary producer country of steel in the late 1960s, and Korea followed Japan in the 1980s with the success of Poland Iron and Steel Co. (POSCO), which became the world’s largest steel producer in 1998. Then, China has developed the steel industry in the 1990s, becoming the primary producer country of crude steel in 1996.

The steel industry is worthy of interest with respect to international trade. The industry has been a source of trade friction centred on the US market. Steel exports to the United States have been under some forms of restriction for the most period since the late 1960s. More recently, the US steel industry successively petitioned antidumping complaints against imports of a wide range of steel products after 1998. Given the seemingly arbitrary use of antidumping measures by the US steel industry, the amendment of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Antidumping Agreement) has been a major agenda at the World Trade Organisation (WTO) Ministerial meetings. Thus, the steel industry is important in terms of international trade and the prospect for the antidumping system at the WTO.

The main objectives of this article are to examine the influence of the US protectionist measures on the government’s policies and behaviour adopted for the steel industry in Northeast Asia, and identify and explain evolving changes in them. In particular, it explores the policies and actions of the Japanese and Korean governments, which have implemented critical actions against US trade policies in steel. It argues that successive US antidumping measures encouraged some Northeast Asian governments to raise their voice against the measures at the multilateral trading system, and to develop alternative institutional settings to prevent steel trade disputes in the Northeast Asian region. At the same time, they invited follow actions among Northeast Asian countries, which became more willing to use antidumping measures for protecting their domestic markets.
The organisation of this article is as follows. The following section presents an analytical framework for the study in terms of the ‘voice, exit and follow’ concept. The third section investigates the historical development of trade policies adopted for the US steel industry. The fourth section explores voice responses of the Northeast Asian governments to the US protectionist actions, followed by a section examining their ‘exit’ responses. The sixth section considers the follow actions.

2. US policies in steel and Northeast Asian responses: an analytical framework

This article examines the influence of successive antidumping petitions in the US market on the government’s policy for the steel industry in Northeast Asia. Indeed, there are quite a few studies regarding economic implications of protectionist trade measures in the US steel industry (Lenway and Schuler 1991; Harris 1994). However, few studies have highlighted the impact of the protectionist measures on the government’s policy in other countries or regions. This study seeks to fill the gap in research by focusing on reactions of Northeast Asian countries to protectionist policies represented by antidumping measures in the US steel industry.

The antidumping measures and resultant reduced exports to the US market in the late 1990s triggered market responses of steel producers in Northeast Asia. In particular, some steel producers accelerated strategic alliances beyond the national borders in order to pursue efficiency in management through economies of scale.\(^1\) This article pays attention to non-market, political aspects in the influence of the US trade practices on the steel industry in Northeast Asia. Previously, Northeast Asian responses to trade friction with the United States were rather simple and conventional. The Northeast Asian governments sought to settle the disputes with a bilateral, reconciliation-based approach, accepting US demands for import restrictions. However, rapid evolutions in international and regional environments are likely to have changed this basic approach into more complicated ones. The establishment of the WTO in January 1995,

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\(^1\) In August 2000, Nippon Steel, the leading steel producer in Japan, and POSCO announced that they agreed to raise their self-imposed ceilings on mutual cross-shareholding from 1 to 3 % and both for possible areas of cooperation including basic research and development, joint ventures in third countries and information technology development. Kawasaki Steel Corp also reached an agreement to purchase a 10 % stake of Hyundai Pipe and to provide cold-rolling technology for production of steel plate used in auto bodies.
accelerated moves toward regionalism, and continuous bilateral trade conflicts with the United States might encourage the governments in Northeast Asia to pursue new policy options for reacting to trade frictions with Washington.

In order to examine the influence of successive antidumping petitions in the United States on the steel industry in Northeast Asia, I use an analytical framework based on three terminologies: ‘voice, exit, and follow’. In this article, I presuppose the existence of the steel trade regime and consider that the regime has declined since the mid 1990s. As explained later, the steel trade regime has been peculiar because it has been under some forms of managed trade since the late 1960s. After the mid 1990s, the regime further decayed due to the successive antidumping petitions in the United States. I examine responses from the governments in Northeast Asia to this demise of the regime, invoking the ‘exit-voice’ model conceptualised by Albert Hirschman (Hirschman 1970).

The first concept examined in this study is the ‘voice’ option. The ‘voice’ means the protestation against the further deterioration of the steel trade regime in general, and direct opposition to the US protectionist measures in particular. The implication of voice here is close to the voice concept used in the Hirschman model, which is defined as any attempt to change an objectionable state of affairs in management, through appeal to a higher authority with the intention of forcing a change in management, or through various types of actions and protests, including those that are meant to mobilise public opinion (Hirschman 1970: 30). The main interests concerning the voice option are how the Northeast Asian countries have utilised this option and why their preferences for this option have evolved over time.

The second concept is the ‘exit’ option. The implication of this option is a bit different from the ‘exit’ concept in the Hirschman model, which means the act of a customer’s stop of buying a good or a member’s withdrawal from an organisation. The countries are unable to exit from the steel trade regime insofar as they conduct some forms of trade of steel products. In this sense, the trade regime is similar to

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2 The Hirschman model has been used to explain contrasting responses of customers or members of organisations to what they sense as deterioration in the quality of the goods they buy or the service and benefits they receive from the organisations. The Hirschman model has been applied to various disciples including economics, politics, business administration, and sociology.
organisations that Hirschman’s four categorises that voice is possible but exit is impossible, exemplified by family, tribe and nation (Hirschman 1970: 120-1). However, if we consider a ‘sub-regime’ within the steel trade regime, the exit option becomes available: namely, the countries can exit from a particular type of sub-regime and create an alternative one. Hence, the exit option in this study means that the governments in Northeast Asia seek to exist from the arbitrary and protective sub-regime, and set up a more disciplined and transparent sub-regime in handling likely trade disputes in the steel industry.

There are additional differences between the Hirschman model and the framework used in this study. First, there is a difference in commitments of actors regarding the exit option. In the Hirschman model, the exit option is a rather simple, independent action by each actor (Hirschman 1995: 34). In contrast, the exit option in this study presupposes not only the exit from the managed trade sub-regime but also the creation of an alternative sub-regime. Accordingly, such actions are burdensome works that require cooperation and collaboration among actors.

Second, the relationships between the two options differ between the Hirschman model and the framework used in this study. The original formation of the Hirschman model presupposes that exit and voice options stand in the basic seesaw pattern, being likely to undermine each other. In particular, easy availability of the exit alternative tends to atrophy the development of the art of voice, which is costly in terms of effort and time (Hirschman 1970: 43). However, the exit option needs not to be the final response of an actor to an organisation, and voice after exit may still be effective in changing the organisation’s policies. These are particularly the cases when the organisation provides a public good (Kato 1998: 859). Moreover, there are cases when the exit and voice options are not mutually exclusive but reinforcing by working in tandem and stimulating each other. Hirschman himself admits a case when enlarging the opportunity for exit can on occasion make for more rather than less participation and voice, in his research on the collapse of the communist regime in the East German state in 1989 (Hirschman 1993). In this study of transformation in the steel trade regime, it is considered that the governments’ actions for voice and exit are mutually reinforcing in protesting the existing managed trade sub-regime.
In addition to the voice and exit options, this study considers the third option: the follow option. The US antidumping practices are likely to motivate the Northeast Asian governments and steel industry to adopt a similar measure to protect their markets. This study considers the governments’ actions for this option and factors behind such actions.

Before examining the three sets of reactions in Northeast Asia to protectionist measures in the US steel industry, this article begins with the overview of US trade policy in the steel industry, especially antidumping actions after the late 1990s, which were likely to trigger new policy options of the Northeast Asian countries.

3. Protectionist trade policy in the US steel industry

For the past three decades, particular frameworks of managed trade have dominated international trade in steel. The US steel industry has adopted various forms of protectionist measures in order to restrict steel imports into the US market (Howell et al 1988: 510-34; Barringer and Pierce 2000: Ch.2). In 1969, Japan and Europe voluntarily agreed to import quota to avoid the enactment of statutory restrictions. After the voluntary restraints terminated in 1974, US steel producers filed a wave of antidumping and countervailing duty petitions with the political backing of the newly formed congressional Steel Caucus. The Carter administration put in place the trigger price mechanism in 1978. Under the mechanism, the US government set minimum prices for imported steel, and investigated any steel imports entering below the trigger price levels. After the trigger price mechanism expired in January 1982, the US government adopted the import quota system. The target of the system expanded to imports from developing as well as developed countries. The US steel industry returned to the use of antidumping measures after the import quota system expired in March 1992. Thus, protectionism has been the rule rather than the exception in the US steel industry, which has received various forms of import restrictions such as voluntary export limits, the trigger price mechanism, or antidumping and countervailing duties since the late 1960s.

In the late 1990s, the US steel industry has undertaken renewed legal actions against imports. In March 1998, the industry filed an antidumping petition against imports of stainless steel round wire from six countries including Japan, Korea, and
Taiwan, and those of stainless steel plate in coils from six countries including Korea and Taiwan (Table 1). Three month later, four US producers, the United Steelworkers of America (USWA) and two independent unions filed an antidumping petition against imports of stainless steel sheet and strip in coils from nine countries including Japan, Korea, and Taiwan. The following month, Weirton Industries, a hard hit steel producer in Ohio Valley of West Virginia, launched an ‘Ohio Valley versus South Korea’ campaign (Hill 1999: 34). A more critical dumping case was petitioned two months later. In September 1998, the US steel industry commenced the public relations campaign called the ‘Stand up for Steel – Stand up for the United States’. In the same month, twelve steel producers and two steel workers’ unions – the Independent Steelworkers Union and USWA – filed an antidumping complaint against imports of hot-rolled steel from Japan, Brazil and Russia. Hot-rolled steel is a low-end product for sheet steel used in automobiles and for steel products used in the construction industry. The imports of cold-rolled steel in the United States rose by 74% between 1997 and 1998, accounting for 28.2% of total steel imports in 1998.

<table>
<thead>
<tr>
<th>Product</th>
<th>Initiation date</th>
<th>No. of country</th>
</tr>
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<tbody>
<tr>
<td>stainless steel round wire</td>
<td>03/27/1998</td>
<td>6</td>
</tr>
<tr>
<td>stainless steel plate in coils</td>
<td>03/31/1998</td>
<td>6</td>
</tr>
<tr>
<td>stainless steel sheet and strip in coils</td>
<td>06/10/1998</td>
<td>8</td>
</tr>
<tr>
<td>hot-rolled flat-rolled carbon-quality steel</td>
<td>09/30/1998</td>
<td>Japan, Russia, Brazil</td>
</tr>
<tr>
<td>cut-to-length carbon-quality steel plate</td>
<td>02/16/1999</td>
<td>8</td>
</tr>
<tr>
<td>cold-rolled flat-rolled carbon-quality steel</td>
<td>06/02/1999</td>
<td>12</td>
</tr>
<tr>
<td>line and pressure pipe, large diameter seamless</td>
<td>06/30/1999</td>
<td>6</td>
</tr>
<tr>
<td>structural steel beams</td>
<td>08/03/1999</td>
<td>Japan, Korea, Spain, Germany</td>
</tr>
<tr>
<td>Circular seamless stainless steel hollow products</td>
<td>10/26/1999</td>
<td>Japan</td>
</tr>
<tr>
<td>certain tin mill products</td>
<td>10/28/1999</td>
<td>Japan</td>
</tr>
</tbody>
</table>

In November 1998, the US Department of Commerce (DOC) made its early affirmative critical circumstances determination, and essentially provided the domestic industry with injunctive relief without requiring any evidence of wrongdoing. In mid February 1999, the DOC announced the provisional measures to be paid on all entries of all products made 90 days prior to the notice and all subsequent entries until the final determination. In April 1999, the DOC issued a final decision, confirming the dumping margins ranged from 41-43 % for Brazil, 18-67 % for Japan, and 74-185 % for Russia. In parallel to activities of the DOC, the International Trade Commission (ITC) proceeded with its operations. In November 1998, the ITC ruled that imports of hot-rolled steel were threatening to cause injury. Following briefings of interested parties and a public hearing held in early May 1999, the commission voted in mid June 1999 that the US industry was materially injured or threatened with material injury by hot-rolled steel imports from Brazil, Japan and Russia. The steel industry and labour unions filed additional petitions against a wide range of steel products including cold-rolled steel, stainless steel, heavy structural, and seamless pipe. As of July 2002, the iron and steel category accounted for more than 140 out of 258 US antidumping orders in effects directing at 32 countries.³

In addition to the successive antidumping suits against foreign imports, the US steel industry sought to protect its domestic market through other measures. In January 1999, the Clinton administration announced the Steel Action Plan, a primary strategy for addressing the 1998 steel crisis. The plan contained the tough and swift enforcement of the unfair trade laws and the initiation of bilateral negotiations with exporting countries to address the surge in imports. Seven month later, President Clinton announced the Steel Action Program. The program proposed twelve-point measures including the codification of the new critical circumstance policy, expanded import monitoring, and the DOC’s commitments to examine and report on subsidies and market-distorting trade barriers in the global steel industry.

Some Congress members sought to adopt special measures to restrain the whole imports. In October 2000, Congress passed the fiscal year 2001 Agricultural Appropriations Bill, which contained the so-called Byrd Amendment. The amendment

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³ US Department of Commerce, International Trade Administration, Import Administration,
sponsored by Senator Robert Byrd was a provision amending the Tariff Act of 1930 in order to distribute revenues collected from antidumping and countervailing duties to domestic filing complainants. Such legislation would provide steel producers with both subsidies and incentives to file further antidumping charges.

The direct cause of a wave of antidumping suits after 1998 was a sharp rise in imports. The imports of steel jumped by 35% from 29.5 million short tons in 1997 to 39.8 million short tons in 1998. The Asian financial crisis that began in Thailand in July 1997 encouraged Asian steel producers and traditional steel producers to the region such as Russia and Ukraine to shift their exports to the US market. While the imports of steel products from Japan, Korea and Taiwan grew by more than 100% between 1997 and 1998, imports from Russia and Ukraine increased by 60% in the same period. In addition, imported steel was sold at low prices in many instances partly because of the declining value of foreign currencies that buoyed dollar-denominated export revenue in home currency unit (DOC 2000: Ch.2).

At the same time, political moves had much to do with a rise in antidumping actions. The 2000 presidential election impinged on the government’s reactions to demand from the steel industry. The Democratic Party was forced to accept appeals from US steel producers and labour unions in order to gain their support. In particular, the main battlefield in the election was expected to be Midwest where many steel companies were located. The Clinton administration accepted demands from the industry, expecting support at the election.

As for exports from the Northeast Asian countries are concerned, there were strong suspicions in the United States that their steel producers long benefited from direct and indirect government support or unfair business practices. As for Japan, the prevalence of long-standing structural distortion amplified the US steel crisis by helping to sustain low-priced exports to the US market. The Japanese steel industry set up the cooperative structure after the formation of Nippon Steel in 1970, which enabled all major steel producers to survive each recession with their production capacity more or less intact (Howell et al. 1998: 237-9). The structural distortions almost unchanged production share among the top five producers and high and stable domestic prices to major steel customers
(DOC 2000: 65). The lack of the competitive market was believed to allow the producers to maintain a high-prices domestic profit and sustain low-priced exports. The distorted market structure also enabled the steel producers to protect their market from foreign competition.

As for Korea, two factors were believed to create the distorted steel industry. The first was the unsound banking lending, which was highly influenced by the government policy. The lending practices led to overinvestment and excess capacity in the steel industry. This was typical in the development of Hanbo Iron and Steel Co., the second largest steel producer that collapsed in 1997. The company expanded production capacity by loans from government-owned banks including the Korea Development Bank, Korea’s largest bank. The second was the dominant power of POSCO, which was established and developed under the government’s intensive support. The company has dominated a number of basic steel products. In particular, the company adopted a three-tiered pricing system: prices for domestic use for domestic products, prices for direct exports, and prices for local manufacturers that use its steel in products for exports (Hill 1999: 34). This pricing system was accused of constituting an export subsidy.

4. ‘Voice’ activities by the Northeast Asian governments

In the late 1990s, the Northeast Asian governments adopted explicit policies to oppose the arbitrary use of antidumping measures in the United States. Tokyo has utilised the multilateral mechanism to resolve steel trade disputes with Washington. In February 2000, the Japanese government requested the establishment of a WTO panel regarding US antidumping measures against Japanese exports of hot-rolled steel sheet. Japan contended that the DOC conducted a biased evaluation of the fact, rejecting improperly relevant data from the respondents, and the DOC’s critical circumstances determinations were not supported by sufficient evidence as required by the WTO rules (METI 2000b).4

A crucial factor encouraging the Japanese government to appeal the antidumping problems to the WTO was pressure from the steel industry through various routes. In September 1999, the Japan Federation of Steel Workers’ Unions (JFSWU) petitioned

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4 In April 2001, the WTO’s dispute settlement panel ruled that the DOC calculated the rate of illegal dumping is arbitrary and too high. Three months later, the WTO Appellate Body, its highest dispute settlement entity, upheld the judgement of the panel.
the Ministry of Economy, Trade and Industry (METI) to appeal the problem to the WTO panel. The JFSWU used linkages with the Diet members. In late October 1999, representatives of the Policy Forum of the JFSWU submitted a proposal, requesting METI to appeal an antidumping suit in the United States to the WTO.5 In October 1999, the Japan Iron and Steel Federation asked METI Minister Takashi Fukaya to resolve the antidumping problem at the WTO.

Importantly, the Japanese government had intensified confrontational actions against the United States regarding antidumping measures. The Japanese METI has issued a report on the WTO Consistency of Trade Policies by Major Trading Partners since 1992. The report aims to dampen a unilateral, results-oriented approach favoured by the US government after the mid 1980s by providing an objective evaluation on trade policies and measures of Japan’s major trading partners. METI has gradually highlighted US antidumping measures as a major topic in the report. In the 1999 report, METI identified problematic aspects of the US antidumping laws such as dumping determinations and injury determinations. The 2000 report explained the process of the steel dumping in the United States, and contained a chapter entitled Background to the review of antidumping rules, which explained US and Japanese ideas about a review of the WTO Antidumping Agreement.

The Korean government has also intensified opposition activities against US moves to limit steel imports through the multilateral mechanism. The US government imposed dumping duties on Korean exports of stainless steel plate in coils and stainless steel sheet and strip in coils. In October 1999, the Korean government requested the establishment of a WTO panel in order to protest against these duties.6 In February 2000, US President Clinton decided to grant safeguard relief under the Section 201 of the Trade Act of 1974 for US producers of circular welded carbon quality line pipe. In September 2000, the Korean government challenged this decision at the WTO.7 Thus, the Japanese and Korean governments have intensified voice against the arbitrary and irrational aspects of the US

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5 In December 1996, the JFSWU and 72 National Diet members formed the Policy Forum of the JFSWU. The forum aims to promote policies to activate the steel industry and defend its workers’ rights.

6 In December 2000, the WTO panel ruled against the US methodology used to calculate the margin of dumping in the case.

7 In October 2001, the WTO panel ruled that the Korean claims were partially valid.
antidumping rules and administration adopted for the steel industry through the WTO system.

The Japanese and Korean governments also sought to create moves toward a review of antidumping rules at the WTO system through various opportunities. The numerous number of antidumping petitions by the US steel industry stemmed partly from the ambiguity of the WTO Antidumping Agreement. Indeed, the Antidumping Agreement reached at the Uruguay Round enhanced disciplines to prevent the abuse of antidumping provisions. The agreement clarified the method used in calculating dumping margins and investigation procedures, and included the so-called ‘sunset review’ provisions. At the same time, the agreement left the ambiguity in clauses by introducing new disciplines on cumulative assessment of injury and the standard of review. Importantly, the US government pushed back an attempt to introduce greater disciplines in the agreement. The US steel industry was a representative that conducted arduous lobbying activities against the review of the antidumping rules (Nobayashi 1996: 267-8).

During the preparation process for the WTO Ministerial Conference in Seattle in December 1999, the Japanese government submitted proposals for thirteen areas. The ‘Proposal on Antidumping’ stated that resort to antidumping measures has become a tool for protectionist purposes in many cases, and demanded removing ambiguity and excess discretion inherent in the Antidumping Agreement. Mike Moore was appointed as the WTO’s new director-general in September 1999. When he visited Japan immediately after he became the head of WTO and in October 1999 again, the Japanese government appealed to him that the antidumping issues should be put on the trade negotiation table. The Korean government also submitted a proposal regarding antidumping. The proposal pointed out a number of shortcomings in the Antidumping Agreement, and suggested that the agreement should be revised and appropriately amended so as to bring necessary clarifications and reduce the size of ‘grey areas’ that permit a wide range of conflicting

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interpretation. Both governments had agreed to take collaborative actions. When Prime Minister Keizo Obuchi met his Korean counterpart Kim Jong-pil in October 1999, they agreed to cooperate in the next round of the WTO negotiations, in protection against US antidumping measures, which affected the nations’ steel exports to the country, in particular.

Their actions influenced the draft of the Seattle ministerial statement. The first draft of Chairman’s Text that was issued in October 1999 stressed the important of market access in agriculture and services but failed to take the antidumping issue seriously. However, the second draft revealed in October 19 included a statement that antidumping rules would be revised and if necessary amended on the basis of proposals from the member countries.

The Japanese government’s opposition activities continued during negotiations at the ministerial conference. The Japanese government, which had long sought to avoid notice at ministerial trade negotiations, was active at Seattle in taking a review of the Antidumping Agreement as a subject for negotiation in the new round. For the ministerial conference, the Japanese government published a pamphlet that provided information about the background of debate and data regarding antidumping cases (METI 2000a: 354). US President Clinton made a 20-minite phone call to Prime Minister Obuchi to get support for its stance. But, Obuchi rejected it, stating that ‘this time the discussion is multilateral not linked to Japan alone’. The review of the antidumping agreement was included in the Chairman’s Text, but the Seattle Ministerial itself broke down. One of the major factors leading to this result was US refusal to discuss antidumping reforms. The US steel industry lobbied the US government and Congress not to include antidumping reforms as a part of the negotiation agenda (Barringer and Pierce 2000: 82-6).

Indeed, opposition from the Japanese and Korean governments to the arbitrary use of antidumping measures in the United States was seen before the mid 1990s. In 1990, the Bush administration proposed the formulation of the Multilateral Steel Agreement (MSA).

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During the negotiations, Japan and South Korea asserted that antidumping-related clauses should be included in the agreement, and presented the draft of the clauses. The draft stipulated that the members should avoid the abuse of antidumping measures and adopt antidumping procedures that are compatible with the GATT and MSA (Nobayashi 1996: 263-8). The US government and industry refused the proposal, and the MSA did not come into force.

The voice activities by the Japanese and Korean governments after the late 1990s had two distinctive features. First, the governments have positively utilised the multilateral mechanism under the WTO system. Tokyo and Seoul tended to settle trade disputes with Washington through bilateral negotiations designed to reconcile US demands. They often accepted US demands for import restrictions in the form of voluntary export restraints, grey area measures. However, they have gradually favoured settlement of trade disputes with the United States through the multilateral mechanism. For the Japanese government, this was the case in the 1995 auto dispute and 1996 photo film dispute. The government pursued this mechanism in the steel disputes after the late 1990s.

The start of the WTO in January 1995 strengthened the Japanese and Korean governments’ new policy orientation. Establishment of the WTO facilitated settlement of trade disputes based on international rules and principles, and strengthened belief of the governments’ officials in the effectiveness of utilising multilateral rules and systems (Uchiyama 1999: 41–2). For the Japanese government, bitter experiences of failure to settle trade disputes through bilateral arrangements strengthened departure from the previous approach (Schoppa 1999: 323-4).

Second, the Japanese and Korean governments have pursued collaboration with other governments. They forged alliances with the European Union (EU) in order to rectify US trade practices of protecting its steel industry. In March 2001, the Korean

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14 In the 1986 US–Japan Semiconductor Arrangement, the US and Japanese governments exchanged a side letter that referred to a 20 per cent market share achieved by US companies in the Japanese market. While METI officials considered the letter merely an acknowledgement of the US side’s desire, it was used as a pretext for US sanctions in 1987. In the 1992 auto parts negotiations, the US government demanded the implementation of plans to purchase US-made parts despite the fact that the Japanese government had clarified that these plans were voluntary.
Ministry of Commerce, Industry and Energy (MOICE) and Korea Steel and Iron Association (KOSA) institutionalised a meeting with the European Commission and the European Confederation of Iron and Steel Industries. A main objective of their tie-up was to ensure that the United States would not strengthen its tendency of abusing its power in restraining the inflow of imported products. In October 2001, the ITC decided that the US producers in 16 out of 33 steel products categories were injured by imports as a consequence of an investigation conducted following an order by President Bush. In response to this decision, the MOCIE, KOSA and four steel producers had a meeting to discuss measures to address the problems including the possible tie-ups with the EU.\textsuperscript{15} The ITC then issued a preliminary ruling on steel imports that recommended restrictions on steel imports under Section 201 of the 1974 Trade Act. In response to this event, South Korea and the EU held talks and agreed to jointly formulate cooperative measures to deal with the US protectionist behaviour.\textsuperscript{16} In December 2000, Japan and Korea collaborated with the EU in requesting consultations with the United States under the WTO dispute settlement procedure regarding the Byrd amendment. The request aimed to urge the US government to abolish the amendment and to prevent other members from passing similarly protectionist legislation (METI 2001: 89).

Japan and Korea also collaborated with other Asian countries. The Northeast and Southeast Asian countries have developed regional cooperation under the ASEAN Plus Three (APT) framework.\textsuperscript{17} The APT Economic Ministers have paid particular attention to antidumping measures. The ministers referred to antidumping issues in their agreements in the first meeting in May 2000, the third meeting in May 2001, and the fourth meeting in September 2001. The Asia-Europe Meeting (ASEM) has also raised antidumping issues. For instance, at the second ASEM Economic Ministers’ meeting in October 1999, the ministers confirmed that they would support the need to address some aspects of the existing Antidumping Agreement at the WTO Ministerial Conference at Seattle.

\textsuperscript{15} Korea Times, October 26, 2001.
\textsuperscript{16} Korea Times, November 20, 2001.
\textsuperscript{17} The Northeast and Southeast Asian countries began the APT summit meeting in December 1997, and sought to develop this framework as a forum to discuss economic, political, and even security matters. Ministerial meetings under the APT frameworks have extended to foreign affairs, financial cooperation. The first APT Foreign Ministers meeting was held in July 2000, while the APT Finance Ministers agreed the swap agreements (Chiang Mai initiative) in May 2000.
To summarise, the Japanese and Korean governments have intensified voice activities toward arbitrary antidumping measures in the United States. Departing from the previous bilateral, reconciliatory-oriented approach, the governments have pursued solutions to trade disputes in steel at the multilateral system, appealing US antidumping measures to the WTO panel. Both governments have taken the lead in creating international moves toward the strict antidumping mechanism at the WTO Ministerial Conference in Seattle. While the institutional development of the world trading system raised incentives of government officials to utilise the WTO dispute settlement system, the development of regional frameworks in Asia has enabled the governments to create collective moves against the arbitrary use of antidumping measures and coordinate their responses to them.

5. Bilateral policy talks in Northeast Asia as the ‘exit’ option

The second set of reactions of the governments in Northeast Asia to US antidumping practices in steel is the prevention of arbitrary legal actions by developing alternative systems to prevent trade dispute in steel. The systems were policy talks and dialogues designed to discuss conditions surrounding the steel industry and to prevent likely problems including trade disputes. The Japanese government took the lead in developing the systems. The government has considered that the settlement of trade tension by antidumping suits accompanied considerable negative side effects. For instance, the unfair trade reports have continuously pointed out that antidumping investigations were dangerous because they had negative impacts on business activities by imposing huge costs for answering numerous questions from the authorities and the likely unfair expansion of the product scope with subject to antidumping duties (METI 2002: 46-51).itet

In June 2000, METI established a study group of the steel market in Asia and the Japanese steel industry. The eleven-member group comprising academic scholars, representatives from steel producers and general trading houses issued a report in December 2000. The report identified overcapacity of steel production in Northeast

18 Reflecting this policy stance, the number of antidumping investigations was extremely low in Japan. The Japanese government has conducted nine antidumping investigations and imposed antidumping duties in the four cases to date. For the antidumping policy in Japan, see Yoshimatsu (2001).
Asia. For instance, seven ASEAN countries had production capacity of crude steel of 24.11 million metric tons annually, but actual production was 8.56 million metric tons in 1999. The report then stressed the need to deepen common understanding about problems surrounding the steel industry. In particular, it proposed that Japan take the lead in setting up bilateral policy talks with ASEAN countries, South Korea, China and Taiwan, and to develop the bilateral talks to a multilateral forum.

The formation of policy talks among Northeast Asian countries had begun before the December 2000 report was released. The Japanese and Korean governments began a steel dialogue in April 1999. The dialogue aimed to coordinate reactions to rising protectionism in the United States and exchange information about the steel market and steel trade in both countries. While the dialogues were conducted among government officials alone at the first three talks, representatives from steel producers and steel industry associations participated in them at the fourth talks in April 2001. Given the increasing importance of the Chinese market, the dialogues sought to develop the common understanding of the Chinese market and prevent protectionist moves there.

Policy dialogues were also organised between Japan and China and between Japan and Taiwan. The first Japan-China steel policy dialogue was organised in Beijing in April 2001. The government officials from both countries exchanged views about antidumping measures in China and import licensing issues. At the second dialogue in December 2001, both governments discussed measures creating sound trade relations in steel. Government officials from Japanese METI and Taiwanese Ministry of Economic Affairs exchanged views about market trends in steel in Asia and US trade practices at the first policy dialogue in November 2001.

The Korean government was also positive in developing bilateral policy talks. In October 2001, the steel industries in Korea and China established the Korea-China Steel Cooperation Committee. Both governments agreed to upgrade this private-sector level committee to a forum in which representatives from the governments and industries would jointly participate.19

Thus, the networks of bilateral policy dialogues were formed among Northeast Asia countries. The Japanese and Korean governments envision the development of the
dialogues further by extending the networks to Southeast Asia, and finally to a regional forum of the steel industry. A METI official clearly states that the ministry hoped to develop the bilateral talks to a regional forum of the steel industry in Northeast and Southeast Asia.\(^\text{20}\) The Korean government also sought to form the steel dialogues with Taiwan and three Southeast Asian countries – Malaysia, Thailand and Indonesia.\(^\text{21}\)

The policy dialogues were particularly important in Northeast Asia with two reasons. First, they provided Northeast Asian countries with opportunities for policy coordination. The steel producing industrial countries could coordinate their policies and create international cooperation through the Steel Committee at the Organisation for Economic Cooperation and Development (OECD).\(^\text{22}\) The steel producer countries in Northeast and Southeast Asia did not have such an institutional mechanism although the region accounted for some 40\% of the world’s steel production after the mid 1990s. The policy dialogues were expected to provide opportunities for policy coordination and prevent apparent legal actions. This was particularly important because China has gradually intensified its preferences for utilising antidumping and safeguard measures for the steel industry.

Second, the policy dialogues aimed to create common understanding about supply and demand in steel in Northeast Asia and ensure the orderly development of the industry. One of the main objectives of a study group that Japanese METI established in June 2000 was to show a prospect of supply and demand of the steel industry in Asia. Chikara Handa, Director of the Steel Division at METI, explained the objective of policy dialogues with China, South Korea and Taiwan as ‘our country is playing a pivotal role in creating common recognition with the three economies holding blast furnace about steel demand in Asia’.\(^\text{23}\) Importantly, a similar initiative to create common recognition about demand and supply in the region was taken in other sectors. METI took the lead in launching the Asia-Pacific Textile and Clothing Industries

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\(^\text{20}\) Interview, Steel Division, METI, Tokyo, September 2002.
\(^\text{22}\) The OECD Steel committee was established in October 1978 (Nobayashi 1996 194).
Forum. This forum aimed to discuss overproduction issues in the chemical fibre industry in the Asia-Pacific region.

Indeed, steel policy talks were not considered in the late 1990s for the first time. In February 1994, Yutaka Saito, Chairman of Nippon Steel, made a speech at the International Conference on Steel Trade, and proposed that the governments concerned create the effective procedure for pre-consultation as a way of resolving tensions before resorting to legal measures (Nobayashi 1996: 277-9). This proposal, designed to settle trade friction through policy talks not legal procedures, did not lead to concrete measures. In the late 1990s, the Japanese government has sought to establish networks of consultation with similar objectives in Asia.

The importance of the steel policy talks lies in its distinctiveness in formation and objective compared with the US-induced managed trade sub-regime. First, the dialogues among Northeast Asian countries reflected a history of the close public-private relationship in industrial development. The dialogues in Northeast Asia were organised by government officials and representatives from the private sector. The Northeast Asian governments have been embedded into society through various formal and informal arrangements and networks (Evans 1995; Moon and Prasad 1998). The governments and steel industry have coordinated their relationship in order to achieve the sound development of the industry, and this history was reflected on attitudes and policies toward trade issues.

In contrast, the US-induced trade sub-regime has been characterised by confrontation on the basis of mutual distrust between the steel industry and government in the United States (Nobayashi 2000: 4). For instance, in the early 1990s, the Bush administration made efforts to set up the MSA in order to change the import quota system into a more liberal oriented trade system. Although intensive negotiations were conducted among more than 20 countries, the MSA did not come into being. The most crucial actor that broke down the negotiations was the US steel industry, which was reluctant to accept any compromise (Nobayashi 1996: 273; Barringer and Pierce 2000: 70-1).

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24 The first forum meeting was held in Kyoto in 1996. METI has taken the lead in developing the forum, promoting data exchanges of the textile industry among the member economies.
Second, the policy dialogues in Northeast Asia aimed mainly to prevent trade disputes from entering into legal actions by creating confidence building and mutual understanding. Accordingly, the dialogues in Northeast Asia were deep and comprehensive. For instance, the Japan-Korea policy talks included exchanges of information about structural adjustment in the steel industry in both countries. The references to structural adjustment aimed to remove the causes of trade friction in steel. In contrast, the US-induced trade sub-regime tended to resolve trade disputes after the dispute occurred. Indeed, the US government proposed bilateral talks to its Japanese counterpart, and the first Japan-US Steel Dialogue was held in Paris in November 1999. However, the US-initiated dialogues aimed to resolve trade disputes in the US steel market. The US government, responding to pressure from Congress and the steel industry, proposed bilateral dialogues with Japan, South Korea, and others whose steel producers had caused or were likely to cause trade problems in the US market. The policy talks tended to be one-way demand from the United States for protecting its own market. Before the first steel dialogue with the United States, the Japanese government sent a letter in order to make it a point that mutual exchanges of opinions would be undertaken at the dialogue.

In brief, the governments in Northeast Asia have sought to develop particular institutional settings (policy dialogues) to resolve trade frictions in the steel sector. These dialogues were organised jointly by government officials and private representatives, and were expected to be a regional forum to discuss common issues in the steel industry in the region. They aimed to prevent trade friction in the region in advance, not depending on legal actions such as antidumping petitions.

6. Follow activities in Northeast Asia

The third set of the influence of US antidumping practices on trade policy in Northeast Asia is an adoption of similar measures by steel producers and governments. Indeed, the proliferation of antidumping measures was not seen in Northeast Asia alone. According to the WTO data, the number of antidumping investigations in the sectors of

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25 The dialogue began following recommendations of the Steel Action Plan in January 1999, which proposed the holding of bilateral and multilateral talks.
base metals and articles of base metal increased from 39 in 1996 to 103 in 1999, while that in other sectors declined from 185 to 151 in the same period (Table 2). As for the antidumping measures, the sectors maintained the number of 60-80 between 1998 and 2001, accounting for more than 35% of total numbers.

**Table 2 The number of antidumping initiations and measures, 1995-2002**

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Initiations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>base metal</td>
<td>43</td>
<td>39</td>
<td>63</td>
<td>103</td>
<td>110</td>
<td>107</td>
<td>132</td>
<td>38</td>
<td>635</td>
</tr>
<tr>
<td>total</td>
<td>157</td>
<td>224</td>
<td>243</td>
<td>254</td>
<td>355</td>
<td>288</td>
<td>347</td>
<td>111</td>
<td>1979</td>
</tr>
<tr>
<td>%</td>
<td>27.4</td>
<td>17.4</td>
<td>25.9</td>
<td>40.6</td>
<td>31.0</td>
<td>37.2</td>
<td>38.0</td>
<td>34.2</td>
<td>32.1</td>
</tr>
<tr>
<td><strong>Measures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>base metal</td>
<td>49</td>
<td>22</td>
<td>44</td>
<td>60</td>
<td>81</td>
<td>82</td>
<td>64</td>
<td>26</td>
<td>428</td>
</tr>
<tr>
<td>total</td>
<td>118</td>
<td>84</td>
<td>119</td>
<td>162</td>
<td>182</td>
<td>235</td>
<td>159</td>
<td>102</td>
<td>1161</td>
</tr>
<tr>
<td>%</td>
<td>41.5</td>
<td>26.2</td>
<td>37.0</td>
<td>37.0</td>
<td>44.5</td>
<td>34.9</td>
<td>40.3</td>
<td>25.5</td>
<td>36.9</td>
</tr>
</tbody>
</table>

*Source:* The author compiled from data at the WTO homepage.

In this overall trend, the Northeast Asian governments have gradually intensified dependence on antidumping measures to protect their domestic steel markets (Table 3). In 1996, both South Korea and Taiwan conducted antidumping investigations on imports of structural steel. In November 1998, the Taiwanese government began antidumping investigations on imports of structural steel from four Japanese steel producers, and decided one year later to impose antidumping duties. Moves to use antidumping measures for protecting the domestic steel market expanded to China. In June 1999, Chinese firms asked the China State Economic and Trade Commission to investigate antidumping against cold-rolled stainless steel sheet imported from six South Korean firms and nine Japanese companies. In December 2000, the Chinese government decided to impose dumping duties. In March 2002, three Chinese steel makers petitioned an antidumping suit against cold-rolled sheet imported from South Korea, Taiwan, Russia, Ukraine, and Kazakhstan.

**Table 3 Antidumping investigations on steel products in Northeast Asia after 1996**

<table>
<thead>
<tr>
<th>Country</th>
<th>Initiation date</th>
<th>Product</th>
<th>Target country</th>
</tr>
</thead>
</table>

20
<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Type of Goods</th>
<th>Destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>Nov. 1996</td>
<td>Structural steel</td>
<td>Russia</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Jun. 1996</td>
<td>Structural steel</td>
<td>Korea, Russia, Poland</td>
</tr>
<tr>
<td></td>
<td>Nov. 1998</td>
<td>Structural steel</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>Apr. 1999</td>
<td>Steel plate</td>
<td>Russia, Ukraine, Brazil</td>
</tr>
<tr>
<td>China</td>
<td>June 1999</td>
<td>Cold-rolled stainless sheet</td>
<td>Japan, Korea</td>
</tr>
<tr>
<td></td>
<td>Mar. 2002</td>
<td>Cold-rolled sheet</td>
<td>Korea, Taiwan, Russia, Ukraine, Kazakhstan</td>
</tr>
</tbody>
</table>

*Source*: Compiled from government reports and newspapers by the author.

The successive antidumping petitions in the US market impinged on the rise in antidumping practices in Northeast Asia through market and non-market routes. As a market route, reduced exports to the United States due to antidumping measures were directed toward the Asian market. Because of the antidumping petitions in the United States, Japanese and Korean producers reduced their exports to the United States (Table 4). For instance, in 1999 steel exports from Japan and Korea to the US market declined by 60.0% and 24.8%, respectively. The exports from Russia and Ukraine to the US market also declined sharply in 1999. As a consequence, steel producers in these countries aimed at Northeast Asia. The recovery from the Asian financial crisis in 1999 enabled the producers to use exports to Northeast Asia as an escape hatch to maintain production and capacity level. In particular, steel imports in China increased from 13.1 metric tons in 1998 to 16.9 metric tons in 1999 to 20.7 metric tons in 2000.27

As a non-market route, the US protectionist measures have changed policy preferences of the Northeast Asian governments and steel industries. The developing countries lowered their psychological barriers to relying on antidumping measures in defending the domestic market. As the data of antidumping initiations show, some Asian developing countries such as India and Indonesia increased antidumping investigations after 1995 (Table 5). Compared with these countries, antidumping initiations in Northeast Asia are not so prominent. However, the US antidumping practices influenced trade policy in these countries. In May 2002, the Chinese government adopted provisional safeguard measures against imports of nine steel products. Shi Guangsheng, Chinese Minister of Foreign Trade and Economic

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Cooperation, clearly stated that the US protective measures became a clue to adopt the measures at the first Economic Ministers meeting of Japan, China and South Korea in September 2002.

In summary, the US antidumping actions have triggered the proliferation of antidumping actions in Northeast Asia. Some Northeast Asian countries got accustomed to antidumping practices through trade friction with the United States. Moreover, because of the successive dumping petitions in the United States, some steel producers reduced their exports to the United States, converting exports to the Northeast Asian market.
### Table 4  Number of antidumping initiations in major countries, 1995–2001

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>14</td>
<td>22</td>
<td>15</td>
<td>36</td>
<td>47</td>
<td>47</td>
<td>74</td>
<td>255</td>
</tr>
<tr>
<td>India</td>
<td>6</td>
<td>21</td>
<td>13</td>
<td>27</td>
<td>65</td>
<td>41</td>
<td>75</td>
<td>248</td>
</tr>
<tr>
<td>EC</td>
<td>33</td>
<td>25</td>
<td>41</td>
<td>22</td>
<td>65</td>
<td>32</td>
<td>28</td>
<td>246</td>
</tr>
<tr>
<td>Argentina</td>
<td>27</td>
<td>22</td>
<td>15</td>
<td>8</td>
<td>24</td>
<td>45</td>
<td>26</td>
<td>167</td>
</tr>
<tr>
<td>South Africa</td>
<td>16</td>
<td>33</td>
<td>23</td>
<td>41</td>
<td>16</td>
<td>21</td>
<td>6</td>
<td>156</td>
</tr>
<tr>
<td>Australia</td>
<td>5</td>
<td>17</td>
<td>42</td>
<td>13</td>
<td>24</td>
<td>15</td>
<td>23</td>
<td>139</td>
</tr>
<tr>
<td>Canada</td>
<td>11</td>
<td>5</td>
<td>14</td>
<td>8</td>
<td>18</td>
<td>21</td>
<td>25</td>
<td>102</td>
</tr>
<tr>
<td>Brazil</td>
<td>5</td>
<td>18</td>
<td>11</td>
<td>18</td>
<td>16</td>
<td>11</td>
<td>16</td>
<td>95</td>
</tr>
<tr>
<td>Mexico</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>12</td>
<td>11</td>
<td>7</td>
<td>5</td>
<td>49</td>
</tr>
<tr>
<td>South Korea</td>
<td>4</td>
<td>13</td>
<td>15</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>47</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0</td>
<td>11</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td>3</td>
<td>4</td>
<td>39</td>
</tr>
<tr>
<td>World Total</td>
<td>157</td>
<td>224</td>
<td>243</td>
<td>254</td>
<td>356</td>
<td>281</td>
<td>330</td>
<td>1,845</td>
</tr>
</tbody>
</table>

*Source: Compiled by the author compiled from data on the WTO homepage.*

### Table 5  Exports of steel products from Japan, Korea and Taiwan by destination, 1998-2000 (1,000 metric ton)

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Korea</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Korea</td>
<td>2,756</td>
<td>5,366</td>
<td>6,029</td>
</tr>
<tr>
<td>China</td>
<td>2,477</td>
<td>2,960</td>
<td>4,063</td>
</tr>
<tr>
<td>ASEAN</td>
<td>5,113</td>
<td>6,903</td>
<td>7,138</td>
</tr>
<tr>
<td>Europe</td>
<td>1,192</td>
<td>1,004</td>
<td>854</td>
</tr>
<tr>
<td>U.S.</td>
<td>7,021</td>
<td>2,804</td>
<td>2,137</td>
</tr>
<tr>
<td>World</td>
<td>27,650</td>
<td>28,213</td>
<td>29,160</td>
</tr>
</tbody>
</table>

*Source: Compiled from Tekko Tokei Yoran, 2000 and 2001.*
7. **Conclusion**

In this article, I have sought to articulate the evolving influence of protectionist trade measures in the US steel industry on trade policy and practices in Northeast Asia. For this objective, I set up the voice, exit and follow framework, and examined policy development and political commitments in Northeast Asian countries.

In the late 1990s, US steel producers and labour unions intensified antidumping actions against steel imports from foreign countries including major Northeast Asian countries. Between 1998 and 2001, a wide range of steel products including hot-rolled and cold-rolled steel, stainless steel and heavy structural were included in the dumping list. The causes of the complaints and responses of US steel producers and labours were conventional. The US steel industry adopted traditional methods: appealing to the government and Congress for protectionist relief. In this sense, the US responses to trade issues have not developed for the past three decades.

The governments in Northeast Asia have intensified ‘voice’ activities toward antidumping measures in the United States. The Japanese and Korean governments have undertaken apparent opposition activities, appealing antidumping measures in the United States to the WTO panel. Both governments have taken the lead in creating international moves toward a disciplined use of the antidumping mechanism at the WTO Ministerial Conference in 1999.

Importantly, the Japanese and Korean governments previously tended to adopt bilateral, reconciliatory-oriented solutions, accepting US requests to restrain exports. The main factor inducing the governments to depart from this approach and pursue the voice approach was the development and institutionalisation of the WTO system. While the WTO system enhanced accessibility of the members to the multilateral dispute settlement mechanism, the gradual acquaintance of the system among officials made an appeal to the WTO a more likely option. Equally important was the development of regionalism in Asia, which expanded measures and chances for the voice option.

The US trade practices also intensified the ‘exit’ option for the Northeast Asian countries. The Japanese and Korean governments pursued the development of particular institutional settings – policy dialogues – to resolve trade tensions in the steel industry. The policy dialogues among Northeast Asian countries were often formed jointly with
representatives from the private sector, aiming to prevent friction in advance. These bilateral consultations are likely to develop into a regional framework to discuss common issues in the steel industry in Northeast Asia.

Thus, the Northeast Asian governments have developed both voice and exit options in response to US protectionist measures in steel. The voice option was the protestation against US-induced protectionist moves. The exit option aimed to develop an alternative sub-regime to prevent trade conflicts in the steel industry. These two options, which required collaboration among actors, were mutually reinforcing. Importantly, the voice and exit options reflect particular characteristics of the Northeast Asian political economy. The opposition activities reflect reluctant attitudes toward resolving trade friction through legal actions (at least for the Japanese government). The formation of steel policy dialogues in Northeast Asia reflects the preferences of conflict management through consultation on the basis of close government-business relationship.
REFERENCES


