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The Business Perspective: Cross Border Views

*Neil W. Zundel**

I am speaking on behalf of The American Institute of Steel Construction ("AISC"). AISC is not the American Iron and Steel Institute ("AISI"). AISI are our suppliers, in some cases our benefactors, but my comments do not reflect the body of companies involved with that organization. Today, I will focus on some concerns of an industry. Perhaps a different industry than some of you were contemplating as you worked-up this bilateral trade agreement. Especially as you decided which method to use in determining unfair trade practices.

The U.S. structural steel industry fabricates approximately five million tons of steel each year. This equates to approximately six billion dollars worth of commerce within the United States. Our industry is primarily family-owned. In many cases these companies are in third generation management. The average U.S. structural steel fabricator employs about fifty people. As a result, we are a highly fragmented industry. In excess of 1,000 U.S. fabricators do business in a generally confined geographical area. Very few fabricators do business outside a radius of 100 to 200 miles from their facility. No fabricator in the United States has more than two and one half percent of the market share.

The structural steel fabrication generally sells to one customer at one time, and usually the sale is not repeated. No published price lists or sophisticated cost systems exist since no two jobs are the same. It is a highly entrepreneurial industry, living day to day based on the U.S. economy. The steel industry is involved with the voluntary restraint agreement. We are part of the package promulgated by AISI with companies, their producers and fabricators in Europe and the Pacific Rim, but notably not in Canada or Mexico.

Presently, AISC believes that the anti-dumping laws do serve our industry to some extent. We are concerned that, for example, a geographical area may become the focus of imported fabricated structural steel due to construction activity in the area. Pricing practices could meet the conditions of our anti-dumping laws. However, if the total industry does not meet the terms of substantial injury, no anti-dumping case could be found.

Before the ratification of the Free Trade Agreement, we presented the Commission with a fairly strong anti-dumping case against Canadian fabricators. Although substantial tonnage was lost in the highly concen-

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trated areas of New England and New York, we lost the case. We lost because substantial injury to an industry could not be found.

The year we brought that suit, there were as many tons fabricated as in any other year. Therefore, looking at the total industry is not terribly effective. Although we might fall under this particular provision for injury, it was difficult to convince structural steel fabricators in New England who subsequently went out of business. The Canadian company that created the greatest mischief in this case also went out of business.

If Canada had similar laws in terms of profit margin, no U.S. fabricator doing business in Canada could pass an anti-dumping test. Some Canadian fabricators are as large as those in the United States. We are concerned that in order to cover some of their costs, these fabricators may wish to sell in the United States at prices lower than in their markets when business is not good in Canada. Although they may not intend to lessen competition in this country, the results are the same. We would recommend that each country should have effective remedies if such practices should occur.

I am not sure how our competition and antitrust laws would be viewed in the above situations. However, AISC believes that trade should be fair and free. All trade barriers and subsidies should be neutralized to facilitate fairness. Worldwide, trade zones are being created, such as the European Community, the Pacific Rim and others. In those areas, codes, systems of measurement and standards are being harmonized. Also, the subject of currency is high on the agenda in those trade zones where this action is taking place. To date, we have not begun to address these issues in the Canada-U.S. Free Trade Agreement, nor have we addressed these subjects in any of our discussions with Mexico. Our industry would strongly recommend going beyond a free trade agreement. Instead, we should also consider standardization of codes and measurements to truly make this an open and free trade zone.

From the outset, AISC opposed the Canada-U.S. Free Trade Agreement. Our industry suffers substantially from over-capacity. No matter how many fabricators go out of business, someone always enters the business. Steel fabrication is not a terribly capital intensive industry to enter. Fabrication state of the art is similar in terms of quality and productivity throughout the world. AISC does have an effective quality certification program. Some owners demand that a fabricator have this certification before it can bid for the structural steel on a given project. Indeed, our certification program has been implemented by companies in the Pacific Rim who have attempted to do business in this country.

Although ABSTEC, an independent organization which determines the quality worthiness of a company, administers our program, we can say that productivity and state of the art technology is no greater anywhere in the world than in the United States and Canada. Yet, there has never been a meaningful fabricated structural steel job exported to Canada from the United States. One of the reasons we brought this case

before the Trade Commission was that as Korea, Japan and Singapore began to reduce their exports to the United States, Canada seemed to pick up the excess. Even though we lost our case with the Trade Commission, the result has been that Canadian fabricated structural steel exports to the United States have been substantially reduced.

Even with the voluntary restraint agreements, AISC is concerned with countries laundering steel through Canada or Mexico to circumvent the agreements. The laws and conditions involving this aspect of our worldwide trade relations should remain consistent. Although these agreements have a limited lifespan, little else is absolute in other areas of commerce. The U.S. fabricated structural steel industry is ten times larger than Canada's, and its foremost concern is keeping its own business profitable.

AISC has yet to see the benefits that will accrue to our industry through this trade agreement. This is primarily why we are opposed to the agreement. However, we are anxious to learn about the application of Chapter 19 on the fabricated structural steel industry. We would also be interested in the proposals that will come from this group, including the organization of bilateral panels, and the possibility of using antitrust and economic laws rather than dumping laws. AISC would recommend harmonization so that both sides are working from the same set of plans and truly making a level playing field.

