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Meta-Strategic Lobbying: The 1998 Steel Imports Case

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Abstract

In 1998, the domestic steel industry in the United States devised and executed a complex and sophisticated effort to achieve an effective non-market response to a sudden, persistent, and damaging surge of imported steel. This campaign lasted until 2002, when President George W. Bush invoked Section 201 of the U.S. trade laws to impose tariffs on imports of most steel products. This case of the steel industry's trade policy campaign provides an opportunity to examine selected models of protection-seeking industries and lobbying to ask why and how the steel coalition achieved this extraordinary governmental response. These questions are explored though a descriptive case of the steel industry's protection-seeking campaign followed by a comparative examination of previous models of protection-seeking firms, and lobbying to achieve protectionist policies. A comparison with selected models of the determinants of protection-seeking and factors affecting lobbying strategies show that most, almost all, were present in the steel case. In fact, a meta-strategic approach that transcends the customary understanding of lobbying is suggested in a complex policy environment. Such an environment can be characterized by: the need to influence multiple governmental entities – legislative, regulatory, executive; the desire for multiple outcomes with varying levels of specificity – laws or resolutions, administrative rulings, policy choices; interactions between different levels and branches of government; employment of coordinated interrelated lobbying techniques; and simultaneity of these factors.

KEYWORDS: trade policy, lobbying, steel

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Meta-Strategic Lobbying: The 1998 Steel Trade Policy Case

In 1998, the domestic steel industry in the United States devised and executed a complex and sophisticated effort to achieve an effective non-market response to a sudden, persistent and damaging surge of imported steel. This campaign lasted until 2002, when President George W. Bush invoked Section 201 of the U.S. trade laws to impose tariffs on imports of most steel products. The campaign began with the formation of a union-company coalition. It included the filing of trade cases and a major lobbying effort to get additional Congressional and White House support. This case of the steel industry's trade policy campaign provides an opportunity to examine selected models of protection-seeking and lobbying to ask why and how the steel coalition achieved this extraordinary governmental response. These questions are explored though a descriptive case of the steel industry's protection-seeking campaign followed by a comparative examination of selected models of protection-seeking and trade policy lobbying. A meta-strategic model of lobbying is suggested.

Background

For more than a quarter of a century, the steel industry in the United States has sought government intervention in the marketplace to counteract periodic import surges of cheaper steel from foreign competitors. The industry has long argued that the global steel marketplace is imperfect, characterized by subsidies, cartels, protected markets, and mercantilist national economic policies.[1] The industry has effectively used the power of government to limit access to the U.S. market by foreign producers and thus protect itself from wide variations in prices and earnings and also to gain reprieve from otherwise painful restructuring and downsizing.[2] From 1969 until 1992 steel enjoyed industry-specific protection in the form of voluntary restraint agreements (1969-74), a reference price system for antidumping cases (1977-82), and two more rounds of voluntary restraint agreements (1984-92). This history is consistent with the model of protectionism developed by Vinod K. Aggarwal, Robert O. Keohane, and David B. Yoffie[3] identifying three patterns of protectionism: institutionalized, temporary, and sporadic. Steel protection is classified as sporadic. As the effects of specific protection measures provide benefits to steel firms, the protections are relaxed, only to be followed later by others as import-related economic distress returns.

[1] See Howell, *et. al.* (1988).
[2] Schuler (1996).
[3] Aggarwal, *et. al.* (1987).

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Industry-specific protection gradually ended under President George Herbert Walker Bush's "Steel Liberalization Program" so that, by 1992, the steel industry had only the nation's general trade laws from which to seek any further protection. This era of trade law remedies began in 1992 when the integrated[4] steel companies filed a massive set of antidumping and countervailing duty cases on which it ultimately won a mixed verdict.[5]

The trade policy successes of the steel industry have been attributed to the power of the so-called "steel triangle" of steel mills, the steelworkers union, and powerful lawmakers representing steel-making constituencies. As the nation's economy has changed and the industry has restructured into smaller more dispersed firms, a lessening of the industry's political effectiveness was predicted.[6] But in 1998, the steel triangle still had some life left in it. Though a smaller industry, steel mills were still a major economic presence in politically important states. The steelworkers union remained politically active, able to generate visible political participation by its members. The union and the companies maintained permanent government affairs offices in Washington, where their lobbyists kept in regular contact with constituent Members of Congress and with key leaders in the Congress and the Executive Branch. The Congressional Steel Caucuses, comprised of Senators and Representatives from steel-making states and districts had over one hundred members. They were efficiently staffed to coordinate their work and could be called upon to hold hearings, draft resolutions, circulate letters, and support legislation. Some members held influential positions on key committees such as the House Ways and Means Trade Subcommittee, the House Appropriations Committee, and the Senate Finance Committee. When the sudden import surges of 1998 arrived, the industry was positioned for action because it had remained engaged in trade policy, even during the relatively quiet periods.

1998-2002 Steel Trade Policy Case

In 1998, the steel industry was again in an import crisis, caused largely by an economic meltdown in Asia and privatization in the former Soviet Union. A sudden flood of low-priced imported steel staggered the U.S. industry. Between June 1997 and June 1998, total steel imports increased from 2.6 million tons to 3.6 million tons. Imports from Japan increased 113.7 percent, imports from Korea

[4] "Integrated" steel companies are those older large vertically integrated firms that make steel from iron ore using blast furnaces. Newer "minimills" make steel in electric arc furnaces using scrap steel as the primary feedstock.

[5] See Brook (1998), (2003); Hogan (1994).

[6] Moore (1995): 73-132.

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increased 89.5 percent, and imports from Russia went up 50.6 percent.[7] The speed and volume of this wave of imports drove the major integrated steel companies and the steelworkers union into a new lobbying coalition to pool their collective political influence to protect the industry.

Organization and Collective Action

In the spring of 1998, George Becker, President of the United Steelworkers of America (USWA) convened a meeting with the Chief Executive Officers of U.S. Steel (USX Corporation), Bethlehem Steel, and LTV Steel (LTV Corporation), the three largest integrated steel companies in the United States. Each operated under a similar labor agreement with the USWA. Becker warned of the impact of the current import surges and proposed a joint lobbying effort to seek government protection for the industry. The coalition would be funded by the "nickel fund" -- a notional account held by each company in accordance with their labor agreements amounting to five cents for each ton of steel produced. It was estimated that as much as $10 million or more might have been accumulated in these funds. Nickel fund money was intended to be spent jointly by the companies and the union to further the interests of the industry. The CEOs agreed and the "Stand Up For Steel" Coalition (SUFS) was born.

The possibility of involving other companies was discussed, but initially rejected. "Free riders" on trade matters had always been an issue in the industry, but the three largest companies were willing to bear the cost, as they also did in most trade law cases, expecting also to reap the most benefit and wanting to exercise control over the campaign. Later, other companies with nickel funds, such as National Steel, Inland Steel, and Cleveland Cliffs were included in the coalition but they played relatively minor roles.

The Washington government affairs offices of the union and the three companies were charged with developing a strategy for the coalition and executing the lobbying campaign. A law firm was retained to provide staff support, along with public relations firms to develop and implement communications plans, and two major law firms that traditionally handled trade law cases for the industry.

Policy Goals

The policy goals of the coalition were deliberately vague. There were multiple options from which to choose, including filing antidumping cases, seeking new protections from the Congress, asking for new international negotiations, or invoking the trade law powers of the President. Each could help ease the crisis and they were not mutually exclusive. While each might require a

[7] Source: American Iron and Steel Institute.

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different set of tactics, many were mutually reinforcing and could be employed simultaneously. Essentially, the decision was made to pursue a complex strategy that left all options open and leveraged the political opportunities that a Congressional election year presented. This strategy was much as J. M. Finger and T. Murray had observed in an earlier period: to overload the system to achieve relief from imports.[8]

As outlined in a SUFS strategy document, the coalition set out on "an intensive public relations/government relations campaign to educate and influence the Clinton Administration to take action." This was to be accomplished by "building broad public and congressional support for a meaningful U. S. government response" to the recent surge in imports by using use all means necessary and available to it. While the industry indicated that it would continue to seek enforcement of the trade laws and to file additional trade cases, it argued that the extraordinary nature of this import crisis required an extraordinary response. Listed among the possible options were "announcement and implementation of steel import monitoring and/or permitting programs, strengthen enforcement of unfair trade laws, bi-lateral diplomatic initiatives, negotiating informal export restraints, and self initiation of (trade law) actions." Placing the burden on the Administration to define the policy choices, the SUFS strategy called for the government to "deal forcefully with the problem, using whatever tools it has as needed…."[9] The early pattern for such an approach was identified by Moore in the 1984 VRA campaign as "…brilliant use of the multiple paths to protection in the United States."[10]

This strategy rested on an understanding of the complex nature of the trade policy structure within the U.S. government. Administration trade policy can involve the President; the National Economic Council; the Secretaries of Commerce, Labor, and Treasury; the U.S. Trade Representative (USTR); and Congress. Trade law administration involves the International Trade Administration (ITA) in the Department of Commerce and the independent U.S. International Trade Commission (ITC). In addition, these actors can influence each other. For instance, Congress can influence the Administration through appropriations and authorizations, while the President can influence the ITA and ITC through appointments.

This complex interweaving of policy actors, lobbying strategies, and influence flows is depicted in Figure 1. The diagram shows the initiators of the campaign, the steel companies and the union, and their respective employment of actors in the lobbying effort. The union mobilized its members; the companies mobilized their non-union employees and activated retained lawyers and

[8] Finger and Murray (1990): 48.
[9] "Steel Industry/Union Trade Program" dated July 28, 1998.
[10] Moore (1995): 105.

consultants. Both also lobbied Congress and the Administration directly. The Congressional Steel Caucuses were active in influencing their colleagues on Capitol Hill as well as pressing the trade policy agencies of the executive branch and making steel's case to the White House. Information and influence flows back and forth among the White House, the Congress, the Department of Commerce, USTR and the ITC. Each actor is subjected to multiple "hits" as the actions of one another impact each other. With multiple possible outcomes, no one governmental entity is a single target. Instead, they are all both targets from whom policy outcomes are sought, and intermediaries whose influence is sought with and by other governmental actors.

Steel Lobbying Strategy
Influence Diagram

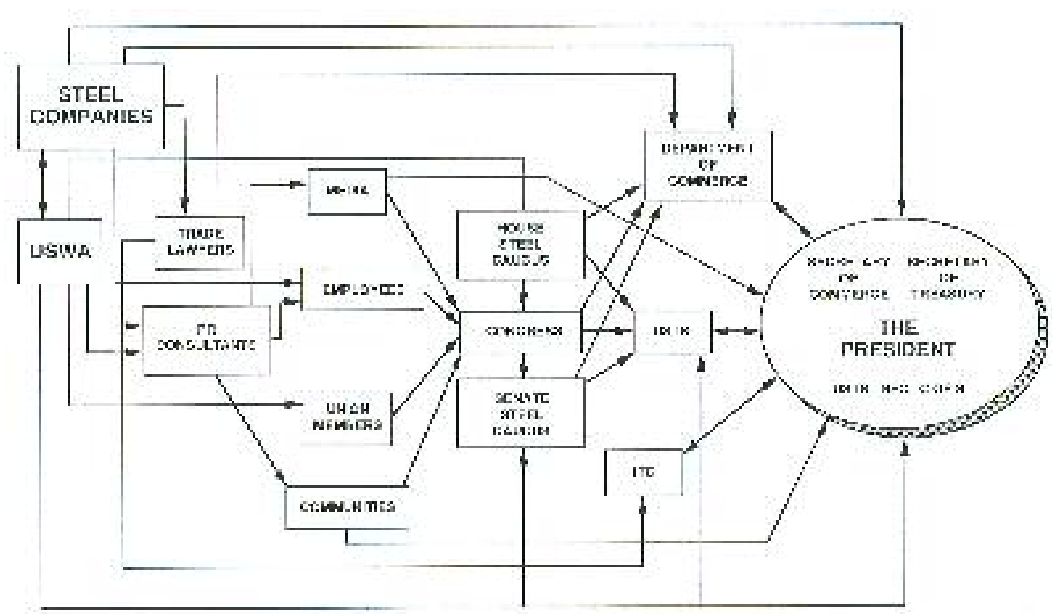

Figure 1

Advocacy Advertising

Print and broadcast ads were placed in media markets where there were large concentrations of steel mills and steelworkers, as well as in the Washington, DC, area. The advertisements were intended to inform the public, define the terms of the debate for public officials, and rally the steelworkers and their communities. The first ads were informative, stating that "foreign steel is being dumped at cutthroat prices," and "foreign dumping is threatening the jobs of hardworking

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men and women." The ads also argued that the union and management have worked together to create a new steel industry that is "clean, efficient, high tech and innovative" but now "we're fighting to keep it strong, but we can't do it alone." A second set of advertisements targeted the President, calling on him to "stop the unfair dumping." An ad that ran on the day President Clinton met with Japanese Prime Minister Obuchi said, "We understand the Prime Minister wants to save his country's jobs. Mr. President, don't let him do it by taking ours." Another, placed after passage of a Congressional resolution, said, "Congress has left no doubt on the need for you to put an immediate stop to the crisis the steel industry is facing." One ad featured an open letter to the President signed by USWA President Becker, Bethlehem Steel CEO Curtis H. Barnette, LTV Steel CEO Peter Kelly, USX CEO Thomas Usher and fifteen additional chief executives of smaller steel and steel-related companies. It cited the modernization of the U.S. steel industry, called for a "level playing field," and said, "With your help vital American jobs and the American steel success story can continue." Often this "paid" media was supplemented by so-called "earned" media -- local news coverage of steelworker rallies, statements by elected officials, governmental actions, and human-interest stories. The coalition also encouraged op-ed articles and letters to the editor from steel executives, workers, and independent experts.

Constituency-Building

While the advertising campaign was bringing the steel campaign into prominent view, the USWA worked at building constituency-based pressure on elected officials. By the end of the year, nearly thirty rallies had been held in Washington and in targeted states and congressional districts around the country. They featured union and management speakers, local politicians and candidates, and hundreds of active and retired steelworkers. The union field staff organized most of these events. They generated additional news coverage, letter-writing campaigns, and statements of support from elected officials. The rallies were especially timed for October to coincide with the peak period of the election campaigns. Leveraging the election year advantage, candidates (and other community leaders) were urged to sign a pledge that SUFS had devised. It read, "We pledge to support and take any and all actions necessary to immediately stop this flood of unfairly traded foreign steel imports."

Campaign Contributions

As they did every year, the companies and the union also made political contributions through political action committees (PACs). Well over one million dollars was spent in 1998 with the bulk of it going to incumbents in steel states and districts and holders of key congressional leadership positions. Most of it came from the USWA, whose PAC dwarfed the combined size of the company political action committees.[11]

Lobbying Congress

On September 10 the Congressional Steel Caucus held a "hearing" where the threat to the industry was presented in testimony by the steel company CEOs and union leaders. Letters from Steel Caucus members were sent to the White House urging prompt action. Legislation and resolutions were introduced as various Members sought to exploit the politics of the steel trade issue. Making use of parliamentary tactics, steel supporters in the House tied up the last week of the Congressional session with matters relating to steel trade, effectively dominating the policy agenda as Congress worked toward adjournment in an election year. On October 15th a "Sense of the House" Resolution was passed by a 345 to 44 vote calling on the Executive Branch to conduct a review and investigate steel imports from ten specified countries, impose a one-year ban on steel imports from these countries if they are found to be violating the "spirit and letter" of trade agreements, set up a task force for monitoring steel imports, and submit a report to Congress in January, 1999. In the words of one steel state Congressman, "The House has made it clear that it wants the Administration to act swiftly and decisively on behalf of American workers."[12]

Trade Cases

On September 30, a set of antidumping cases was filed against imports from Russia, Japan and Brazil and countervailing duty cases against imports from Brazil, thus setting in motion the formal investigatory and review processes within the ITA and the ITC. After a meeting between the Executive Committee of the Congressional Steel Caucus and Secretary of Commerce William Daley, Treasury Secretary Robert Rubin and USTR Charlene Barshevsky, the Department of Commerce announced accelerated action on the petitions. The Department would conduct a 120-day review of the petitions (usually such reviews take 160 days) and retroactively impose preliminary duties in cases where dumping was found. Additionally, USTR announced its intention to initiate talks with Japan, South Korea and the EU (concerning their quantitative restrictions on Russian steel imports). The President's Economic Advisor, Gene Sperling said, "We are persuaded there is a compelling case" for antidumping petitions.[13] These

[11] Source: Federal Election Commission, various reports.

[12] Press Release from Office of Congressman Jim Traficant, "House Overwhelmingly Okays Traficant Bill Calling on President to Ban Steel Imports," October 15, 1998.

[13] Press Release from Office of Congressman Jim Oberstar, "Steel Dumping Cases To Get Accelerated Action," October 9, 1998.

actions were expected to have a chilling effect on steel imports while the ITC considered the cases in the midst of this politically charged atmosphere.[14]

Lobbying the Executive Branch

SUFS also targeted the Administration for a direct lobbying effort, supported by the pressure from Capitol Hill. Becker and the three CEOs met with Secretaries Daley and Rubin and USTR Barshevsky. They returned to Washington twice more for Cabinet-level meetings at the White House with Daley, Rubin, Barshevsky, Secretary of Labor Alexis Herman, White House Chief of Staff Erskine Bowles and Deputy Chief of Staff John Podesta. The meetings were generally polite but the Administration was non-committal.

Frustrated by this response from the Administration, House and Senate Steel Caucus leaders asked for a meeting with President Clinton and on November 5, the CEOs and Becker met with the President. The response was the same. The President felt their pain, but ordered no new actions.

As 1998 closed, perhaps the tangible results of the SUFS effort seemed negligible. Thirty-five American steel companies would file for bankruptcy protection between 1997 and 2002.[15] But, the steel import issue had dominated the domestic political and policy agenda in 1998. In organizing an effective coalition, mobilizing grass-roots and Congressional support, and committing resources to the fight, the base was built for a continuing campaign that lasted into 2002. Over this period, most of the 1998 trade cases would be won at the ITC. The "sunset" reviews of the 1992 cases would also be mostly won at the ITC. More companies joined the protection-seeking effort, including Nucor, the largest minimill. The SUFS coalition continued its advertising, constituency-building and lobbying campaigns through the 2000 elections. With the election of a new President, arguably with the help of votes from steel states like West Virginia, a renewed effort to influence the Administration was undertaken. This Administration reacted differently. Throughout 2001, in meetings with steel CEOs, the new Secretaries of Commerce and Treasury and a new USTR pushed for restructuring of the industry as a condition for special protection. The new Administration was also confronted with the prospect that a steel-sympathetic Congress would reject legislation extending the trade negotiating authority that it needed in order to pursue free trade agreements. Faced with this threat to his economic policy agenda, in March 2002 President Bush invoked Section 201 and placed tariffs on steel imports.

The Section 201 tariffs were scheduled to last three years, gradually declining over the period. Predictably, the President's decision was praised by the steel industry and the steelworkers' union, and criticized by steel consuming industries.

[14] See Brook (2003): 92.
[15] Stand Up For Steel (2003): 9.

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Steel prices increased and stabilized and steel companies started to return to some level of profitability.

But protests against the tariffs came swiftly. Steel-exporting countries challenged the action in the World Trade Organization (WTO). In late 2003, the WTO ruled against the U.S. and retaliatory tariffs were being announced by European trading partners. Complaints of high steel prices and shortages by steel consumers, including the large automobile and heavy equipment manufacturers began to gain support in politically important states like Michigan. Moreover, changes in the international marketplace, driven largely by rapid increases in steel demand by China, eased the global pressure on U.S. steel prices. The policy objectives of the Administration also seemed to be taking hold. Evidence of industry restructuring and capacity reduction that Administration officials had sought began to appear as the new International Steel Group (ISG) consolidated the assets of bankrupt LTV Steel, Acme Steel and Bethlehem Steel; United States Steel acquired National Steel; and Nucor consolidated the minimill sector with acquisition of Auburn Steel, Trico Steel, and Birmingham Steel. The USWA negotiated new labor agreements with ISG and U.S. Steel that reduced labor costs and changed work rules. In December 2003, faced with both serious challenges and credible claims of policy success, the President rescinded the steel tariffs early.

Models of Protection-Seeking, Policy Choices and Lobbying

Firms engage in non-market strategies to affect economic rents and subsidies when the government, rather than the market, controls the greater opportunities.[16] How does the steel protection case illustrate models of the determinants of protection-seeking firms, trade policy choices, and lobbying? Some common themes focusing on economic, structural, and political characteristics have emerged that can be examined in the context of this case.

Models of Protection-Seeking Firms and Industries

Models of protection-seeking examine firms and industries to identify common characteristics. The model developed by Aggarwal, Keohane and Yoffie[17] suggests that the barriers to entry, the barriers to exit, and the size of the domestic industry determine the dynamics of protectionism. Steel protection is classified as sporadic, with high barriers to entry and exit and a relatively large size. Aggarwal, *et. al*. were unsure about the future of steel protection. On the one hand, observing a lowering of the barriers to entry (demonstrated by the appearance of minimills, and the emergence of diversification strategies by steel

[16] Baron (1996): 30.
[17] Aggarwal, *et. al.* (1987).

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firms), the possibility of reduced demand for protection, and lessened effectiveness in expanding protection was envisioned. On the other hand, if diversification efforts failed, institutionalized protection could result. Presciently, they concluded, "The industry has the resources and the organizational strength to demand a high level of protection. Because the industry continues to be in distress and foreign countries subsidize their steel exports, the U. S. government is likely to regard protection as legitimate on the grounds of fair trade."[18] Indeed, political sympathies for affected constituencies can lead policy makers to invoke social justice considerations in granting temporary protection in these types of circumstances.[19]

In cataloguing the cross-industry determinants of protection from a previous studies, Dani Rodrik identifies three sets of conditions: (1) labor intensive, low skill, low wage; (2) high import penetration, an increase in import penetration, and an industry in decline; and (3) regionally concentrated industry, with customers that are not highly concentrated.[20] Douglas A. Schuler's[21] examination of the steel industry's trade policy strategies considers issues of size, related business diversification, presence of dedicated organizational political units, availability of slack resources, levels of import penetration, and levels of domestic demand. He found that the largest firms were the most politically active; types of political activities changed over time; and external economic circumstances affected the timing of political strategies. With significant positive correlations for size, Shuler affirms collective action theory that argues that the largest firms are willing to take action, and tolerate free riders, because the largest firms stand to gain the largest share of the benefits.[22] As shown in Table I, most of the characteristics described above are present in this case. Some were in transition as the structure of the industry was changing, and only the domestic demand and low wage elements appear not to be present.

[18] Aggarwal, *et. al.* (1987): 361.
[19] Hillman (1982).
[20] Rodrik (1995): 1481.
[21] Schuler (1996).
[22] See Olson (1965).

Table I
Protection-Seeking Characteristics Present in Steel Case

Characteristic	Present	In Transition	Not Present
High Barriers to Entry		X	
High Barriers to Exit	X		
Large Industry		X	
Related Diversification		X	
Political Organizational Units	X		
Slack Resources	X		
Weak Domestic Demand			X
Labor Intensive	X		
Low Skill	X		
Low Wage			X
High Import Penetration	X		
Increase in Import Penetration	X		
Declining Industry		X	
Regionally Concentrated Industry	X		
Customers not Regionally Concentrated	X		

Source: Author's analysis

Models to Explain Trade Policy Choices

In searching for explanations for economically suboptimal protectionist trade policy choices, Rodrik's[23] survey of the political economy literature on protection includes four models for explaining public policy choices in favor of protection. The tariff formulation approach links the level of protection to the amount of lobbying resources deployed. Tariffs are determined by the amount of labor put into lobbying for the tariffs. This approach ignores the preferences of policy makers. The political support function approach, however, depicts policy makers trading off the gains for a sympathetic industry against the losses for the general population. The distributional effects of trade policy supports protection when the benefits are concentrated and the costs are diffused. The median voter approach uses a democracy model to suggest that a policy choice can be treated as maximizing the utility of the median voter. That is, individual ideal policy preferences can be linearly arrayed and the median point identified where a majority will support, or at least accept the median policy outcome.

The campaign contributions approach attempts to establish a direct link between campaign contributions, election outcomes, and policy choices. A larger set of election-related variables could include other types of campaign support

[23] Rodrik (1995).

such as union endorsements, voter mobilization, independent advertising, etc. to establish an alignment between maximizing the interests of the policymaker (election) and maximizing the interests of the political ally (policy support). Intuitively, such political factors can influence policy choices, but Rodrik finds these models insufficient to explain trade policy decisions fully. Instead, Rodrik poses a political economy model of trade policy with a “demand side” comprised of individual preferences expressed through interest groups, and a “supply side” consisting of policymaker preferences expressed through the institutional structures of government. The preferences of both individuals and policy makers are affected by numerous factors and their means of expressing political demands through organizations and institutions is complex. Rodrik concludes that none of the current models claims to provide a complete political-economic model and many leave implicit some factors that influence preferences and institutions.[24]

Eight themes emerge from Anne O. Krueger’s[25] examination of various sectoral studies: (1) the question of national interest, (2) the role of ideas such as appeals to fairness and equity, (3) economic determinants of political strength, (4) the role of institutions as constraints, (5) the presumption of “rational” actors, (6) importance of industry unanimity, (7) the role of lobbying and organization, and (8) a history of past protection. Each of these appears to be present in the steel case. The steel industry and its supporters argued that national interests dictated a “need” for a healthy steel industry, and they argued for “fairness” in global steel trade. The industry derived political strength from the economic dominance it held in key states and the distributional effects of protection. Leaders of the companies and union also believed that they were acting rationally – that protection would benefit the industry. The institutions of government constrained the process and extended the case over four years, during which time industry unanimity was achieved, including the emergence of minimills as supporters of protection. Strong organization and lobbying were present as was the experience factor resulting from a history of successfully seeking protection.

Lobbying Models

Models of lobbying strategies and techniques, generally, are also instructive for understanding trade policy choices, since protection-seeking firms and industries employ lobbyists and lobbying techniques for the purpose of influencing trade policy. Frequently these models address the political action of firms in parsimonious one-dimensional linear style, usually focused on the actions of legislators, often looking at one aspect of lobbying or political action for an explanatory link to legislative behavior. For instance, political action committee

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[24] Rodrik (1995): 1459-1460.
[25] Krueger (1995): 431-441.

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(PAC) contributions may be compared to voting records,[26] or considered as investments in relationships with lawmakers.[27] Campaign contributions have been examined to explain trade policy outcomes as a competition of bidders in a welfare-maximization model.[28] Constituency interests and constituency building may be compared to legislative outcomes.[29] Some studies have considered the effects of information on policy outcomes,[30] while others have looked at communications strategies and advocacy advertising.[31] Recent studies have focused on the operation of corporate public affairs and government affairs staff departments and their professional lobbyists.[32]

David P. Baron's instructive model of political strategy formation for a single interest group is described below.[33]

Political Analysis → **Strategy Formation** → **Implementation**

↓ **(action)** ↓ **(action)**

Institutional Arena → **Administration/Regulation**

(delegation)

In this model, interests conduct a political analysis to determine their motivations and the nature of the politics, institutions, and officeholders involved in the issue. Strategy is formulated and implemented with actions focused in the institutional arena where policies are determined and in the administrative and regulatory arenas where policies are enforced. Baron considers strategies based on theories of political pressure, constituency connection, majority rule, vote trading, party leadership and collective action.[34] In Baron's model, implementing political strategies includes lobbying (persuasion, information provision, gaining access, enlisting allies) and also grassroots activities, coalition-building, testimony, political entrepreneurship, electoral support, communications and public advocacy, and judicial strategies.[35] Effective lobbying strategies may rely solely or predominantly on a relatively limited implementation agenda. It is clear from the steel case, however, that the steel coalition employed virtually all of these

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[26] See, for example, Gilligan (2000); Tripathi *et. al.* (2002); and Milyo, *et. al.* (2000);

[27]See, for example, Snyder (1992); and Milyo (2002).

[28] Grossman and Helpman (1994).

[29] See, for example, Keim and Baysinger (1992); Deardorff and Stern (1998); and Lord (2000).

[30] See, for example, De Figueriedo (2002)

[31] See, for example, Heath and Nelson (1986).

[32] See, for example, Schuler (1996); Cherington and Gillen (1962).

[33] Baron (1996): 177.

[34] Baron (1996):187-188.

[35] Baron (1996): 199-202.

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techniques in a strategic model that contains the essential elements of Baron's model, but which is more complex, inter-related, and non-linear.

A second category of study has looked at lobbying coalitions. Ever since Mancur Olson posed the "free rider" problem to explain why rational self-interested individuals will not act to achieve group interests,[36] scholars have tried to explain why, in fact, lobbying groups and coalitions do indeed seem to form and be effective. Some studies have examined the Olsonian view that concentrated industries tend toward greater political activity but find that other explanatory variables need to be considered, as well. David M. Hart suggests examining the allocation of attention, threat perception, and information flow within dominant firms.[37] Other studies have considered lobbying organizations as political subsystems with internal characteristics of conflict and compromise similar to those seen in other political domains,[38] or as collections of minority interests formed into coalitions of microstructures.[39] Finally, one economic explanation for forming lobbying coalitions suggests that more collusive industries have greater incentive to form lobbying groups.[40]

Many of these organizational factors are present in the case of the 1998 steel coalition. Consistent with Olson's "privileged" groups, the companies involved ignored or accepted the presence of free riders, perhaps knowing that, as the dominant firms, their benefits would be proportionately greater and worth the investments made. The integrated steel firms, if not truly collusive, believed they had a shared threat and the steelworkers union commonly influenced them. While competitors, the companies had a history of working together on trade and other public policy issues and had developed the capability to mitigate internal conflict in the interests of collective effectiveness.

A third area of study concerns the causes of political and lobbying activities by firms and industries. One profoundly simple explanation for political activity is that firms or industries with the most to gain[41] or which see the best opportunities for competitive advantage[42] through government action tend to be the most politically active. This could also be easily extended to cover those firms and industries that perceive the biggest threats.[43] The strategic decision to enter the public policy arena is thus predicated on a high salience of government action to firm self-interest, and the availability of resources to support a lobbying effort.[44]

[36] Olson 1965).
[37] Hart (2003).
[38] Salisbury, *et. al.* (1987).
[39] Whitford (2003).
[40] Damania and Fredriksson (2000).
[41] Grier, *et. al.* (1994).
[42] Gale and Buchholz (1987)
[43] Oberman (1993).
[44] Yoffie (1987).

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The steel industry has historically sought protection from import competition through governmental action, and it believes that such market interventions have been beneficial. The largest steel companies and the USWA have committed resources to continuous participation in trade policy.

Firms and industry organizations, having thus determined an interested position in public policy and political action, must then employ strategies about how and whom to lobby. Some choose to lobby legislative allies, particularly in key committees, with the idea that their allies will, in turn, lobby other members on their behalf. There is evidence to indicate that groups tend to target legislators from areas where they have a strong presence. The SUFS coalition depended heavily on the members of the House and Senate Steel Caucuses and on their constituent Members of Congress to advocate on their behalf with other legislators and with the executive branch. Expanding beyond allies to reach other legislators is often resource dependent.[45] Amy J. Hillman and Michael A. Hitt suggest a choice as to whether to lobby through a (short-term) transactional approach or a (longer term) relational approach; whether to act individually or collectively; and whether to select a lobbying strategy based on information, financial incentives, or constituency building.[46] The original members of the SUFS Coalition took a relational approach by investing personnel and political resources to maintain ongoing relations with legislators and policy makers and by establishing a constant presence in the trade policy arena.

Table II
Lobbying Factors Present in Steel Case

Characteristic	Present	Not Present
Appeals to National Interest	X	
Ideas/Appeals to Fairness and Equity	X	
Economic Determinants of Political Strength	X	
“Rational” Actors	X	
Industry Unanimity	X	
Organization/Collective Action Theory	X	
Campaign Contributions	X	
Constituency Building	X	
Information	X	
Advocacy Advertising/Communications	X	
Staff Lobbyists	X	
Professional Consultants	X	
Transactional Lobbying	X	
Relational Lobbying	X	

[45] See Hojnacki and Kimball (1998); and Hojnacki and Kimball (1999).
[46] Hillman and Hitt (1999).

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Lobbying Allies	X
Lobbying Congress	X
Lobbying the Executive Branch	X
Lobbying Congress to Influence the Executive Branch	X
Legal/Administered Trade Action	X
Institutions	X
Strategic Changes Over Time	X
Past Protection	X

Source: Author's analysis

Douglas A. Shuler found the choice and timing of political strategies varied depending on the nature of the external economic pressures. Initial choices favored administrative relief through the filing of trade cases, followed later by more direct lobbying and political action when high import penetration made policy makers more receptive to the industry's trade policy goals. Perhaps the most important role of Congressional supporters was in "pressuring the executive branch for long-term … solutions to imports."[47] Krueger also identifies the use of the administered trade processes, i.e. trade law petitions, as an "instrument to induce the executive branch to take action."[48] Clearly, the case depicts a strategy to use Congressional interests to influence White House action and to combine administered trade remedies with other policy options. The presence in the steel case of these various factors that can influence trade policy choices are depicted in Table II. Remarkably, they are all present.

Discussion

Steel Industry Political Effectiveness

The U.S. domestic integrated steel industry has essentially adopted an on-going non-market strategy to deal with the imperfections of the global steel marketplace. The industry has remained effective in the political domain even as its political footprint in the American economy shrinks. Steel sector employment in 1992 was less than a third of what it had been in 1974 and the industrial structure of the industry has changed through fragmentation, the emergence of minimills, increasing foreign ownership. Organized political opposition to steel protection has emerged.[49] The case discussed above offers an explanation for why the steel industry has been particularly successful in influencing United States trade policy. The success of steel in achieving its policy objectives can be attributed to the commitment of financial resources, support and involvement of

[47] Schuler (1996): 733.
[48] Krueger (1995): 427.
[49] Moore (1995): 73, 76–77.

senior management, management-union cooperation, and experience and sophistication in political strategy development and implementation. But, this case is significant beyond simply serving as an explanation for steels' unique position in trade policy.

Political Economy of Steel Protection

After exploring the political-economic literature on protection, Rodrik concluded that "Economists have always been aware that the determinants of trade policy are deep down political."[50] And he observes, "We do not fully understand the apparent political advantage of trade policy in redistributing income over more direct policy instruments."[51] This case demonstrates the political nature of trade policy and perhaps it offers at least a partial explanation for trade as a policy-area-of-choice for providing economic support to industries, communities, and workers. The political nature of trade policy is made clear by this case in which a supposedly pro-free trade Republican president was persuaded to adopt a high profile and controversial protectionist policy. Surely this would not have been the expected position. Yet, considerations of electoral politics and pressures from members of Congress acting on their own political interests led to an unexpected outcome.

Why was this policy choice made over other, more economically efficient means of providing government support for the workers and communities affected by the steel import crisis? As this case demonstrates, policy arguments based on concepts of "fairness" and a "level playing field" can be more persuasive in American politics than appeals for direct "welfare-type" support. (In fact, one is tempted to ask if "fairness" in policymaking is a demonstration of American exceptionalism.) So, for instance, the politically powerful steel companies and unions have been remarkably successful in achieving industry-specific protection from "unfair" imports, but they have been remarkably unsuccessful in persuading the government to take over the burden of its "legacy costs" for retiree pensions and health care. In seeking protection, the steel industry has exhibited an understanding of the resonant themes in American politics.

The case is also significant because most of the political-economic explanatory variables for protection-seeking firms, policy choices, and influence strategies are present. When considered separately, each of the political-economic models discussed in the literature has seemed insufficient to explain policy choices. The aggregation of models in this case suggests a more complete and integrated conceptualization of trade policy choices.

[50] Rodrik (1995): 1490
[51] Ibid.

A Meta-Strategic Lobbying Model

This case suggests a meta-strategic approach that transcends the customary understanding of lobbying. This meta-strategic lobbying approach is conditioned by a complex policy environment characterized by: (1) the need to influence multiple governmental entities – legislative, regulatory, executive; (2) the desire for multiple policy outcomes with varying levels of specificity – laws or resolutions, administrative rulings, international negotiations; (3) non-linear interactions between different levels and branches of government; (4) mutually supportive sub-strategies, and (5) simultaneity of these factors.

The concept of this model is depicted in Figure 2. The meta-strategy to achieve multiple policy objectives is implemented through a set of inter-related, mutually supporting sub-strategies. For instance, communications and advocacy advertising support constituency building, congressional lobbying, and executive branch lobbying, while also framing the issue and arguing the case. Constituency-building supports communications, campaign contributions and congressional lobbying. Campaign contributions support congressional lobbying. Congressional lobbying supports trade cases and executive branch lobbying. Executive branch lobbying supports trade cases and congressional lobbying. Trade cases support executive branch lobbying. In a complex policy environment like the trade policy environment in the steel case, no single sub-strategy would be sufficient to achieve the lobbyist's policy objectives. Instead, an inter-related meta-strategy is employed to lobby multiple policy actors.

Meta-Strategic Lobbying

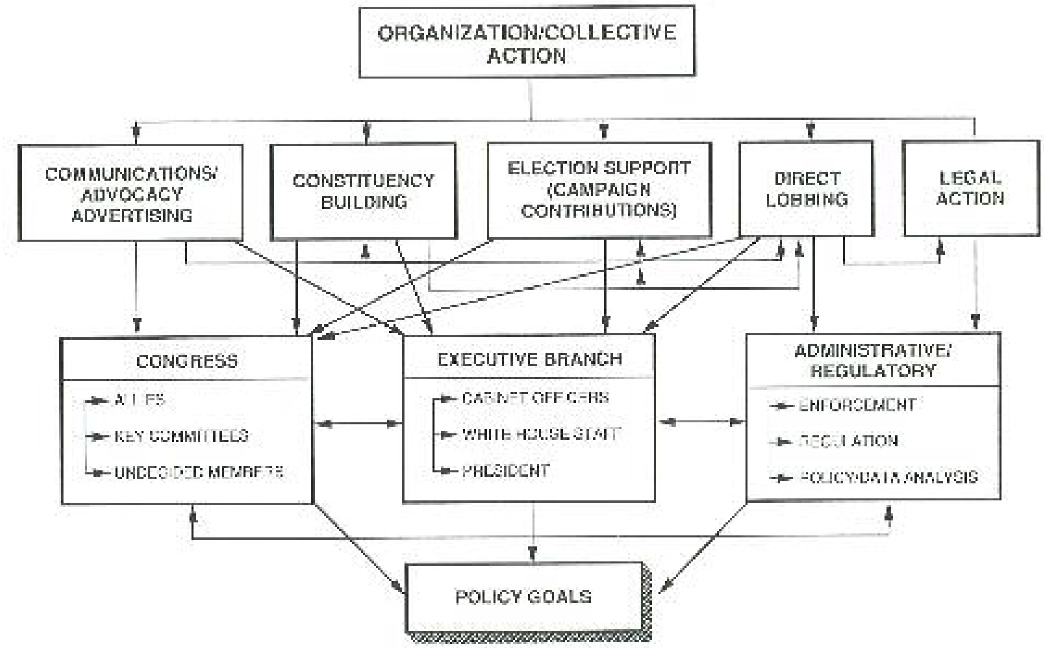

Figure 2

Just as the discussion of trade policy choices explored the explanatory power of aggregation of political economy models, this meta-strategic view of lobbying aggregates the limited explanatory power of specific lobbying models. In conditions of complex policy environments a meta-strategic lobbying model representing a coordinated, mutually supportive aggregation of lobbying sub-strategies is weaved into a meta-strategy that can succeed beyond the limitations of serial employment of more limited sub-strategies. This model is not merely a strategy of "do everything and see what works." Rather, it is a consciously employed integration of sub-strategies that recognizes a complex policy environment and weaves together an integrated system of mutually-supportive inter-related strategies into an effective overall meta-strategy. The Baron type of strategy model might be thus expanded to resemble something more complex.

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Political Analysis → **Meta-Strategy Formation** → **Sub-Strategy Formulation**

↓ ↔ ↓

(interaction)

Strategic Implementation → **Sub-Strategy Implementation**

↙ **(action)** ↓

Institutional Arena ↔ **Administration/Regulation**

(influence, delegation)

Conclusion

In 1998, the domestic steel industry in the United States devised and executed a complex and sophisticated effort to achieve an effective non-market response to a sudden, persistent, and damaging surge of imported steel. This campaign lasted until 2002, when President George W. Bush invoked Section 201 of the U.S. trade laws to impose tariffs on imports of most steel products. This case of the steel industry's trade policy campaign examined selected models of protection-seeking industries and lobbying to ask why and how the steel coalition achieved this extraordinary governmental response.

A comparison with selected models of the determinants of protection-seeking and factors affecting lobbying strategies shows that most, almost all, were present in the steel case. The explanatory power of model aggregation to explain trade policy choices has been explored. Similarly, a conscious, coordinated, mutually supportive aggregation of models of lobbying sub-strategies has led to a meta-strategic model of lobbying that transcends the customary understanding. This model is applicable in particularly complex policy environments, characterized by the need to influence multiple governmental entities – legislative, regulatory, executive; the desire for multiple outcomes with varying levels of specificity – laws or resolutions, administrative rulings, policy choices; interactions between different levels and branches of government; mutually supportive sub-strategies and simultaneity of these factors. The models discussed here seem particularly applicable to trade policy with its complex matrix of executive branch policy leadership, Congressional interest, and administrative and regulatory structures.

Further study is needed to determine if other complex policy environments produce similar meta-strategic lobbying strategies and if other industries could increase their effectiveness in achieving trade policy objectives by employing the strategies used by the steel industry. Finally, even though this study helps to explain how protection can be achieved through lobbying effort, more study is required to answer the important political-economy question of why protection is the policy of choice over other means of economic support and income redistribution.

Colophon

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