StarTribune

U.S. steel industry needs a level playing field

Layoffs on the Iron Range illustrate dangers of unfair trade practices.

April 22, 2015

The recent news that 1,100 iron-ore mining jobs will be lost in northeastern Minnesota was a sharp blow for the entire state. These are good-paying jobs that won't easily be replaced. That's troubling not only for families and towns reliant on these companies, but for a state still working to push its way past the last recession.

In St. Paul, state officials and lawmakers must move quickly to explore all possible ways to soften the impact for displaced workers and Iron Range communities. MNsure staff members are working with the state Department of Employment and Economic Development, as well as northeastern Minnesota officials, to help prevent health insurance coverage gaps. That's a welcome effort. At the State Capitol, legislation that merits serious consideration includes a bill, whose chief author is Rep. Tom Anzelc, DFL-Balsam Township, that could potentially reduce large mining operations' energy costs. That would help these firms better compete globally.

But iron-mining woes aren't just a Minnesota problem, which is why Congress also needs to step up. Idling plants in Minnesota is a symptom of the larger, vexing woes of the United States steel industry (iron-ore pellets made from taconite are a critical steelmaking ingredient). A steel glut on the world market has dramatically driven down prices and led to surging imports. Excess global capacity was estimated by a 2014 Economic Policy Institute (EPI) report at over half a billion metric tons. A strong U.S. dollar has also worked against domestic producers.

Cyclical downturns have long plagued the steel industry, as Minnesota's Iron Rangers know all too well. New technologies, mergers and efficiency also make it unlikely that the industry will ever return to peak historical employment. Still, it remains an important and strategic part of the U.S. economy. The EPI report concludes that more than 500,000 steel-industry-linked jobs are at risk from what it called the "worst import crisis in more than a decade."

Congress needs to do what it can to ensure that the industry can compete fairly. U.S. Sen. Sherrod Brown, D-Ohio, has reintroduced legislation aimed at doing this. It's called the

“Leveling the Playing Field Act.” The bill, S. 891, would strengthen protections against unfair trade practices by foreign steel producers and governments, preventing them from illegally “dumping” large amounts of cheap steel into the U.S. It also would allow domestic steel producers to seek redress, such as tariffs or duties, more expediently. Minnesota Sen. Al Franken has signed on as one of the first cosponsors.

Experts at libertarian-leaning think tanks, such as the Cato Institute, have scoffed at industry protections like those proposed in the Brown bill. But those who advocate a purist free-market approach gloss over a troublesome fact: This is not a normal market. Domestic steel producers are competing with foreign producers heavily subsidized by their governments. And far too often, there are end-runs around current U.S. trade protections.

Economists such as the University of Minnesota’s Tim Kehoe are also skeptical of the value of anti-steel-dumping measures, because the industry’s fundamentals are so deeply troubled. But even incremental aid is of value for the future of Minnesota and other manufacturing states. Said Mark Phillips, Iron Range Resources and Rehabilitation Board commissioner: “If it is truly unfair trade, everything we can do is worth doing.”