

## **Statement on Excess Capacity and Structural Adjustment in the Steel Sector**

High-level Government representatives of Canada, the European Union, Japan, Mexico, the Republic of Korea, Switzerland, Turkey, and the United States, meeting in Brussels on 18 April 2016:

- Considered that the overcapacity and adjustment challenges facing the steel industry have an important global dimension that needs to be addressed through ongoing international dialogue aimed at *i*) identifying effective policies for addressing existing excess capacity, while discouraging its re-emergence in the future by removing market-distorting policies and *ii*) promoting greater transparency in steel policy and industry developments in their economies.
- Concurred that the restructuring that needs to take place in the steel industry should be market-driven, with production and trade flows reflecting the market-based competitive positions of steel producers (i.e. absent the effects of government measures that distort markets). Promoting such restructuring, would result in more efficient resource allocation in economies, with positive impacts on overall productivity and economic performance. They shared the view that governments could play a positive role in the restructuring process, particularly by supporting facility closures and assisting affected workers and communities.
- Noted that, while the challenges facing the industry arise from many factors, such as structural and cyclical economic developments, government support measures have contributed to significant excess capacity, unfair trade, and distortions in steel trade flows. In this context, a rising number of antidumping, subsidy and safeguard trade actions have been taken, which has contributed to growing trade tensions. They recalled their commitment to World Trade Organization (WTO) rights and obligations, and noted the importance of consulting promptly if issues arise.
- Concurred on a number of steps that could be taken to address the challenges being faced, including to:
  - Ensure that their governments and government-supported institutions do not provide subsidies or other support that *i*) sustain uneconomic or consistently loss-making steel plants, *ii*) encourage investment in additional steelmaking capacity which would otherwise not be built or *iii*) otherwise distort competition,
  - Ensure that government plans, policies, directives and guidelines, whether issued or implemented by government entities or government-supported institutions, do not encourage the net expansion of steelmaking capacity and that all uneconomic or consistently loss-making steel enterprises are permitted to exit the market and close facilities.
  - Work together to identify and promote policies that address the detrimental impact of steel facility closures on workers and affected communities, while facilitating the closure of uneconomic or consistently loss-making facilities.

- Enhance the exchange of information on *i)* capacity developments and *ii)* the formulation and implementation of the support measures and industrial policies being taken in steel.
  - Ensure that those enterprises in which their governments have full or partial ownership do not receive special benefits that distort competition.
- Urged the OECD, in close co-operation with its Partners and other important steel-producing economies, and in light of the discussions at the High-Level Meeting, to develop a global forum where all can participate on an equal footing, for conducting further work on global restructuring issues in steel, including:
    - Developing an information-sharing mechanism for monitoring crude steel capacity developments and the formulation and implementation of policy and support measures taken by governments aimed at reducing excess capacity and otherwise facilitating industrial restructuring in the steel sector.
    - Developing guidelines on government policies and support measures to facilitate industry restructuring in ways that minimise market distortions.
    - Monitoring the nature and extent of export credit agency support for new steel sector projects.
    - Developing longer-term supply and demand forecasts for steel, taking demographic trends and innovation in steel-consuming sectors into account.
    - Exploring ways to more effectively provide technical assistance on restructuring.
    - Strengthening ties with other international organisations and institutions, including international financial institutions, working on issues that are relevant to the work on excess capacity and restructuring.
- **Recognised** the importance of moving quickly to address the global steel crisis and the need to monitor the situation closely and review developments, agreed to consult with one another and, if needed, consider what further actions may be needed.