

**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY  
STEEL COMMITTEE**

**NAFTA STATEMENTS**

*Statement on Foreign market developments and the Global Steel Industry for the Steel Committee Meeting 7-8 November 2006*

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**JT03217209**



**NORTH AMERICAN STEEL TRADE COMMITTEE  
FOREIGN MARKET DEVELOPMENTS  
SUMMARY OBSERVATIONS**

**Issue**

Consistent with the mandate under the North American Steel Strategy, North American governments have closely monitored developments in foreign steel markets over the past several months.

**Background**

The governments of the three North American countries have been tracking steel industry developments in specific high-volume steel producing countries which North American governments and industries view as being particularly important in the context of the global steel market. Such tracking will allow the three North American governments to compare information regarding global steel developments and make more effective interventions on steel issues, not only bilaterally with certain countries but multilaterally in the World Trade Organization (WTO) or the recently revived OECD Steel Committee. Of the information we are monitoring, increases in capacity, the provision of government subsidies, as well as energy, raw material, infrastructure and trade constraints have all been recognized as potentially having an impact on the global industry and international steel trade.

**Summary Observations**

There is no doubt that steel making capacity in many countries continues to increase significantly. While the information that is developed and reported is less than comprehensive, the trend toward continuing, if not increasing overcapacity in global steel production, perhaps assisted by specific government action, is evident. Some of the highlights of our observations on recent developments in the global steel market include:

- Government policies and official statements which outline specific goals for enormous capacity increases for the next several years;
- Plans for significant expansion of steel production where exports make up a majority of production;
- Significant government financing for capacity increases;
- Steel-specific fiscal incentives, including tax relief for certain capital equipment purchases and technology innovation;
- National action plans for meeting/securing raw material requirements, including continued/consideration of tax and rebate policies discouraging exports of raw materials, restrictions on iron ore exports and government involvement in price negotiations with iron ore producers;
- Government plans to promote and/or finance steel sector infrastructure projects; and
- Continued reliance on high steel tariffs and non-tariff barriers to protect steel interests.

**Conclusion**

North American governments continue to be concerned about these and other developments which can lead to significant distortions in the global steel market. Canada, Mexico and the United States will continued their joint monitoring of such developments in their efforts to identify and respond to distortions in the global steel market.

## **JOINT STATEMENT OF NORTH AMERICAN GOVERNMENTS GLOBAL STEEL INDUSTRY**

Three years ago, the North American governments of Canada, Mexico and the United States established the North American Steel Trade Committee (NASTC). One of the primary motivations in establishing the NASTC was the shared concern of North American governments and industries with the underlying structural problems associated with government intervention in the global steel sector, most particularly the distorting impact that such intervention can have on steel markets and steel trade.

It has been in this context that the North American governments have consistently expressed support for significantly strengthened disciplines on market-distorting practices that adversely affect the steel sector. North American governments were early and consistent advocates of a multilateral steel subsidies agreement in the context of the High Level Steel Process undertaken under the auspices of the OECD. Over the past few years, the North American governments have submitted statements, both individually and collectively, in support of a steel subsidies agreement. Most recently, in response to the OECD Aide-Memoire of January 16, 2006, North American governments indicated that they were still looking for opportunities to continue the work of the High Level Steel Process.

Within the mandate of the NASTC, the governments and industries of North America have been tracking developments in certain steel producing countries. Awareness of such developments contributes to efforts by the three countries to identify and address, as appropriate, distortions in the global steel market. The three North American governments have been comparing this information on an ongoing basis and have been making interventions on steel issues, as necessary, not only bilaterally with certain countries but multilaterally in the World Trade Organization (WTO) and the OECD Steel Committee. For illustrative purposes, a summary of recent observations on steel developments is attached.

Comprehensive information on the continuing increases in global steel capacity, as well as the possible role of governments in these increases, remains elusive. North American governments therefore are highly supportive of efforts by the OECD Steel Committee, as envisaged in its work program for 2007, to report on both financing for new steel capacity and/or maintenance of uneconomic capacity. We suggested that all steel-producing countries re-commit themselves to exchanging information on capacity developments on a regular basis.

We also support the Secretariat's proposed report on subsidies and other trade distorting support measures. Given the difficulty of establishing whether or not any particular measure does or does not have trade-distorting effects and the constraints on resources of the Secretariat and many participants, we believe this work should focus on cataloguing subsidies to the steel sector that have the potential to distort trade, such as subsidies for the creation of new capacity and subsidies for the maintenance of inefficient capacity. In addition, participants could benefit from a report on subsidies and related government supports that assist in the closure of capacity and adjustment of workers. In our view, these areas continue to be the principal area of concern for many participants, as they were during the discussions for a steel subsidies agreement.

Almost four years ago, North American governments called on all steel-producing countries to take steps to address the adverse effects of government intervention in the global steel sector and to facilitate

the closure of non-viable capacity. We repeat this request at this time and ask all steel-producing countries to make a collective commitment to these ends.