Conclusions of the High-Level Meeting on Steel
17-18 December 2001

1. The OECD convened a second High-Level Meeting on steel on 17-18 December 2001. The meeting, which was chaired by Mr. Herwig Schlögl, Deputy Secretary-General of the OECD, brought together senior government policymakers from all major steel-producing areas (1).

2. The primary purpose of the meeting was to address the facilitation of market-driven closures of inefficient facilities world-wide. With market conditions weakening and trade tensions increasing, participants agreed that the urgency for making progress was increasing, so as not to undermine the world steel trading system as well as the viability of a growing number of mills. Impediments to reductions and closures of facilities were also addressed, as was the need to strengthen disciplines on government supports to the industry.

3. Delegations emphasised the importance of refraining from trade-restrictive and other market-distorting measures in response to the current situation and eliminating those already taken. They indicated that they are committed to play a full role in the discussions and address the issues identified at the September meeting, and that the exercise could only be successful if it tackled excess and inefficient steel capacity wherever it may be located, with a goal of promoting free and open trade in steel.

Capacity closure

4. At the first High-Level Meeting, governments agreed to consult individually with steel producers in their own countries, with a view towards clarifying how their industries were restructuring to maintain and enhance their international competitiveness. At the December meeting, officials reported on these consultations, and the conclusions they had reached. The reports touched on a variety of issues, including:

- the long-term economic viability and the efficiency of their steel facilities in an open global market.
- projected steel making capacity for the coming years.
- the response of their steel companies to changing competitive conditions in world steel markets in recent years, and the further actions their industry was likely to take.
- the principal economic, social, regulatory issues that were impeding, or could impede, closure/reduction of this capacity; and
- policies that were being implemented to facilitate the reduction/closure of inefficient facilities.

(1) Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Kazakhstan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovak Republic, South Africa, Spain, Sweden, Switzerland, Chinese Taipei, Thailand, Turkey, Ukraine, United Kingdom, United States and the European Commission.

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5. The reports indicate that some industry consolidation has already taken place and that further industry consolidation is gaining momentum world-wide. Economically non-viable facilities are being closed, and mergers and acquisitions designed to enhance firm competitiveness are becoming more common. In the case of a number of major producing areas. Market forces and policy measures have recently resulted in, or will result in, the projected closure of at least 61 to 65 million tonnes of capacity by the end of 2002/3, a further 9.5 million tonnes of capacity closures by 2005 and another 23 million tonnes by 2010. Governments were encouraged by the progress that is being made, and the prominent role that market forces are playing in the restructuring. They called on those countries which had not completed their assessments to do so on an expedited basis and to report the results of their consultations to the OECD Secretariat by 31 January, at the latest. However, governments also recognise the need for all governments to encourage the market-based reduction of inefficient excess capacity in the near term.

6. Regarding impediments, the reports indicated that the cost of closing facilities was the principal factor that deterred many firms from implementing restructuring plans fully. Governments concurred that more attention needed to be paid to these issues, building on the results of an ad hoc meeting on exit costs that the OECD had held on 8-9 November 2001. At that meeting, government experts had exchanged information on their experiences and discussed possible solutions for financing closures.

7. Delegates at the High-Level meeting agreed that, within the context of individual countries’ requests, international financial institutions may be requested to consider the feasibility of providing financial assistance to help cover the social costs incurred when steel production capacity is closed.

8. Building on the discussion that took place in September, governments affirmed the need to pay closer attention inter alia to the following issues:

   • Subsidies and related measures provided by national and local governments that promote investment in new facilities;
   • Assistance (including state aid and/or subsidies from national and local governments) that sustains failing enterprises;
   • Measures and regulations which impede fair competition and trade; and
   • Anti-competitive behaviour that distorts markets.

9. They concurred that government intervention in steel has been significant, and that this intervention has hampered the efficient functioning of the market. They agreed that they should examine the situations in their respective economies and take early measures aimed at improving market conditions. At the multilateral level, they noted the launching of a new round of trade negotiations at Doha and the need to strengthen disciplines in a number of areas. They agreed that the High-Level Group organised by the OECD should pursue consultations, feeding in, as appropriate, to the wider-ranging discussions in the WTO.

Conclusions

10. Participants welcomed the positive approach that governments are taking in addressing issues related to the closure of inefficient capacities and the important contributions that steel firms are making to the process. Continued multi-lateral co-operation, and co-operation among governments, industry and trade unions were viewed as critical to successfully addressing restructuring issues. They stressed the importance for governments to follow through with their initiatives to facilitate the industry restructuring. In support of the adjustment process, they agreed further to:

   • consider and pursue policies that encourage the further reduction of excess and inefficient capacity through market forces.
   • engage in a review of the progress being made in steel restructuring in particular in reducing excess and inefficient steel capacity.
   • identify best practice policies with a view to developing policies to facilitate steel-industry restructuring.
• explore mechanisms that could be employed within economies and multilaterally to help finance the social and environmental costs associated with closures.
• establish a study group to discuss concepts and explore an analytical framework for disciplines on government interventions in steel. On the basis of such work, participants will then decide how to proceed.

11. The group agreed to meet in early February 2002 when all projections have been received, and again in April to develop future directions of the High-Level Group work on the basis of an assessment of conditions in the world steel market at that time.