Major Steel-producing Economies Make Progress on Elements of a Steel Subsidies Agreement

Senior government officials from major steel-producing economies (*) convened a sixth High-Level Meeting on steel at the OECD in Paris on 18 July (i) to discuss significant industry, market and policy developments, and (ii) to advance work on a proposed steel agreement to discipline subsidies. They agreed that work on the elements of a possible agreement had made substantial progress and that efforts should be made to continue work on an expedited basis in 2003 and 2004.

Recent developments

The situation in global steel markets continues to improve. Information presented at the meeting indicates that steel consumption has been increasing at an annual rate of 4% thus far in 2003, which, if sustained, would reach a record level exceeding 800 million tonnes of finished products. International trade in steel remains strong, with exports representing some 26% of total steel sales, despite the widespread use of trade defence instruments by some countries.

Participants were encouraged by reports of continued adjustment in the steel industry. On the closure side, economies participating in the High-Level Group closed 105 million tonnes of capacity between 1998 and 2002, with an additional 36 millions tonnes of closures expected between 2003 and 2005. The closures have acted to slow capacity expansion world-wide to a modest level.

Commenting on the overall situation, delegates noted that growth in steel consumption was exceeding the modest capacity growth, thereby reducing the gap between the two. This was viewed as a favourable development which should be reinforced through market-driven restructuring and investment and the elimination of market-distorting supports and practices.

Delegates also exchanged information on the structural changes that were occurring in their respective industries, and provided updated information on the steel trade policy measures that were in force.

Elements of a steel subsidies agreement

The High Level Group recalled that it had identified two areas of high concern at its December 2002 meeting: (1) subsidies and related government supports and (2) trade remedies. It had decided at that time that work on the first area had a high priority and should begin immediately, leaving open the option of taking up work on steel specific issues related to trade remedies at a later stage. The HLG reiterated its intention to continue to review options in the area of trade remedies as work on a subsidies agreement progressed further.

JT00147593
Delegates welcomed the progress that had been made by its Disciplines Study Group on defining the elements of an agreement for reducing or eliminating subsidies in steel. They instructed the Group to continue with its work, considering, *inter alia*, the following elements

(i) a blanket prohibition on specific subsidies to the steel industry;

(ii) a limited number of carefully circumscribed exceptions to the blanket prohibition; and

(iii) special and differential treatment for developing economies and, possibly, economies in transition to a market-oriented system.

As regards exceptions, the HLG confirmed that there should be an exception to the subsidies prohibition which would enable Parties to provide support to offset at least some of the costs associated with permanent closure of facilities. The High-Level Group agreed that, without undermining the objectives of the proposed agreement: (i) further work needs to be undertaken on other proposed exceptions; and (ii) concerning special and differential treatment for developing economies, sufficient progress had not yet been made – it urged participants in the DSG to vigorously explore options for meeting the needs of these economies. The HLG instructed the DSG to examine the issues of notification, authorisation, and review of permitted subsidies.

**Next steps**

Participants in the High-Level Group expressed their appreciation for the contributions that the steel industry had made to the HLG’s work, most recently at the Disciplines Study Group meeting in 16-17 July. They expressed their hope that these close contacts would continue as it was important to ensure that issues were examined and discussed in a comprehensive manner.

Concerning work on capacity and industry restructuring, the High-Level Group endorsed the work of the Capacity Working Group (CWG) and agreed that peer reviews should continue. They welcomed the analysis that the CWG had prepared on facilitating plant closures, but decided that further work would not be pursued at this point in time.

The HLG instructed its Disciplines Study Group to continue its work on the elements of the agreement on an accelerated basis during 2003 and 2004.

Finally, participants agreed that it would be appropriate to inform the Chairman of the WTO Ministerial Conference in Cancun and the WTO Secretariat about the nature and status of the HLG work on steel.

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The High-Level meeting was held on 18 July 2003, in Paris, under the Chairmanship of Mr. Herwig Schlögl, Deputy Secretary-General of the OECD. It was the sixth such meeting, with previous sessions held on 17-18 September 2001, 17-18 December 2001, 7-8 February 2002, 18-19 April 2002 and 18-19 December 2002. At the February 2002 meeting, a Disciplines Study Group and a Capacity Working Group were established to support the work of the High-Level Group.

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(*) Australia, Austria, Argentina, Belgium, Brazil, Bulgaria, Canada, China, Czech Rep, Denmark, Egypt, European Community, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Kazakhstan, Korea, Mexico, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Spain, Sweden, Switzerland, Chinese Taipei, Turkey, Ukraine, United Kingdom, United States.