Purpose of this agenda item

• Excess capacity is one of the main risk factors facing the global industry today;

• There is a need to know what the extent and nature of the surplus capacity is; how big of a problem is it?

• Which regions are most affected and why?

• What are the barriers to the closure of capacity?
The background study (doc 15) finds:

Significant and growing excess capacity

542 mmt in 2012 and even higher in 2013
The background study (doc 15) examines:

How many years will it take to work off the surplus capacity?

Maybe 5-7 years under simplified assumptions

<table>
<thead>
<tr>
<th>Global Steel Capacity and Demand</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steelmaking capacity</td>
<td>2,119</td>
<td>2,119</td>
<td>2,119</td>
<td>2,119</td>
<td>2,119</td>
<td>2,119</td>
</tr>
<tr>
<td>Effective steelmaking capacity (90% max utilization)</td>
<td>1,907</td>
<td>1,907</td>
<td>1,907</td>
<td>1,907</td>
<td>1,907</td>
<td>1,907</td>
</tr>
<tr>
<td>Apparent consumption (trend growth, 3.6%)</td>
<td>1,616</td>
<td>1,674</td>
<td>1,735</td>
<td>1,797</td>
<td>1,862</td>
<td>1,929</td>
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<tr>
<td>Apparent consumption (high growth, 5.3%)</td>
<td>1,643</td>
<td>1,730</td>
<td>1,822</td>
<td>1,918</td>
<td>2,020</td>
<td>2,127</td>
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<tr>
<td>Excess capacity (trend demand growth)</td>
<td>291</td>
<td>233</td>
<td>172</td>
<td>110</td>
<td>45</td>
<td>-22</td>
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<tr>
<td>Excess capacity (high demand growth)</td>
<td>264</td>
<td>177</td>
<td>86</td>
<td>-11</td>
<td></td>
<td></td>
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</tbody>
</table>

Years to work off excess capacity
The background study (doc 15) finds:

Excess capacity is not linked to a specific region but affects many economies.
Regional distribution of excess capacity

**Excess Capacity in other Regions**

- NAFTA
- EU
- CIS

**Net excess capacity**

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>Steelmaking capacity, world</td>
<td>1,376</td>
<td>1,453</td>
<td>1,622</td>
<td>1,682</td>
<td>1,787</td>
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<tr>
<td>Apparent consumption (crude steel equivalent), world</td>
<td>1,135</td>
<td>1,237</td>
<td>1,319</td>
<td>1,321</td>
<td>1,220</td>
<td>1,401</td>
<td>1,465</td>
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<td>Excess capacity, world</td>
<td>241</td>
<td>275</td>
<td>333</td>
<td>361</td>
<td>567</td>
<td>504</td>
<td>491</td>
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<td>NAFTA</td>
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<td>-23</td>
<td>-3</td>
<td>11</td>
<td>65</td>
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<tr>
<td>EU</td>
<td>62</td>
<td>37</td>
<td>26</td>
<td>45</td>
<td>123</td>
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<tr>
<td>CIS</td>
<td>75</td>
<td>70</td>
<td>69</td>
<td>83</td>
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<td>Latin America</td>
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<td>15</td>
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<td>Asia</td>
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<tr>
<td>Developed Asia a)</td>
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<td>ASEAN-6 b)</td>
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<td>Other Asia b)</td>
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<td>86</td>
<td>178</td>
<td>189</td>
<td>154</td>
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<td>203</td>
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<td>Middle East</td>
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<td>Africa</td>
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<td>4</td>
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<td>Net Excess Capacity in Major Exporting Regions</td>
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<tr>
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<tr>
<td>Developed Asia a)</td>
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<td>19</td>
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<tr>
<td>Other Asia b)</td>
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<td>128</td>
<td>145</td>
<td>155</td>
<td>168</td>
<td>168</td>
</tr>
</tbody>
</table>

Sources: Secretariat calculations based on data from OECD and the World Steel Association.
The background study (doc 15) notes:

There may not be one unique solution to the excess capacity challenge

Discussion issues

• What are some of the major barriers to exit prevailing in the steel industry today?
• Is there a need to lower these barriers and what is the role for governments?
• Do trade actions actually impede industry restructuring in domestic markets? Which trade actions are particularly important?
• Can trade liberalisation promote capacity adjustments?