



ITEM 9:

STATE-OWNED ENTERPRISES IN THE STEEL SECTOR: SUBSIDISATION AND PERFORMANCE OF STEEL SOES

91st session of the Steel Committee
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Agenda

1. SOEs in the steel sector and the **objective of the study**
2. Determining the **sample of enterprises**
3. China, an **opportunity for investigation**
4. **Preliminary results** and their implications
5. Identifying **next steps**



1. Background

Importance of work on SOEs

- **Significant players** in the global steel market.
- Potential to receive **preferential treatment**.
- Possibly maintaining **non-market driven steelmaking capacity**.

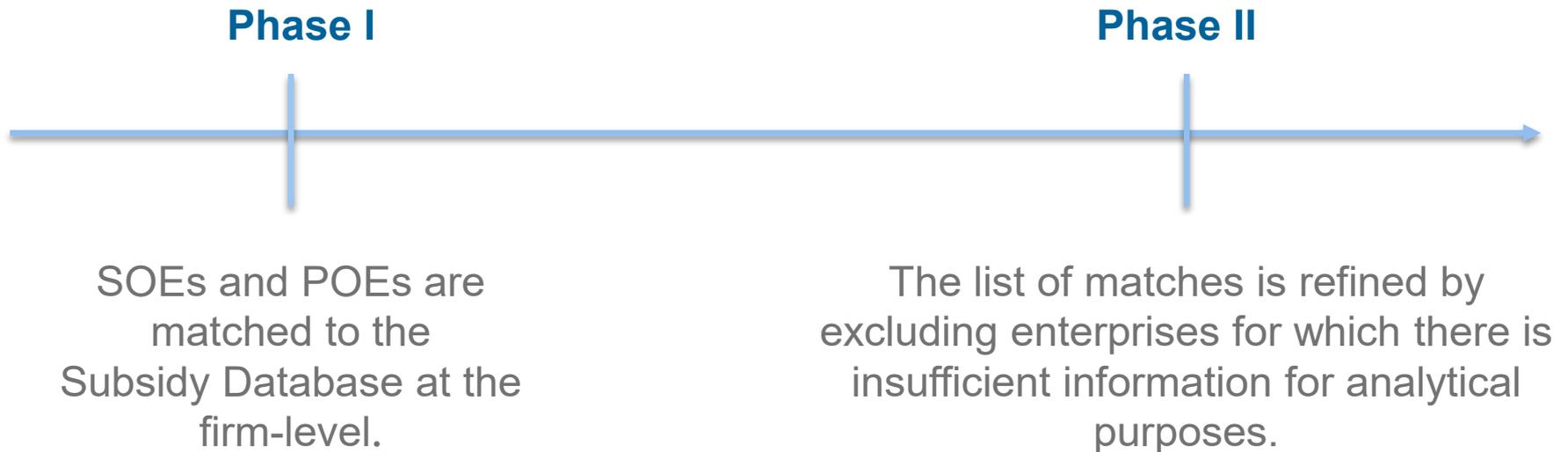
Objective of the study

- **Ultimate objective:** to identify differences in the economic performance of SOEs and POEs, *conditional* on the subsidies and government support they may receive.
- **Objective of the interim report:** describe the methodology used to obtain the sample enterprises for investigation, and provide preliminary findings for said sample.



2. Determining the sample of enterprises

- The SOE and POE samples used in the interim report are obtained through a **two phased process**, which includes linking the OECD Steel and Subsidy Databases.





2. Determining the sample of enterprises

The study conducts analysis on **individual jurisdictions with both subsidised SOEs and POEs**



Phase II results indicate that only **China and India** can form the basis of investigation at this time

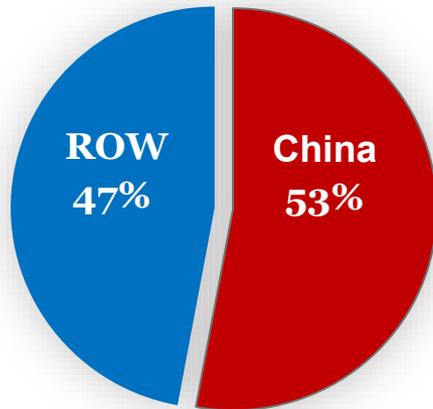
- **Possible heterogeneity in the subsidy data**
- **Inherent asymmetry in the ownership data**
- **Lack of a viable control group (i.e. unsubsidised SOEs and POEs)**

- **China: 27 SOEs and 11 POEs**
- **India: 2 SOEs and 9 POEs**

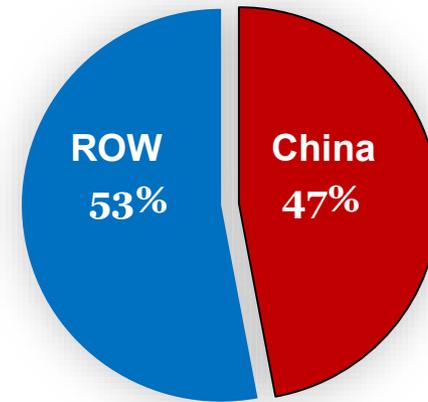


3. China

In 2021, China accounted for **over half of global crude steel production...**



... and **47% of global crude steelmaking capacity.**



Why is this Important?

Given China's significant share of the global steel market, of which a non-negligible share is controlled by the state, it is important to examine whether its steel industry benefits from **potentially undue advantages which may be causing market distortions...**

... and **this study presents the opportunity to do so** by considering a sample of Chinese state and privately owned enterprises.



4. Preliminary findings

- Key preliminary findings from the analysis of the Chinese sample of enterprises are:
 - **SOE steelmaking capacity has experienced substantial and steady growth** since the year 2000, **primarily attributable to China**
 - Subsidies may have contributed to **non-viable firms not exiting the market**
 - Provided financial support may have **contributed to steelmaking capacity growth**
 - **Chinese SOEs received more subsidies per metric tonne** compared to private counterparts
 - The data suggests that a considerable amount of financial support to Chinese SOEs is provided **via instruments deemed to be potentially amongst the most market distortive**
 - There is evidence, albeit limited, that **POEs have access to the same financial programmes utilised by SOEs**



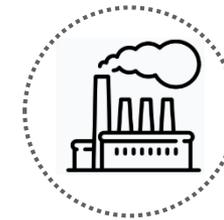
4. Potential implications of preliminary findings



Facilitating greater levels of inefficiency

by using instruments which are potentially amongst the most market distortive.

The implications of the preliminary results is that China is *potentially...*



Exacerbating excess steel-making capacity

through maintenance and growth of non-market driven steel-making capacity.



Contributing to an unequal playing field in global trade

by supporting unprofitable firms which may be crowding out better performing ones.



5. Next Steps

- Delegates are invited to provide comments and input to steer the work in writing by the **21 of April 2022**.
- Pending any substantive comments, the Secretariat has identified **three important steps** it intends to take to complete to finalise the study for September 2022.
 - Step 1: Revise the matching process between the OECD Steel and Subsidy Databases.
 - Step 2: Assess the availability of firm-level financial data for the steel enterprises identified in Step 1.
 - Step 3: Systematically assess whether there are differences in the economic performance of the SOEs and POEs identified in Step 1, conditional on the subsidies and government support they receive.