

EUROFER ON THE GLOBAL FORUM ON STEEL EXCESS CAPACITY

Governments need to take the time to finish the job – EUROFER urges G-20 Leaders to continue the work of the forum by expanding the mandate beyond expiry in 2019

EUROFER calls on the Members of the Global Forum on Steel Excess Capacity to agree on a continuation of the forum's mandate beyond November 2019. Continued international work on excess capacity and related government support measures would contribute to the sustainability of our global industry. Beyond steel, it could effectively contribute to increased transparency and improved disciplines in government trade and industry policies, establishing a genuine international level playing field for industries.

1. The Global Steel Forum on Steel Excess Capacity, set up in 2016 by the G-20 Leaders, has established a process creating transparency in the:
 - (i) evolution of steel supply and demand conditions,
 - (ii) steel capacities,
 - (iii) government policies affecting steel excess capacity including market-distorting subsidies and other government support measures.

The forum has developed a set of policy solutions to alleviate excess steel capacity including:

- (i) principles guiding policies and
- (ii) concrete policy recommendations - a comprehensive framework unique in industry.

The forum's work has already produced results notably detailed statistics on steel capacities and production among the steel-producing countries and has instigated work to cut excess capacity where it is needed most.

In parallel, the forum has made progress in reporting and assessing market-distorting subsidies and other government support measures that contribute to excess capacity and, therefore, must be eliminated (the current key outcomes of the review process cover Brazil, China, EU, India, Indonesia, Japan and the U.S.)

The collective review process has started with the Members expressing their views on whether reported subsidy programs are covered by the forum's commitment to eliminate market-distorting subsidies and other government support measures that contribute to excess capacity.

With regard to other policy recommendations, forum Members had a first exchange.

However, all this is just the beginning of the process. Measuring global capacities against global demand, the forum's analysis confirms that massive global excess capacities are persisting (still at around 600 million tonnes). In addition, the forum concludes that further capacity reductions are needed in light of the subdued long-term steel demand (around 1%) and regional capacity build-up should be market-based and reflect realistic domestic demand projections.

Since the forum's first meeting, momentum has been steadily building up and there is currently an unprecedented level of commitment and resolve among the world's major steel-producing countries to tackle effectively excess steel capacity including root causes. This momentum should not be lost.

2. The three-year mandate of the Global Forum on Steel Excess Capacity expires in November 2019 leaving less than 8 months to implement and build on the forum's commitment to eliminate excess capacity and market-distorting support measures that contribute thereto.

Members' commitments are voluntary and collective, but the excess capacity reduction commitments that are necessary to bring global demand and capacity more in balance, as mentioned above, need to be strengthened, accelerated and given the backing and support of the international community. In addition, the collective review process of subsidies and other support measures contributing to excess capacity needs to be given the chance to expand and deepen to reach concrete results. Also, given its complexity, the review of other policy recommendations will need more transparency and time to produce substantial commitments. Finally, trust-building is a critical condition for a successful implementation depending on a close follow up of commitments over time.

Not renewing the mandate of the Global Forum would mean abandoning the global steel industry when it is still in a critical situation: The US section 232 tariffs on steel, justified by the U.S. on the ground of alleged national security threats based on distortions in international markets, have aggravated the volatility of trade flows and increased the number of trade restrictions. Against this background, in particular in the steel sector, effective multilateral cooperation is needed in order to preserve fair and free trade.