Global Forum on Steel Excess Capacity's mandate expires

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In February 2018, an article was published in the Journal for International Trade Law & Regulation addressing the problem of structural overcapacity in the global steel sector, and laying out the various positions that global actors had taken in relation to this problem and stressing the need for further multilateral cooperation. The article predicted that, absent such an approach based on mutual concessions and global consensus, the most probable short-term consequence would be a substantial rise in the launching of domestic investigations looking to establish trade defense instruments targeting steel imports, ultimately to the detriment of global trade and the global economy. In this brief follow up, the authors of the article look back on what has been done at the global stage since then, and formulate the conclusion that steel consuming industries across the world should expect increased tariffs on steel products in the near future.

To this end, 33 countries, including all G20 members as well as certain interested OECD countries, set up a yearly Global Forum on Steel Excess Capacity as of November 2017. The most recent meeting of this body was held in Tokyo, Japan, on Saturday 26 October 2019. Prior to this meeting, 19 steel industry associations across the world had called upon national governments to collectively tackle the issue of global steel excess capacity. At the Tokyo meeting, however, the participants of the Global Forum on Steel Excess Capacity decided not to extend the Forum's mandate. Instead, the national governments taking part in the Forum have undertaken to continue the Forum's work beyond 2019 through other mechanisms.

While the acknowledgement from the Forum's participants that the global steel excess capacity remains an ongoing crisis is helpful, the authors view this as a missed chance to adopt sensible mechanisms and policies that would go a long way to addressing this crisis.

Sixteen steel industry associations, spread over five continents, reacted by stating that "governments of steelmaking economies worldwide must redouble their efforts to address this persistent global excess capacity in the steel sector, eliminating the support measures that cause it, and implementing strong rules and remedies that reduce excess capacity."

The United States, which has adopted so-called Section 232 measures aimed at lowering steel imports, has stated that the only solution can come from concrete steps towards market-based reform, but it has also warned that it will "continue to take necessary action to address the harmful impact of this ongoing crisis on U.S. companies and workers as well as our essential security interests."

The European Union, which has also adopted various measures targeting steel products, set out its intention to work towards a sustainable solution to resolve the global imbalances of excess steel capacity. The EU is currently engaged in litigation before the WTO to challenge the US measures targeting steel products but has also introduced safeguard measures designed to protect its own steel industry.

China, which has been blamed for being mainly responsible for the global steel excess capacity through its system of direct and indirect subsidies, recalled that it has cut over 150 million tonnes of steel production capacity, and that it has found other jobs for 280,000 steel workers over recent years. Nevertheless, China acknowledged that steel overcapacity is and remains a global economic problem, and that it should be addressed at the international level. It also reiterated its willingness to work with other countries through other existing channels on this issue.

In the meantime, it appears that there will not be an immediate end to the growing number of trade remedy investigations. As was the case in 2018 and 2019, there exists a risk that countries begin to adopt protective measures in order not to suffer the negative consequences of other countries having adopted them first. To that end, various steel safeguard investigations have been initiated in the EU, Turkey, Canada, The Eurasian Economic Union (EAEU), and lately by the Gulf Cooperation Council (GCC).

Your Key Contacts

Xiaoyi Tang
Partner, Brussels
D +32 2 552 29 08
xiaoyi.tang@dentons.com

Laurens Engelen
Associate, Brussels
D +32 2 552 29 33
Laurens.Engelen@dentons.com