

WORLD TRADE ORGANIZATION

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Negotiating Group on Rules

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COMMUNICATION FROM THE UNITED STATES ATTACHING A COMMUNIQUE FROM THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

The following communication, dated 3 February 2003, has been received from the Permanent Mission of the United States.

Attached is an OECD communiqué describing developments at a meeting of senior officials from major steel-producing economies on 18-19 December 2002. It is submitted for the information of all Members.

19 December 2002

COMMUNIQUÉ

Senior Government officials from major steel-producing economies¹ met at the OECD in Paris on 18-19 December 2002. They agreed to undertake work immediately on the elements of an agreement for reducing or eliminating steel trade-distorting subsidies at all levels of government, in accordance with the decisions set out below. In addition, they agreed to strengthen the peer review of capacity developments and to examine various options to facilitate plant closures, in consultation with industry representatives and multilateral financial institutions, taking the different situations in participating economies into account.

Recent developments

The discussions indicated that the underlying situation in steel remains serious, notwithstanding some recent signs of recovery in certain markets. While market conditions have improved in certain areas and some restructuring is underway, the recovery is viewed as fragile, with many firms continuing to struggle to maintain, or return to, profitability. The situation has had implications for trade in a range of steel products. The persistence of inefficient excess capacity world-wide has contributed to volatility in steel trade.

The decisions taken by the group are as follows:

Capacity and industry restructuring

- Peer review. The High-Level Group (HLG) reviewed capacity developments, noting that around 140 million tonnes of capacity could be closed during 1998-2005. They agreed that the intergovernmental peer review of steel capacity developments and industry restructuring will be continued, with improvements to ensure more accurate, complete and timely reporting, and more thorough review. Industry association in the process will be encouraged, as appropriate, where competition considerations do not preclude this. This would include an exchange of views on past and present market conditions in support of the intergovernmental discussions on capacity developments. While all economies will be reviewed, examination will initially focus on those where significant changes are expected.
- Facilitating closures. The HLG instructs its Capacity Working Group (CWG) to evaluate the feasibility of options for helping to facilitate plant closures, including the costs associated with permanent plant closures, where these costs tend to impede such closures.

The CWG may invite input from relevant international financial institutions, industry experts and other specialists, as appropriate, where competition considerations do not preclude such input and may examine the possible types of financing, including the funding of closures. In undertaking this work, the CWG should seek to identify the types of costs associated with closures. In so doing, it will examine mechanisms that could be used to provide incentives for plant owners to close inefficient facilities. Mechanisms to help assure that any financing

¹ Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Denmark, Egypt, European Commission, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Spain, Sweden, Switzerland, Chinese Taipei, Turkey, Ukraine, United Kingdom, United States.

is used in ways that are consistent with their intended purpose should also be explored. The work should be conducted with a view towards completion in 2003.

Disciplines

There was agreement by the HLG that there are two areas of high concern - (i) subsidies and related government supports and (ii) trade remedies. There is general consensus that work to strengthen disciplines on subsidies has a high priority and should begin immediately, leaving open the option of taking up steel-specific issues related to trade remedies at a later stage.

- Subsidies and related government supports. The HLG instructed the Disciplines Study Group(DSG) to begin work on the elements of an agreement for reducing or eliminating trade-distorting subsidies in steel provided at all levels of government, taking into account existing multilateral agreements and mechanisms, as well as the needs of developing economies. The Group will proceed with this work on an expedited basis, holding an initial meeting on 24-25 February 2003. Industry representatives will be consulted, as appropriate.

The DSG will explore how the results of this work should be fed into the WTO framework.

- Voluntary commitment. Participants in the High-Level process agreed to consider for decision at a later stage a voluntary commitment to refrain from introducing new subsidy programmes which would maintain or enhance capacity, bearing in mind development needs.
- Other areas. Without compromising the priority work on subsidies and related government supports, the High-Level Group recommends that, where practicable and based on the availability of resources, further work in other areas be pursued on the basis of consensus.

Next steps

The High-Level Group intends to take stock of the situation during 2003, with an aim towards concluding its activities, drawing on the conclusions from the work carried out by the Capacity Working Group and the Disciplines Study Group. The peer review process it established to look at inefficient capacity and related industry restructuring should continue beyond 2003, as long as participants find it beneficial.

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