CANACERO Cámara Nacional de la Industria del Hierro y del Acero

GFSEC - 7, 8 y 9 de julio
Mx Talking points

2 de julio de 2020

Excess capacity: unsolved problem in Tokyo

- Last October in Tokyo we had the opportunity to find a solution to the excess capacity problem. But was not possible.

- This was despite all the arguments and warning that were provided. This will worsen post Covid.

- We believe a key element to solve the excess capacity, implies to recognize the steel market has been operating under two different economic principles.

    - Some Parties operating under market principles and other Parties operating with government intervention.
    - This has created a disequilibrium and distortions in the steel market an its value chains

- In December 2016 the GFEC was created with a specific mandate: To identify and implement the public polices to operate under market principles. But this has not been attained and the excess capacity remains.

- We believe the new age of the GFEC needs to depart from the conflict mentioned before. Second to design a system to regulate distortions generated through subsidies and government intervention and to identify the enforcement mechanisms.

Excess capacity: Key messages for policymakers

- We suggest the following actions for the policymakers discussion:

  1. To have a deep analysis of the SEAISI report presented last march (2020) to the OECD Steel Committee and understand its implications. This report is warning of a regional excess capacity of 61.5 MT.

  2. To distinguish the excess capacity problem in two ways: excess capacity as result of weak demand and excess capacity as result of government intervention.

  3. To identify those countries applying measures to incentive exports.

  4. To recognize the steel market has been operating under two different economic principles: market principles vs government intervention.

  5. To design a system oriented to regulate market distortions and identify the specific solutions that can be obtained.