

Ministerial Statement

Joint Call to G20 Leaders

1. Overview of the Ministerial meeting of the Global Forum on Steel Excess Capacity

A Ministerial meeting of the Global Forum on Steel Excess Capacity (GFSEC) was held virtually on 26 October, co-organised by the Forum's Co-Chairs – the European Union and Republic of Korea – and facilitated by the OECD. The Meeting was chaired by Executive Vice President of the European Commission Valdis Dombrovskis.

The meeting brought together Ministers and senior industry representatives from GFSEC member economies to discuss the current crisis in the steel industry and the need to accelerate multilateral efforts to resolve excess capacity. The Ministerial report laying out the challenges, ways forward and commitments of GFSEC members was approved by 29 Ministers and other high-level government officials. At the conclusion of the closed discussion, they also issued a joint recommendation for the consideration of G20 Leaders, provided at the end of this Statement.¹

2. Key issues

The steel industry is a key enabling industry for modern economies. Without steel, many sectors vital to any modern economy would not be sustainable. Steel is the backbone of manufacturing, and facilitates high value economic activity across a number of other sectors including infrastructure and construction, mining and energy, and agriculture. The steel industry is also important for jobs, with more than six million workers directly employed in the industry globally and millions more in the steel industry's global supply chain.

Excess capacity is detrimental to the steel industry and is the single biggest threat to the industry's long-term viability. Market-distorting subsidies and other support measures provided by governments to steel industries distort competition and can lead to excess capacity by sustaining uneconomic plants or by encouraging investment in additional steelmaking capacity that would not otherwise be built. Excess capacity dislocates efficient steel production activities that operate under market forces, depressing the financial health of companies and creating localised job losses. By hampering research, development, and innovation activity through its negative effects on the steel industry's financial health, excess capacity today can have consequences for the health of the industry over the very long term.

The GFSEC: A global platform called for by G20 Leaders to address the steel crisis. In response to the unprecedented increase in global excess capacity and the ensuing steel crisis, G20 Leaders expressed a common understanding at their summit in Hangzhou in September 2016 that G20 and other industrialised economies needed to take immediate and collective action to address the problem of steel excess capacity and tackle the government policies that contribute to it. Following their call for the formation of a Global Forum on steel excess capacity to tackle the issue, 33 economies representing more than 90% of the global steel market came together in late 2016 to start building transparency, develop concrete solutions and work towards implementing policy action to reduce excess capacity.

¹ This Statement was adopted by 29 Ministers and high-level government officials of Argentina, Australia, Austria, Belgium, Brazil, Canada, European Commission, Finland, France, Germany, Greece, Hungary, Indonesia, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Poland, Republic of Korea, Russia, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

But the GFSEC's mission has not been completed. Meeting in Tokyo in October 2019, Ministers of 31 GFSEC member economies expressed their support for continuing the GFSEC's work beyond 2019 to further address excess capacity and prevent its re-emergence in the future, despite decisions by China and Saudi Arabia to leave the Forum. While India has stepped back from the GFSEC in 2020, the Forum's work has continued steadily on the basis of the agreements expressed in Tokyo Chair's Report, and following the principles and recommendations of the Berlin and Paris Ministerial reports.

The Covid-19 downturn and developments in non-participating economies of great concern. The Covid-19 crisis is leading to one of the sharpest downturns in steel demand, with effects that may persist for years to come. Global excess capacity is going to increase significantly this year, to a level of at least 606 million metric tonnes and is likely to remain high for the foreseeable future. In the context of depressed steel demand, there are significant concerns regarding steelmaking capacity and related policy developments in non-participating G20 jurisdictions. Market imbalances are now growing, with steel production continuing to expand rapidly, notably in China, despite the severe demand downturn. These reactions are made possible by the existence of excess capacity and a lack of market function. Moreover, new plants continue to be built domestically or abroad with the support of governments. Until policy actions are taken to reduce structural excess capacity and allow markets to work more efficiently, the industry and its workers will continue to suffer unnecessarily.

3. Joint recommendation to G20 Leaders to consider

Recognising the challenges facing their steel industries, the 29 Ministers and senior government officials jointly recommend G20 Leaders consider to:

- Firmly maintain the problem of excess capacity on the G20 agenda;
- Promote the GFSEC principles in tackling the problem; and
- Support the GFSEC as a multilateral way forward, which is open to all G20 and interested OECD members.