



KINGDOM OF BELGIUM



HIGH-LEVEL SYMPOSIUM

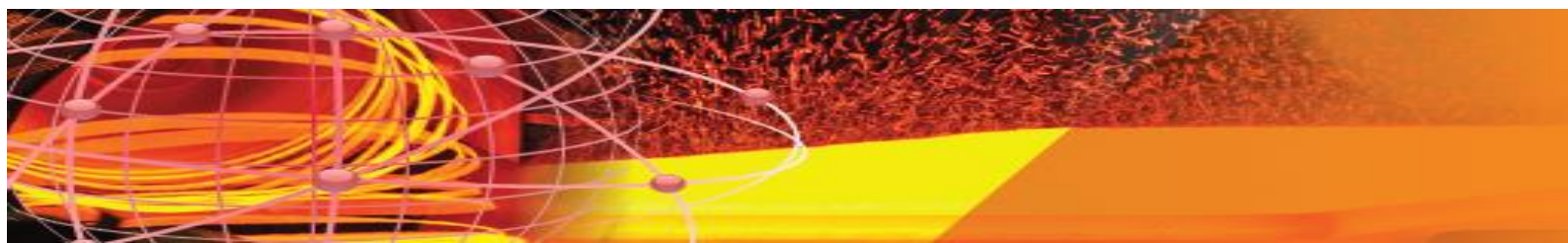
Excess Capacity and Structural Adjustment in the Steel Sector

18 April 2016, Brussels Belgium

BACKGROUND NOTE NO. 3

TRADE AND TRADE POLICY DEVELOPMENTS

This note on **Trade and Trade Policy Developments** overviews current trends in world steel trade and in trade policy actions related to steel products. It serves as background information for the discussions under Session 1, *The Current Situation: Global Steel Market, Capacity and Trade Developments*.



Introduction

The global steel industry is currently in the midst of a serious crisis that is leading to considerable trade disturbances and escalating tensions between trading partners. The purpose of this background note is to provide participants at the High-Level Symposium with an overview of current world steel trade and certain trade policy developments.

Despite globally weak steel market conditions, characterised by declining global steel demand and growing excess capacity, the total amount of world steel exports has continued to increase in recent years. This has placed further pressure on markets, and has fuelled trade tensions as governments increasingly resort to trade policy actions.

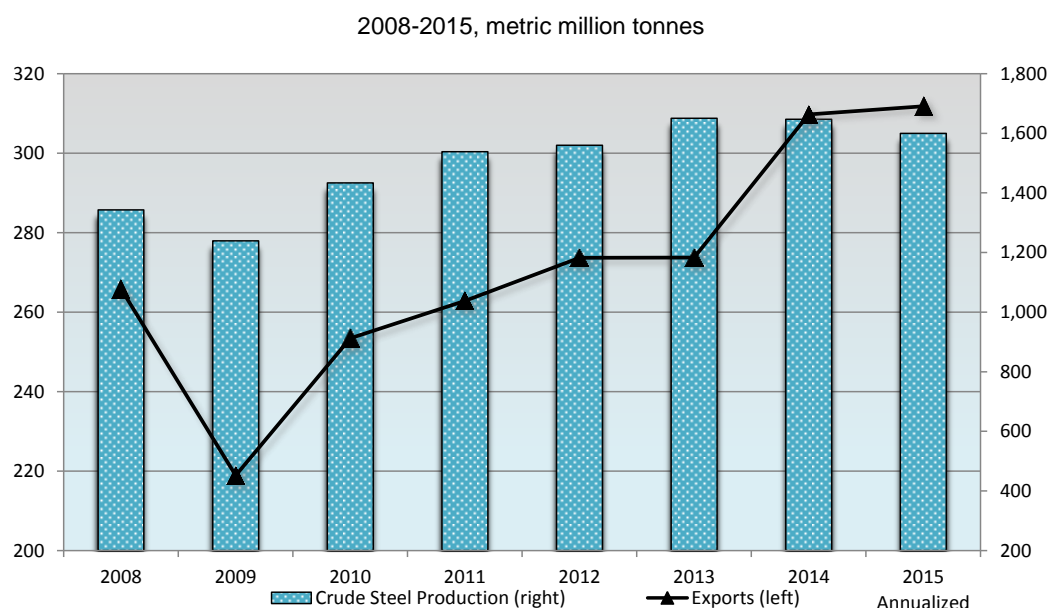
The use of existing trade defence instruments (TDI) provided for under WTO rules can be an effective and immediate response to alleviate the harmful impacts of unfair trade caused by global excess capacity. The number of new trade remedy investigations has increased to a historically high level in 2015, and some economies that previously did not use these measures are now resorting to their use.

Governments have also resorted to measures including import duty increases, government subsidies and other support measures, export incentives, trade finance, investment measures, import quotas, minimum import prices, and surveillance mechanisms. While these support measures might provide temporary relief, they do not provide long-lasting solutions to help the industry and can lead to further trade tensions between steel trading partners.

Steel exports continue to increase despite weak market conditions

World steel exports have been rising steadily since the global financial crisis of 2008/09. The last couple of years have seen a slight decoupling between production and exports, with the former stagnating while exports have continued to climb. According to data provided by the International Steel Statistics Bureau (ISSB), global steel exports edged up by more than 2 million metric tonnes (mmt) to 312 mmt in 2015, a gain of 1% over the previous year. In contrast, crude steel production contracted by almost 3% in 2015. As a result the global export ratio (exports as a percentage of production) increased from 16.6% in 2013 to 19.5% in 2015.

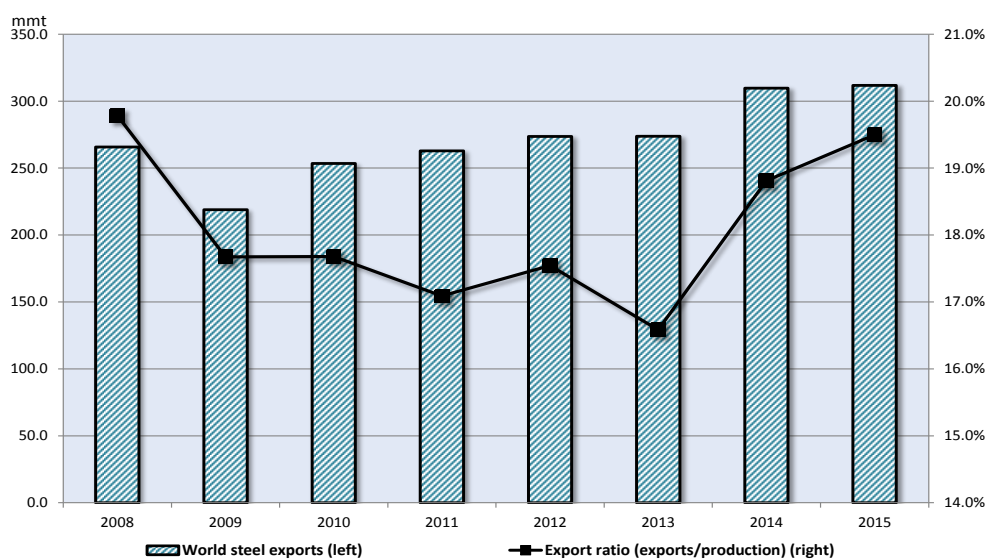
World steel exports are increasing amid stagnation in crude steel production



Note: Data for 2015 are annualised based on all available months.

Source: OECD calculations based on data from ISSB and the World Steel Association.

Export ratio on the rise since 2013



Source: OECD calculations based on data from ISSB and World Steel Association.

The table below presents recent developments in trade in the six largest steel-exporting economies between 2008 and 2015. China experienced a 20.1% increase in exports to 110.9 mmt in 2015, though its export ratio is still lower compared with several other major exporters. With the exception of China and Russia, other major steel-exporting economies saw their export volumes decline in 2015, ranging from around 1% in Japan to 8% in the EU and more than 18% in Ukraine.

BACKGROUND NOTE NO. 3 – TRADE AND TRADE POLICY DEVELOPMENTS

Steel exports have been decreasing in many economies, but with exceptions

Largest steel exporting economies, thousands of metric tonnes

Exporter	2008	2009	2010	2011	2012	2013	2014	2015	Change (2015/2014) Volume	Change (2015/2014) %
China	59,270	23,537	41,227	47,450	54,341	61,083	92,348	110,928	18,580	20.1%
share in world total	22.3%	10.8%	16.3%	18.1%	19.9%	22.3%	29.8%	35.6%		
Japan	37,420	33,235	42,656	40,562	41,355	42,406	41,247	40,720	-527	-1.3%
share in world total	14.1%	15.2%	16.8%	15.4%	15.1%	15.5%	13.3%	13.1%		
EU28, external trade	34,276	30,683	33,092	34,767	38,028	36,087	36,451	33,496	-2,955	-8.1%
share in world total	12.9%	14.0%	13.1%	13.2%	13.9%	13.2%	11.8%	10.7%		
Korea	20,433	20,127	24,499	28,728	30,097	28,826	31,803	31,077	-726	-2.3%
share in world total	7.7%	9.2%	9.7%	10.9%	11.0%	10.5%	10.3%	10.0%		
Russia	28,363	27,542	26,731	24,673	26,594	23,598	26,939	29,605	2,666	9.9%
share in world total	10.7%	12.6%	10.5%	9.4%	9.7%	8.6%	8.7%	9.5%		
Ukraine	28,559	23,929	25,143	25,882	24,080	24,671	21,469	17,512	-3,957	-18.4%
share in world total	10.7%	10.9%	9.9%	9.8%	8.8%	9.0%	6.9%	5.6%		
World total	265,805	218,914	253,416	262,814	273,707	273,715	309,753	311,850	2,097	0.7%

Notes: The definition of steel used in this table is HS 7206 to 7302, 7304-7306, and 7307.21-7307.99 excluding some forgings (7326.19), points and switches/crossings (7302.30 and 7302.90), some forged cold finished sections (7216.69 and 7216.99), some cold formed sections (7216.61 and 7216.91), welded shapes and sections (7301.20) and steel castings (7325.99). Data for 2015 are annualised using all available months.

Source: OECD calculations based on data from ISSB.

Steel imports have increased in most of the large steel-importing economies since 2013, with the exceptions of China and Russia. The table below shows recent developments in steel imports since 2008 for the six largest steel-importing economies. World import growth since 2013 has been supported mainly by the United States and the European Union. These two economies have, in the past few years, accounted for around 30% of total world steel imports.

Steel imports have been increasing in many economies

Largest steel importing economies, thousands of metric tonnes

Importer	2008	2009	2010	2011	2012	2013	2014	2015	Change (2015/2014) Volume	Change (2015/2014) %
EU28, external trade	42,032	21,849	27,592	35,331	26,260	27,872	31,931	37,676	5,745	18.0%
share in world total	20.3%	14.3%	14.8%	17.8%	13.5%	14.2%	14.7%	17.1%		
U.S.	29,505	14,970	22,073	26,365	30,904	29,727	40,285	35,564	-4,721	-11.7%
share in world total	14.3%	9.8%	11.8%	13.3%	15.9%	15.1%	18.5%	16.1%		
Korea	28,445	20,193	24,612	22,638	20,233	18,878	22,268	21,546	-722	-3.2%
share in world total	13.8%	13.2%	13.2%	11.4%	10.4%	9.6%	10.3%	9.8%		
China	15,678	22,221	17,055	16,193	14,007	14,642	14,734	13,048	-1,686	-11.4%
share in world total	7.6%	14.6%	9.1%	8.2%	7.2%	7.5%	6.8%	5.9%		
Japan	4,409	2,996	4,388	5,503	5,678	5,345	6,657	5,850	-807	-12.1%
share in world total	2.1%	2.0%	2.3%	2.8%	2.9%	2.7%	3.1%	2.7%		
Russia	5,571	3,510	5,137	7,067	6,761	6,453	5,644	4,309	-1,335	-23.7%
share in world total	2.7%	2.3%	2.7%	3.6%	3.5%	3.3%	2.6%	2.0%		
World total	206,820	152,588	186,866	198,176	194,731	196,269	217,184	220,448	3,265	1.5%

Notes: The definition of steel used in this table is HS 7206 to 7302, 7304-7306, and 7307.21-7307.99 excluding some forgings (7326.19), points and switches/crossings (7302.30 and 7302.90), some forged cold finished sections (7216.69 and 7216.99), some cold formed sections (7216.61 and 7216.91), welded shapes and sections (7301.20) and steel castings (7325.99). Data for 2015 are annualised using all available months.

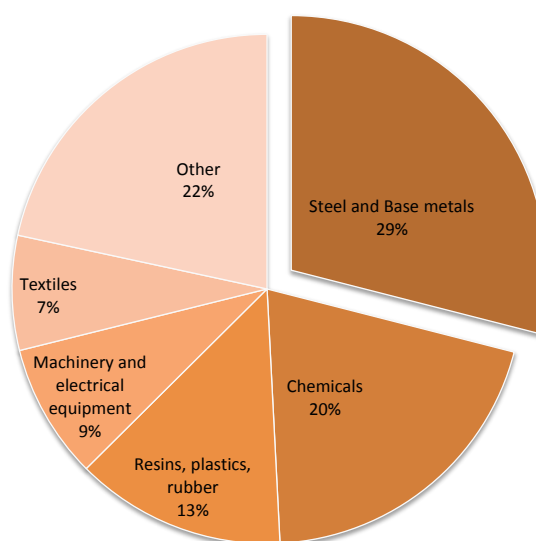
Source: OECD calculations based on data from ISSB.

Trade policy developments

Due to the strategic and cyclical nature of the steel industry, base metals (including steel) have typically been a sector in which there have been many TDI cases. Historical data from the WTO, shown below, indicate that base metals accounted for 29% of total antidumping initiations during 1995-2014. This was followed by chemicals (20%), plastics and rubber (13%), machinery and electrical equipment (9%), textiles (7%), paper (5%) and wood (2%).

Policy distortions make steel the most frequently targeted product in trade cases

Antidumping cases by sector: 1995-2014



Notes: Each initiation and measure reported covers one product imported from one country. Thus, these figures are not comparable to the figures below, where cases against multiple defendant economies are treated as one case.

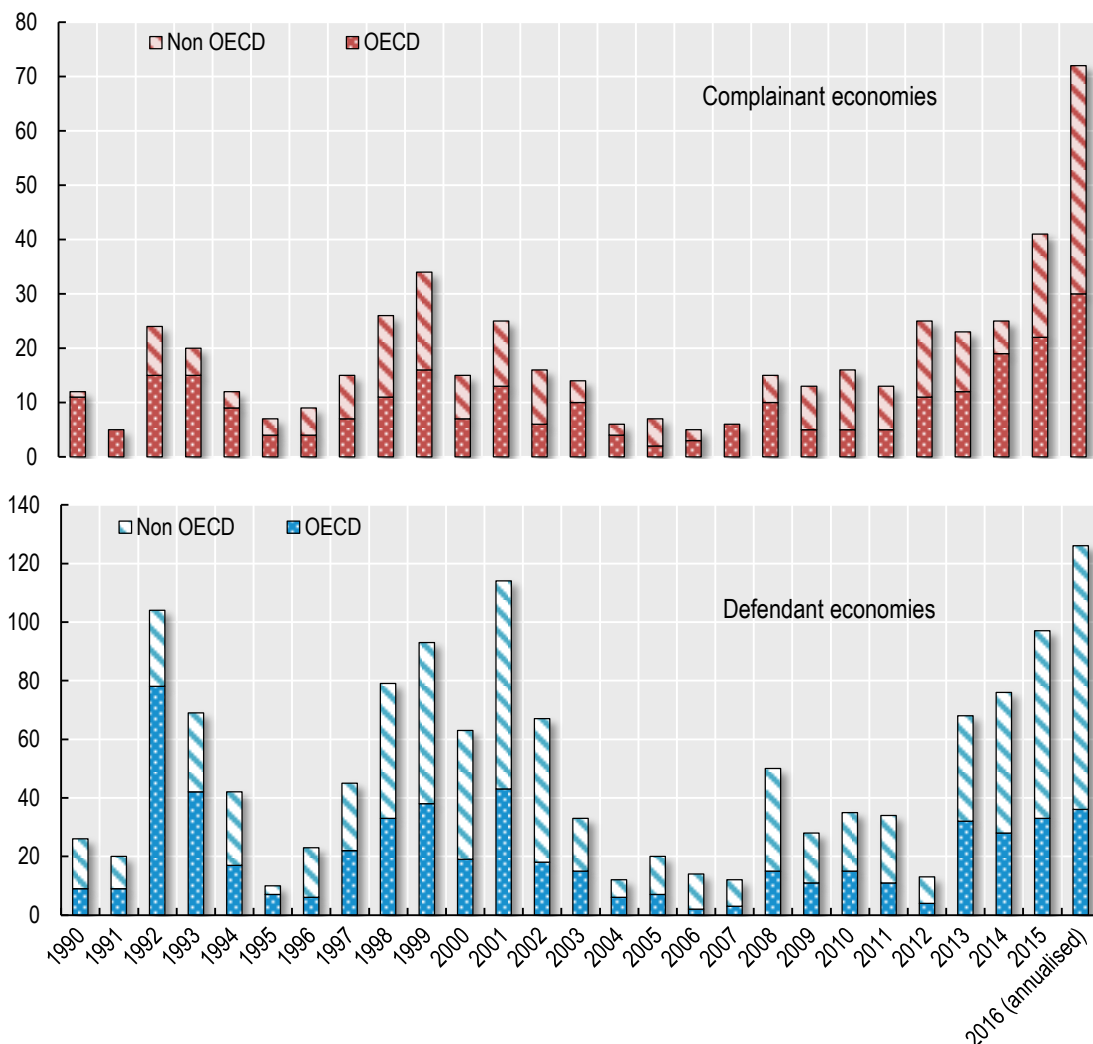
Source: World Trade Organization.

As mentioned above, recent market, capacity and steel trade developments have led to a significant increase in the initiation of trade policy measures by importing economies and regions. Following a few years of moderate increases in new steel trade remedy cases, the number of new antidumping (AD) and countervailing duty (CVD) cases reached historically high levels in 2015, and continued to increase in early 2016.

Looking at new AD/CVD cases, the data indicate that 41 new cases were initiated during the course of 2015 (individual cases can involve more than one defendant economy and may include both AD and CVD investigations). The first two months of 2016 were also prolific, with twelve new trade cases. Although the rate at which new steel cases are being filed began to pick up after the global financial and economic crisis, the sharp increase seen recently means that the number of new AD/CVD cases is now higher than that observed during the steel crisis of the late 1990s and early 2000s.

Steel anti-dumping and anti-subsidy investigations have reached historically high levels

New steel AD/CVD investigations: 1990-2016 (Jan.-Feb., annualised)



Notes: The data for 2016 are from January-February, at annualised levels. Each complaint in the panel above can target multiple defendants. A given jurisdiction can appear repeatedly as defendants in the panel below.

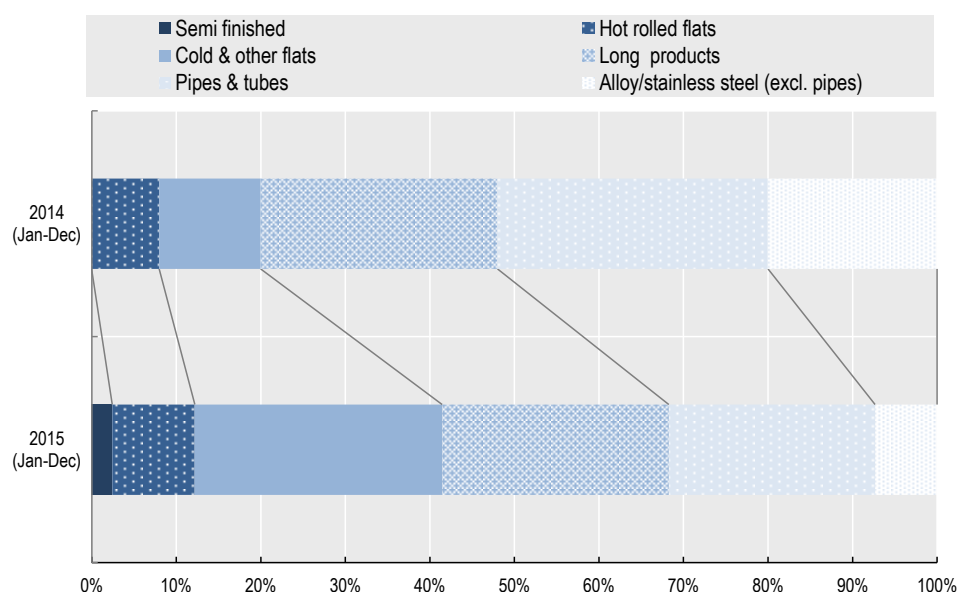
Source: OECD.

Although the number of new cases has reached new heights, and some countries that previously did not use them are now resorting to such measures, trade actions have not spread across economies to the extent observed in the last steel crisis of the late 1990s/early 2000s. An important reason is that the new AD/CVD investigations are currently more concentrated on certain defendant economies.

Antidumping and countervailing duty investigations have increased in all segments of steel products over the course of the last year. However, relatively high value-added cold-rolled and other flat products saw their share increase substantially.

Antidumping/CVD initiations are more prevalent in certain products

Share of cases brought against broad steel product categories, %



Source: OECD

Concluding remarks and issues for discussion

Steel trade has changed significantly and trade tensions have increased. It is important that both long and short-term solutions are found that would allow trade in steel to remain as unrestricted and free of distortion as possible. Participants at the High-level Symposium are welcome to comment on the following trade-related issues for discussion:

- Is the current weak outlook for global steel markets expected to result in greater tensions in global steel trade?
- How can trade policy be better coordinated amongst steel trading economies to prevent the escalation of trade disputes in steel?
- How can the OECD better contribute to ensuring that trade in steel remains as unrestricted and free of distortion as possible?
- Are there short-term solutions, other than trade defence instruments, that could be used to mitigate the effects of global excess capacity?