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**C(2013)87**

Organisation de Coopération et de Développement Économiques  
Organisation for Economic Co-operation and Development

**23-Oct-2013**

**English - Or. English**

**COUNCIL**

**Council**

**DRAFT RESOLUTION OF THE COUNCIL REVISING THE MANDATE OF THE STEEL  
COMMITTEE**

**(Note by the Secretary-General)**

**JT03347069**

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## **Background**

1. The mandate of the Steel Committee was last renewed in 2008 and expires on 31 December 2013 [[C\(2008\)163](#) and [C/M\(2008\)19/PROV](#)]. The Steel Committee was created in 1978, a period in which the steel industry faced exceptionally low demand for steel, persistent excess capacity, depressed financial conditions, and growing trade frictions. The Steel Committee provided a platform for governments to address industry problems in close consultation with trading partners and work towards reducing trade barriers and distortions affecting world steel markets. At that time, no date was fixed for the expiry of the mandate. In March 2004, Council decided to introduce sunset clauses for committees with open-ended mandates [[C/M\(2004\)5/PROV](#), Item 75], which required the Steel Committee to renew its mandate by the end of 2008. In 2008, the mandate was revised and renewed accordingly, with the key objectives remaining largely untouched and the main revisions aimed at updating the policy environment to reflect current challenges, including those related to raw materials and the environment.

2. The mandate of the Steel Committee that was adopted in 2008 has as a main objective co-operation between governments to ensure that trade in steel remains as unrestricted and free of distortion as possible. The mandate calls on governments to work together in order to a) reduce trade barriers, b) deal with crisis situations in close consultation with trading partners, c) facilitate needed structural adaptations that reduce pressures for trade actions and promote rational allocation of productive resources, d) avoid encouraging economically unjustified investments, and e) facilitate multilateral co-operation consistent with the need to maintain competition. The tools for reaching these objectives include closely monitoring market conditions, developing common perspectives regarding emerging problems in the steel sector, and reviewing and assessing government policies.

3. The current mandate recognises that the steel industry remains vulnerable to cyclical forces that can affect trade patterns and lead to trade frictions, and that government intervention in steel supply can create excess capacity and distort conditions of competition at the global level. Moreover, the mandate acknowledges that government intervention in steel and raw materials trade can create problems for the steel sector and related industries.

## **Review of the Steel Committee mandate**

4. The Steel Committee began discussing the renewal of its mandate at its December 2012 session [[DSTI/SU/SC\(2012\)18](#); [DSTI/SU/SC/M\(2012\)4](#)]. The Secretariat received further input in writing during the spring of 2013, and a draft text was then developed and circulated for the Committee's approval at its July 2013 session [[DSTI/SU/SC\(2013\)9](#)]. At that meeting, the Steel Committee approved all of the substantive areas of the mandate, but did not reach consensus about whether to include in the mandate a provision on an automatic carry-forward of budget funds from one year to the next. To address some of the concerns raised, the Secretariat proposed new wording for that provision, which would have capped the automatic carry-forward at EUR 20 000 (or approximately 3% of the Steel Committee budget). As the Committee was not able to come to agreement on that budgetary clause following the July 2013 session, the Secretariat prepared a final draft of the mandate without the carry-forward clause and circulated it to the Steel Committee for approval in September 2013 [[DSTI/SU/SC\(2013\)9/REV1](#)]. The Steel Committee approved the revised mandate by written procedure on 23 September 2013.

## **The continued relevance of current provisions**

5. An important consideration during the mandate review process was that the basic circumstances prevailing when the mandate was last revised in 2008 still exist today. In some areas, industry problems

have deteriorated due to the prolonged nature of the global economic crisis and its impacts on the industry. That is:

- The steel industry is still subject to severe cyclical downturns that have serious effects on governments, steel companies and related industries as well as their workers;
- Although considerable progress has been made to open steel markets and to enhance transparency, governments still need to work closely with each other to address trade distortions and barriers to trade that affect markets;
- Governments still retain a strong interest in the steel sector, and intervene in a way that can cause excess capacity and create distortions;

The Steel Committee remains a unique inter-governmental forum to deal with steel issues multilaterally. The Committee can provide a means of enhancing transparency in the steel sector, including by bringing together OECD and non-OECD economies, as well as industry and trade union stakeholders, to exchange views on developments in the sector and act on these when appropriate.

### **Main changes made to the mandate**

6. Throughout the mandate review process, there was unanimous support for the Steel Committee to continue its functions beyond 2013 with a mandate that had the same basic objectives as before. Although Delegations noted that global steel industry conditions had not changed fundamentally in recent years to warrant significant changes in the main objectives of the current mandate, there was general support to update the mandate to reflect several new challenges, notably as regards a) non-tariff trade measures, b) the behaviour of state-owned enterprises, as well as c) export restrictions on raw materials. Additionally, Delegations wished to broaden the work on steel demand (by including analyses of value chains involving steel and their inter-linkages in the economy), focus more on innovation, take into account energy efficiency and other factors related to the environment, and to work closely with other bodies of the Organisation in order to ensure coherence and co-ordination in the work.

7. As a result of the Committee review, the mandate was revised, with the main substantive changes being as follows:

- The policy environment of the old mandate was streamlined and incorporated in the preamble, in accordance with current OECD practices. This section emphasises the structural changes that have taken place in the industry in terms of steel consumption and production, the negative impacts that the financial crisis has had on the industry, the susceptibility of the industry to government support and protectionist measures, government interventions that lead to excess capacity and market distortions, as well as new policy concerns related to non-tariff measures, the behaviour of state-owned enterprises, and export restrictions on raw materials.
- The intermediate objectives (Section I.2 of the draft Resolution) were expanded to reflect the three challenges noted in paragraph 6 above. More specifically, the objective to “*reduce barriers to trade*” now reads “*reduce barriers to trade of steel and related materials, on both the import and export side,*” in reference to non-tariff import barriers as well as export restrictions on raw materials. In addition, a new intermediate objective has been added, namely “*avoid the provision of preferential treatment to state-owned steel enterprises and ensure that such enterprises act in accordance with market principles*” to reflect Delegations’ concerns with regard to the possible behaviour of state-owned enterprises and with the aim of achieving fully competitive enterprises.

- The Committee Functions (Section II) were expanded to include broader assessments of steel demand and the monitoring of energy efficiency, innovation needs, and the impacts of environmental issues.
- The section on Participation (Section IV) was updated and streamlined.
- Co-ordination Arrangements (Section VI) were added to reflect Members' interest in co-operating with other bodies of the OECD, particularly on work related to trade and trade policies, state ownership, broad industrial policies, and the environment. Moreover, this section notes that the Committee will work to engage actively with Partners (i.e. non-Members) and to consult with industry stakeholders, where appropriate.

8. As noted above, the draft mandate, incorporating the changes above, was approved by the Steel Committee by written procedure on 23 September 2013 [[DSTI/SU/SC\(2013\)9/REV1](#)]. As the Committee does not have a substructure, the provisions of Rule 21 c) of the Rules of Procedure do not apply in the context of the renewal of the mandate of the Steel Committee.

### **Proposal for mandate renewal**

9. It is proposed that the revised Steel Committee mandate, as set out in the draft Resolution in the Annex hereto, should remain in force for a period of five years, until 31 December 2018. The draft Resolution would supersede all previous provisions concerning the mandate of the Steel Committee. The Steel Committee would return to the Council to propose a revision to its mandate should there be any major developments that warrant such a change.

### **Proposed Action**

10. In the light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

#### THE COUNCIL

- a) noted document [C\(2013\)87](#);
- b) adopted the draft Resolution of the Council revising the mandate of the Steel Committee as set out in the Annex to document [C\(2013\)87](#), which will enter into force on 1 January 2014.

## ANNEX

**DRAFT RESOLUTION OF THE COUNCIL REVISING THE MANDATE OF THE  
STEEL COMMITTEE**

THE COUNCIL,

HAVING REGARD to the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Rules of Procedure of the Organisation;

HAVING REGARD to the Resolution of the Council on Partnerships in OECD Bodies [[C\(2012\)100/FINAL](#)];

HAVING REGARD to the Communiqué approved by the Council meeting at Ministerial Level on 15 June 1978 and, in particular, Annex II thereof [[C\(78\)96\(Final\)](#)];

HAVING REGARD to the Resolution of the Council establishing a Steel Committee [[C\(78\)171\(Final\)](#)], as amended by documents [C/M\(79\)22\(Final\)](#), Item 231 (b) and [C/M\(83\)6\(Final\)](#), Item 51 (b), and last renewed in 2008 [[C\(2008\)163](#) and [C/M\(2008\)19/PROV](#), Item 260];

Considering that the structure of the global steel industry has changed significantly over the past few years and that among the trends shaping industry and policy developments in this area are:

- The increasing share of emerging economies in world steel consumption and production, which requires structural adjustment in many economies;
- The negative impacts of the financial crisis, which has led to difficult conditions for steelmakers in many economies, highlighting the need for the steel industry to adapt accordingly;
- The susceptibility of the steel industry to government support and protectionist measures, particularly during periods of weak economic growth;
- Continued government interventions in the steel industries of some countries that contribute to excess capacity and distort conditions of competition at the global level;
- The important role of steel in the overall discussions on trade policy and protectionism due to the strategic nature of the industry; and
- New policy concerns regarding non-tariff measures that result in trade distortions and trade frictions, the presence of state-owned steel enterprises and the need for increased transparency regarding their financing and behaviour, and the increasing number of restrictions on the export of steelmaking raw materials.

Having regard to the proposed revision of the mandate of the Steel Committee [[C\(2013\)87](#)];

DECIDES:

A. The Steel Committee is renewed with the following revised mandate:

### **I. Objectives**

1. The Steel Committee provides a unique forum for governments and industry to come together to discuss multilateral problems in the global steel industry and policy solutions to them. The overall objective of the Committee is to foster close co-operation between governments to ensure that markets for steel remain as open and free of distortion as possible. This is to contribute to the wider OECD strategic objective of promoting sustainable economic growth, financial stability and structural adjustment.

2. The intermediate objectives of the Steel Committee shall be to:

- a) Ensure that trade in steel will remain as unrestricted and free of distortion as possible. Restrictive actions should be avoided and, where necessary, strictly limited in scope and time, and in conformity with WTO rules\*;
- b) Reduce barriers to trade of steel products and related materials, on both the import and export side, including non-tariff barriers;
- c) Act promptly to cope with crisis situations in close consultation with interested trading partners and in conformity with agreed principles;
- d) Facilitate needed structural adaptations that will diminish pressures for trade actions and promote rational allocation of productive resources with the aim of achieving fully competitive enterprises;
- e) Ensure that measures affecting the steel industry are consistent to the extent possible with general economic policies and take into account implications for related industries, including steel-consuming industries;
- f) Avoid encouraging economically unjustified investments while recognising legitimate development needs;
- g) Avoid the provision of preferential treatment to state-owned steel enterprises and ensure that such enterprises act in accordance with market principles and principles of competitive neutrality;
- h) Facilitate multilateral co-operation consistent with the need to maintain competition, to anticipate and, to the extent possible, prevent problems.

### **II. Committee Functions**

3. In order to seek solutions to the problems experienced by the steel industry and achieve the objectives set out in the mandate, the Steel Committee will meet regularly and additionally as required to:

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\* It is noted that references to WTO rules and provisions in this Annex do not alter the rights and obligations under the WTO of individual participants which are contracting parties to the WTO nor confer by implication equivalent rights or obligations on participants which are not contracting parties to the WTO.

- a) Continuously follow national, regional and world supply and demand conditions in steel and closely related industries, including steel-consuming industries and raw material industries, with a view to identifying potential problems and implications and making assessments and forecasts available to all interested parties. To broaden assessments of steel demand, attention will also be given to value chains involving steel and their inter-linkages in the economy.
- b) Continuously follow the evolution of national, regional and world steel industries with regard to employment, profits, investments, capacity, input costs, energy efficiency, productivity, innovation needs, and other aspects of viability and competitiveness. Environmental issues such as environmental performance, compliance costs and their impacts will also be monitored in this context;
- c) Develop common perspectives regarding emerging problems or concerns in the steel sector and establish, where appropriate, multilateral objectives or guidelines for government policies;
- d) Regularly review and assess government policies and actions in the steel sector in the light of the current situation, agreed multilateral objectives and guidelines, and the WTO and other relevant international agreements;
- e) Identify deficiencies and gaps in existing data needed by the Committee with a view to improving national inputs to the Committee and cross-national comparability of data.

### III. Commitments

4. Members and Associates in the Steel Committee agree to the following guidelines:
  - a) To abstain from destructive competition in official support of export credit; they agree that their policies in the field of export credits for steel plant and equipment will be fully consistent with the Arrangement on Guidelines for Officially Supported Export Credits and contribute to the avoidance of competitive subsidisation of such exports.
  - b) Domestic policies to sustain steel firms during crisis periods should not shift the burden of adjustment to other countries and thus increase the likelihood of restrictive trade actions by other countries (*e.g.* by artificially stimulating exports or by artificially displacing imports). Further, as a general rule, domestic measures should not prevent marginal facilities from closing in those instances where the facilities cannot become commercially viable within a reasonable period of time.
  - c) To make every effort to provide effective programmes for steel worker readaptation away from facilities affected by structural adjustments into alternative employment. To this end, they will periodically exchange information on the effectiveness of policies and programmes to assist steel workers and communities.
  - d) To report promptly any action to restrict trade in steel-making materials and allow for consultation with affected parties.

### IV. Participation

5. Steel Committee membership is open to all OECD Members. Partners (*i.e.* non-Members) with an interest in the steel industry may also join the Steel Committee, in line with the global relations strategy of the programme. The current Members and Associates are Austria, Belgium, Brazil, Canada, Czech Republic, Finland, France, Germany, Hungary, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia,

Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom, the United States and the European Union.

**V. Budget of the Programme**

6. The expenditure of the Steel Committee shall be charged against the appropriations authorised for it under Part II of the Budget of the Organisation.

**VI. Co-ordination Arrangements**

7. In the course of its work, the Steel Committee will:

- a) Maintain close working relationships with other relevant bodies of the Organisation, in particular those working in areas of trade and trade policies, state ownership, industry and innovation, and the environment, in order to complement the work that is carried out and ensure coherence;
- b) Engage actively with Partners that have significant steel activity;
- c) Consult with the steel industry, including national and regional steel associations, where appropriate.

**B.** The mandate of the Steel Committee shall remain in force until 31 December 2018.