COUNCIL

Council

DRAFT RESOLUTION OF THE COUNCIL RENEWING AND REVISING THE MANDATE OF THE STEEL COMMITTEE

(Note by the Secretary-General)

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This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.
Background

1. The current mandate of the Steel Committee expires on 31 December 2018 [C(2013)87 and CORR1] (see Annex). 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.

2. In March 2004, Council decided to introduce sunset clauses for committees with open-ended mandates [C/M(2004)5/PROV, Item 75], including the Steel Committee the mandate of which was set to expire by the end of 2008 unless renewed. Since then the mandate has been renewed twice, in 2008 and in 2013.

3. In the last mandate renewal, in 2013 [C(2013)87 and CORR 1], revisions were made to reflect new challenges facing the sector, notably with respect to non-tariff and tariff trade measures affecting the steel sector, the behaviour of state-owned enterprises, and export restrictions on steel-making raw materials. In addition, the functions of the Committee were expanded to include broader assessments of steel demand as well as monitoring of energy efficiency, innovation needs and environmental issues. Emphasis was also placed on maintaining close relationships with other bodies of the Organisation in order to ensure coherence and co-ordination in the work, particularly in areas of trade and trade policies, state ownership, industry and innovation, and the environment.

The Steel Committee’s mandate revision and renewal process


5. The Committee then discussed a draft revised mandate at its meeting in March 2018 [DSTI/SC(2017)13/REV1; DSTI/SC/M(2018)1/ADD1]. The proposed revisions were mainly based on inputs from delegations following the September 2017 meeting.

6. Based on the input provided at the March 2018 meeting, as well as on written comments following the meeting, the Committee considered a slightly revised draft mandate text at its session in September 2018 [DSTI/SC(2017)13/REV2]. The final draft revised mandate, as set out in the Annex, was reviewed and approved by the Steel Committee on 18 September 2018, where delegates agreed to transmit it to the Council for adoption.

7. The main substantive changes to the mandate proposed by the Steel Committee are the following:

- **Preamble**: The description of the trends shaping industry and policy developments has been slightly updated, with reference being made to the impacts of weak global economic growth.

- **Objectives**: An additional intermediate objective has been included in this section, calling on the Steel Committee to support actions to address excess capacity and its root cause. More specifically, a new intermediate objective of the Committee is to “Support swift, concrete and effective actions worldwide to address excess capacity and its root cause: market-distorting subsidies and other types of support
by governments and related entities that contribute thereto”. In addition, the last intermediate objective regarding facilitation of multilateral co-operation has been augmented to include plurilateral co-operation consistent with the need to address excess capacity.

- **Committee Functions**: The Committee's functions have been adjusted to include long-term steel demand forecasts, and monitoring issues related to digitalisation trends, the availability of raw materials as well as the development of environmentally friendly production technologies. This section also now makes reference to establishing (where appropriate) plurilateral objectives or guidelines, in addition to the multilateral ones referred to in the current version of the mandate. In addition, a mention of making full use of the bureau has been included in this section.

- **Commitments**: An additional guideline has been included in this section: "To work together to address excess capacity in a swift, concrete and effective fashion", reflecting a key policy priority in the area of steel today.

- **Participation**: In order to bring the mandate into conformity with the structure of mandates of other OECD Committees, the draft mandate no longer includes a section on participation as in line with OECD rules and practice, this is fully addressed elsewhere, for example, in the Committee’s Participation Plan.

- **Co-ordination Arrangements**: Emphasis has been included in this section on maintaining close working relationships with other international bodies and fora that are working on excess capacity issues, in addition to maintaining close relationships with other relevant bodies of the Organisation.

8. As noted above, the final draft mandate with these revisions was approved by the Steel Committee on 18 September 2018 [DSTI/SC(2017)13/REV2], as set out in the Annex.

9. As the Steel 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. Therefore, the evaluation referred to in Rule 21 c) was not conducted.

**Proposal for mandate renewal**

10. It is proposed that the revised Steel Committee mandate, as set out in the draft Resolution in the Annex hereto, would enter into force on 1 January 2019 and remain in force for a period of five years, i.e. until 31 December 2023.

11. 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 any revisions to its mandate should there be any major developments that warrant such a change.
Proposed Action

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

THE COUNCIL

a) noted document C(2018)134;

b) adopted the draft Resolution of the Council renewing and revising the mandate of the Steel Committee, as set out in the Annex to document C(2018)134, which will enter into force on 1 January 2019.
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 Financial Regulations of the Organisation;

Having regard to the Resolution of the Council on Partnerships in OECD Bodies [C(2012)100/REV1/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 2013 [C(2013)87 & CORR1 and C/M(2013)19, Item 197];

Considering the significant changes in the structure of the global steel industry over the past few years;

Considering the increasing share of emerging economies in world steel consumption and production, which requires structural adjustment in many economies;

Considering that trends in global economic growth can generate difficult conditions for steelmakers in many economies, and the need for the steel industry to adapt accordingly;

Considering the susceptibility of the steel industry to government support and protectionist measures, particularly during periods of weak economic growth;

Considering continued government interventions in the steel industries of some countries that contribute to excess capacity and distort conditions of competition at the global level;

Considering the important role of steel in the overall discussions on trade policy and protectionism due to the strategic nature of the industry;

Considering 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(2018)134];

DECIDES:

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

1. 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:
   i) Support swift, concrete and effective actions worldwide to address excess capacity and its root cause: market-distorting subsidies and other types of support by governments and related entities that contribute thereto;
   ii) 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;¹
   iii) Reduce barriers to trade of steel products and related materials, on both the import and export side, including non-tariff barriers;
   iv) Act promptly to cope with crisis situations in close consultation with interested trading partners and in conformity with agreed principles;
   v) 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;
   vi) 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, and workers;
   vii) Avoid encouraging economically unjustified investments while recognising legitimate development needs;
   viii) 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;
   ix) Facilitate plurilateral and multilateral co-operation consistent with the need to address excess capacity, 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:
   i) 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 (including long-term steel demand) 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;
   ii) Continuously follow the evolution of national, regional and world steel industries with regard to employment, profits, investments, capacity, input costs, energy efficiency,

¹ 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.
productivity, innovation needs and digitalisation trends, the availability of raw materials, and other aspects of viability and competitiveness. Environmental issues such as environmental performance, compliance costs and their impacts, as well as the development of environmentally friendly production technologies, will also be monitored in this context;

iii) Develop common perspectives regarding emerging problems or concerns in the steel sector and establish, where appropriate, plurilateral and/or multilateral objectives or guidelines for government policies;

iv) 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;

v) 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;

vi) Make full use of its Bureau to ensure a proper functioning in operation and substance of the Steel Committee.

III. Commitments

4. Members and Associates in the Steel Committee agree to the following guidelines:

   i) To work together to address excess capacity in a swift, concrete and effective fashion;

   ii) 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;

   iii) To refrain from domestic policies to sustain steel firms during crisis periods 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;

   iv) To make every effort to provide effective programmes to assist steel workers affected by structural adjustments to find alternative employment. To this end, they will periodically exchange information on the effectiveness of policies and programmes to assist steel workers and communities;

   v) To report promptly any action to restrict trade in steel-making materials and allow for consultation with affected parties.

IV. Budget of the Programme

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

V. Co-ordination Arrangements

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

   i) Maintain close working relationships with other relevant bodies of the Organisation, in particular those working in the 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, as well as other international bodies that are working on excess capacity issues;

i) Engage actively with Partners that have significant steel activity;

iii) 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 2023.