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NORTH AMERICAN STEEL STRATEGY

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NORTH AMERICAN STEEL TRADE COMMITTEE (NASTC)

North American Steel Strategy

In December 2002, the governments of Canada, Mexico and the United States announced the formation of the NASTC, a body in which the three governments, with input from industry, could work together to identify and address barriers and distortions affecting North American steel markets through information-sharing, discussion and policy coordination. Since that time, the NASTC has emerged as an important forum for industry/government collaboration on a wide range of activities including cooperation in multilateral negotiations, regular information and analytical exchanges and joint efforts to address government interference in the global steel market.

When the North American governments launched the Security and Prosperity Partnership initiative (SPP) in March 2005, they recognized that the mission of the NASTC reflected and complemented the SPP's goals of improving the global competitive strength of North America and facilitating intra-NAFTA trade. The SPP working groups that were created to advance these goals provide a useful framework to reinforce the work of the NASTC on steel policy matters. In line with these efforts, the NASTC was ultimately directed to develop and launch a North American "steel strategy" to help formulate and implement actions and policies to achieve these goals. Accordingly, it is under the aegis of the SPP's Manufactured Goods and Sectoral and Regional Competitiveness Working Group that the NASTC will pursue a work program for a North American steel strategy.

A strategic partnership – a strategic industry:

Launching a north American steel strategy

In recognition of the strategic importance of the North American steel industry, the three NAFTA governments agreed in June 2005 to pursue a North American steel strategy to promote growth, competitiveness and prosperity. The agreed strategy has been developed, and will be implemented, through the NASTC, which has been a successful example of sectoral cooperation between NAFTA governments and industry.

The North American steel strategy is designed to achieve meaningful results under the following three areas of work identified in the June 27, 2005 Security and Prosperity Report to Leaders: external trade issues; internal trade issues; and industry productivity/competitiveness.

External Trade

The NASTC will pursue the elimination of distortions adversely affecting North American steel markets, including through policy coordination and other actions. The NASTC's approach to

this broad area of work will, where appropriate, involve continued collaboration in the multilateral arena and a coordinated response to the wide range of foreign market distortions affecting the steel industry.

The NASTC took shape as a result of the cooperative efforts of Canada, Mexico and the United States in the Organization for Economic Cooperation and Development (OECD) to address external trade distortions through the discussions on a Steel Subsidy Agreement. The analysis, consensus-building and advocacy conducted through the NASTC facilitated progress in defining better subsidy disciplines for the steel sector world wide. Building on the common objectives established by the North American governments during the OECD Steel Subsidy Agreement talks, the three governments will continue efforts to curtail subsidization of the steel sector through the OECD and will seek opportunities to develop or strengthen subsidies disciplines affecting steel in other multilateral negotiations. The three governments will continue efforts to explore and identify other opportunities for coordination in multilateral arenas, including the Rules, Non-Agricultural Market Access, and Trade Facilitation negotiations of the WTO's Doha Development Agenda. Fostering more regular discussion among delegations to seek clarification of positions will be a key component of these efforts. With respect to the current WTO Rules Negotiations, the three governments will organize informal meetings on the margins of the talks, with the goal of identifying and pursuing opportunities for achieving mutually acceptable results consistent with the objectives of the Doha Ministerial Declaration. Moreover, the North American governments will also explore the feasibility of enhanced coordination in response to proposals for steel-related investment projects supported by international financial institutions.

The NAFTA governments have instituted a productive information exchange that has laid a solid foundation for continued cooperation in understanding and responding to foreign market distortions in the steel sector, particularly government-supported capacity expansion in some large economies that have the potential to cause important/significant distortions on the global steel market. These efforts reflect the North American governments' shared commitment to pursue a common approach to addressing the structural problems that affect the global steel industry. The governments will expand upon their current efforts, intensifying their identification, joint analysis, and combined action addressing, where appropriate, such foreign market distortions. The North American governments will also examine alternative ways to jointly address dumped and subsidized imports, where practicable and appropriate, in circumstances where the customary application of each country's trade laws may not directly or adequately address the problem.

In recognition of the importance of enhanced commercial surveillance of steel trade both into and within the NAFTA region, customs officials from each of the three NAFTA governments have participated in the NASTC process and have contributed positively to the Committee's agenda. The NASTC will continue to include customs representation in its meetings and will encourage enhanced government/industry collaboration on customs issues.

The North American governments strongly support a global policy dialogue on steel industry developments and the issues affecting the health of the world steel market. Historically, the OECD Steel Committee has served as an important forum for the major steel producing

economies of the world to share information, analysis, and views regarding developments in the global steel sector. The North American governments will continue to work together to support continuation of the OECD Steel Committee and its active role in exploring issues of relevance to the global steel sector.

Internal Trade

The NASTC is committed to reducing the costs and risks of NAFTA steel trade with proactive measures to facilitate such trade along with improved monitoring to enhance understanding of the North American steel market. In this regard, the NASTC's information-sharing exercises have significantly enriched the Committee's discussions. In particular, the group's information-sharing on monitoring activities has broadened its understanding of the functions undertaken by each government through steel import monitoring and/or licensing programs and the tracking of potential unfair trade practices. The governments will look for additional ways to deepen and expand cooperation involving their import monitoring activities, including the joint presentation and analysis of steel trade data pertaining to non-NAFTA countries and data on steel trade flows into NAFTA countries as a whole.

The three governments will also consider other steps to facilitate North American steel trade and broadly address the factors that affect the sustainability and competitiveness of North American steel producers. Governments and industries will identify additional issues for dialogue and information exchange to further promote intra-NAFTA trade and improve the functioning of the North American steel market. The NASTC will work with other SPP working groups to explore the extent to which steel-specific interests can contribute to other SPP signature issues and policy discussions.

Industry Competitiveness/Productivity

To promote steel industry competitiveness and productivity, the North American steel industries will develop a plan to strengthen innovation and market development. The plan will give increased visibility to ongoing programs, identify new initiatives/opportunities and identify or develop linkages between these initiatives and efforts to advance a NAFTA-wide pro-manufacturing agenda. Its strategies will focus on sustainability, technology, and attracting engineers and metallurgists to the steel industry.