



## **SPECIALTY STEEL INDUSTRY OF NORTH AMERICA**

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### **STATEMENT OF THE SPECIALTY STEEL INDUSTRY OF NORTH AMERICA REGARDING THE OECD STEEL SUBSIDY AGREEMENT NEGOTIATIONS**

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The Specialty Steel Industry of North America (SSINA) is deeply concerned about the prospects for successfully concluding a multilateral agreement banning government subsidization to the steel industry. After months of negotiations led by the OECD Steel Committee, little substantive progress has been made and many countries are proposing unrealistic, unacceptable provisions which may doom the negotiations. We believe it is time to get serious, or terminate the negotiations.

#### **BACKGROUND**

For over 20 years, SSINA has actively sought a multilateral agreement to ban or severely restrict government subsidies to the steel industry. Such subsidies contribute to global steelmaking overcapacity, encourage dumping, and distort fair competition by providing a lifeline to companies which otherwise might not exist. For example, just 7 years ago, SSINA worked closely with U.S. government officials and Eurofer, the European steel trade association, to develop a proposed “Multilateral Specialty Steel Agreement” as a model which could be presented to the global steel community.

Both the rules of the World Trade Organization and the laws of many countries provide mechanisms for remedying these distortions through filing countervailing duty cases, allowing the imposition of additional tariffs designed to offset the subsidies. The problem with this

procedure is that the remedy can be imposed only years after subsidies are provided. The sequence of events is as follows: the subsidy is granted, government money is used to build steel mills or keep failing enterprises alive, unfairly priced steel is shipped to foreign markets such as the United States, the domestic producers of that country are injured with a resulting loss of profitability and jobs, a countervailing duty case is filed giving rise to an investigation of a year or so, then finally countervailing duties are imposed. This process can take five years or more after the subsidy is originally granted. In other words, one can see the train coming down the track, but presently can do nothing to stop it.

The hope is that a multilateral steel subsidies agreement would carefully define prohibited subsidies and allow action to be taken before market distortions and competitive injury occurs. That is the reason the OECD began these negotiations with the strong encouragement of President Bush when he announced his steel initiatives in March 2002.

### **NOW IS THE TIME**

This is the most opportune moment in the lengthy history of government and private sector disputes over steel trade to conclude an agreement. Over 40 nations are participating in the OECD discussions. There is a consensus that there is too much uneconomic steelmaking capacity globally and that government subsidies should be drastically reduced.

Yet, many nations continue to make unrealistic proposals, seeking massive exceptions which are clearly unacceptable.

Examples include the insistence of the European Union to rebate energy taxes to the steel industry, resulting in possibly over a billion dollars in EU subsidies to its producers. Other countries similarly are attempting to carve out protections for their companies. Some nations also appear to have the ultimate objective of gutting the trade rules of the World Trade Organization and the United States. This can never be acceptable to the private sector in the United States.

## **THE FUTURE OF THE NEGOTIATIONS**

SSINA deeply appreciates the extensive efforts made by U.S. and other government negotiators thus far. Crucial negotiations will be held in Paris February 9-13. Our plea to all participating governments is this: it is time to lay the cards on the table and get serious about negotiating a realistic agreement. If this simply cannot be done, then “call a spade a spade,” and terminate the negotiations. We hope this will not be necessary. Now is the time for an agreement.