



**U.S. Mission to International  
Organizations in Geneva**

## **U.S. Statement at the WTO Meeting of the Committee on Subsidies and Countervailing Measures**

### **Subsidies and Overcapacity**

#### **Global Forum on Steel Excess Capacity**

#### **Statement Delivered by U.S. Ambassador Dennis Shea, Permanent Representative to the World Trade Organization**

**Geneva, November 19, 2019**

In September 2016, at their summit in Hangzhou, China, G20 Leaders called for the establishment of a Global Forum on Steel Excess Capacity. The call was a recognition by G20 Leaders of the severe and widespread negative impact of excess capacity on trade and workers in the steel sector. Importantly, in their Hangzhou declaration, G20 Leaders highlighted the role of subsidies and other types of government support in creating excess capacity. The Leaders noted that these market-distorting support measures require immediate attention.

The Global Forum called for by G20 Leaders was established in December 2016. Its membership includes all members of the G20, as well as interested non-G20 members of the OECD. Current Global Forum members account for over 90% of global steel production capacity.

To execute on a key element of the instruction from G20 Leaders, members of the Global Forum provided recommendations to reduce excess capacity and enhance market function in the steel sector, including removing and refraining from market distorting subsidies and other types of support measures that contribute to excess capacity. Over the course of 2017 the Global Forum developed a list of such measures, in cases in which they distort competition and contribute to excess capacity.

The list is available in a public report adopted by Global Forum ministers in November 2017.

The list of measures identified by the Global Forum is broad. It is intended to capture the myriad ways in which governments can fuel excess capacity by distorting competition. In putting forward this list, the Global Forum emphasized that the identified measures should be removed irrespective of the vehicle through which they are delivered, whether they are provided directly or indirectly, whether they are provided by governments or government-related entities, and whether or not the measures are subject to WTO agreements.

The measures identified by the Global Forum include:

- Preferential financing inconsistent with market-based conditions, including debt forgiveness, guarantees, and policy loans inconsistent with market consideration, whether through bank lending, the bond market, asset sales to government, or other channels;
- Equity infusions and conversions (including debt-for-equity swaps) inconsistent with market-based conditions;
- Grants, awards and cost refunds;
- Tax exemptions, reductions, and credits;
- The assumption of liabilities, fees, or other charges by governments or government-related entities, inconsistent with market considerations;
- The provision of goods and services by a government for less than adequate remuneration, as well as the provision of input support preferentially or at non-market rates, including with respect to land, energy, raw materials, utilities, and services; and
- Distortive discretionary policy measures or non-application of market based policy measures, such as export subsidies, tax rebates, restrictions to inward investment or support to outward investment, misappropriation of intellectual property, mergers and acquisitions at non-market conditions, and lax enforcement of regulations.

Bringing greater transparency to these and other government measures that potentially contribute to excess capacity is a core objective of the Global Forum. To fulfill this objective, Forum members established an information-sharing mechanism through which they submit and regularly update information about subsidies and other support measures implicating the steel sector.

Unfortunately, the work of the Forum to date has been hindered because not all members provide timely and comprehensive information about measures affecting the steel sector. China, for example, disclosed only environmental- and worker adjustment-related assistance, and that too without providing information on specific legal measures and program authorities. This hindrance has been addressed to some extent through a question-and-answer mechanism within which members are able to pose questions to one another about support measures affecting the steel sector, including measures not volunteered by a member.

Beyond the exchange of information, an important part of the Global Forum's work is to collectively review and analyze the measures identified for each member, to assess the alignment of those measures with policy principles agreed by the Forum. The rich exchanges that characterize these discussions are a central component of the Forum's work. The exchanges are results driven – they seek to produce conclusions about the nature of the measures in question, based on which members are encouraged to take voluntary commitments to reduce excess capacity.

A large majority of the Global Forum's members believes the principles and working methods established by the Forum make a valuable contribution to multilateral efforts to combat the problem of excess capacity and the support measures that cause it. The Forum's policy recommendations provide a framework for ensuring market-based outcomes in the steel sector, while its transparency and peer review functions allow for monitoring of members' adherence to these principles. It is a process that can serve as a model for addressing the excess capacity in sectors beyond steel.

Unfortunately, not all Global Forum members remain committed to the process. China, in particular, has elected not to continue its work in the Forum process beyond 2019. The departure from the Forum's work of the world's largest producer of steel – one with more steelmaking capacity than the rest of the world combined – is deeply regrettable.

The continuing problem of global excess capacity in steel and other industrial sectors can only be addressed with the cooperation of economies where these capacities are largest. For this reason, we hope China will rejoin the community of partners pursuing collective solutions to the problem.

In the meantime, the vast majority of the Global Forum members will carry forward the Forum's work on the current basis, following the principles, working methods, and large body of information the Forum has accumulated over the last three years. Members of the Global Forum will continue to update this Committee on the work of the Forum.

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