STEEL OVERCAPACITY AND THE GLOBAL TRADING SYSTEM

Sherzod Shadikhodjaev[*]

ABSTRACT

The steel sector is strategically important for supplying necessary inputs to many manufacturing industries in both domestic and overseas markets. Since the global financial crisis of 2008, steelmaking companies have been facing formidable challenges associated with "overcapacity" or "excess capacity," that is underutilization of their productive capacity. Overcapacity in steel—created and maintained by certain government interventions and low demand—have downward pricing effects across international markets, which has given rise to trade frictions. The persistent sluggish demand worldwide and the current extent and lasting repercussions of steel overcapacity make it urgent for the world community to find long-term policy solutions. As a result, the Global Forum on Steel Excess Capacity, established by the Group of Twenty in 2016, and the World Trade Organization have been discussing this matter in the context of state interference. This article examines recent trends in steel overcapacity as a global problem and related developments in China as the world's largest steelmaking country, as well as international policy agendas and the ways forward in addressing trade-related aspects of this issue.

[*] Professor, KDI School of Public Policy and Management, Republic of Korea. The author can be reached at: sherzod1@kdischool.ac.kr. Many thanks go to Ramon Torrent for his very useful comments on an earlier draft of this article.

KEYWORDS: *steel overcapacity, excess capacity, China, G20, GFSEC, WTO, transparency, subsidies, SCM Agreement, SOEs, trade remedies, WTO reform, CPTPP*