On the Founding of the OECD Steel Committee, and

Looking to the Future of International Cooperation for the Steel Sector

Remarks of

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My introduction to the international trade policy and diplomacy affecting steel was during the Ford Administration. I was Deputy General Counsel of the United States Office of the Special Trade Representative. In March,1976, I was directed to negotiate orderly marketing agreements (negotiated trade restrictions) with major foreign suppliers of specialty steel (alloy tool steel and stainless steel) to the United States market.

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The United States International Trade Commission, an independent agency operating under the authority of the Trade Act of 1974, had found, after a safeguard investigation, that imports were causing the serious injury to the domestic industry. President Gerald R. Ford determined to provide relief in the form of trade restrictions. After negotiations that I conducted in the spring of 1976, Japan agreed to restrict its exports to the US. My European counterparts, the European Economic Community (EEC) and Sweden, would not agree to restrict their exports to the United States, and quotas were duly imposed by the United States.

Domestic demand had fallen off in a recession; prior voluntary restraints had not reduced production abroad. There was excess capacity. Domestic production fell off faster than imports. In a capital-intensive industry, the economic pressures of an imbalance in supply over demand will cause export prices to decline towards marginal cost. The answer found was three years of trade restrictions.

Most of the world's steel production is of course, carbon steel, not specialty steels. While specialty steels had their economic problems, carbon steel production was in trouble as well. World economic growth stumbled due to the first oil shock, with the developed countries experiencing recessions mid-decade. Several forces operated simultaneously. According to the IMF:

- Oil prices roughly quadrupled, transferring income from importing to exporting countries.
- Governments had already tightened monetary and fiscal policy to control the inflation generated by the 1972–73 boom.
- Higher energy and raw-material costs reduced real household purchasing power and corporate profits.
- Businesses cut inventories and investment.
- Automobile, construction, machinery and steel demand fell sharply.
- The collapse was internationally synchronized, so countries could not rely on exports to offset weak domestic demand.

In the United States and the European Economic Community (EEC), core steel-consuming sectors—like heavy machinery manufacturing, commercial construction, and shipbuilding—experienced a significant drop in demand in early 1978. Apparent steel consumption in Western nations experienced a deep, structural downturn following the 1973 oil shock.

In an OECD-hosted Steel Symposium in early 1980, representatives of the key OECD economies recorded their experiences in the 1970s -- 16 per cent of all steelworkers in the Community, some 125,000, left the industry between 1974 and 1979; there was a 9.5 % reduction in steel workforce in Japan and 11.5% in the United States. Steelmaking capacity kept increasing in the EEC and Japan at a rapid rate, contributing to gross excess capacity.

In 1978 and 1979, the average excess steel capacity in Japan and Western Europe—the primary centers of global overcapacity at the time -- was approximately 80 million metric tons per year (equal to about 15% of total capacity in the non-Communist world). Record world steel production reached 746 million metric tons in 1979. The structural glut in industrialized regions created intense downward price pressure and export competition. Of 17 large European producers examined in one contemporary survey, only three showed a profit**.** (See also *Lessons from the steel crisis of the 1980s*, published in 2016,)

In 1977 the American industry faced a low rate of capacity utilization, weak earnings, plant closures and record imports — amounting to about 19.3 million tons. At the beginning of 1978, the United States instituted a trigger price mechanism (TPM) devised by a task force led by Treasury Undersecretary Anthony Solomon, with technical support from Treasury staff, effectively setting a price floor for US imports. Ordinary antidumping cases were slow and had to be initiated product by product. The TPM promised quicker, government-initiated monitoring while avoiding the more protectionist alternative of general quotas. US officials estimated the production cost of an efficient Japanese steelmaker. Japan was used because it was then regarded as the world's lowest-cost major producer. They added an allowance for profit—generally described as 8 percent. Freight, insurance, handling, customs duties and product-specific "extras" were added to calculate a landed U.S. trigger price. Importers reported their transaction prices to Customs. A shipment priced below the trigger could prompt Treasury to begin an antidumping investigation on its own initiative.

In the EEC, the Davignon Plan, a European Community program to address the severe crisis in the Western European steel industry during the 1970s and 1980s was adopted, named after Viscount Étienne ("Stevy") Davignon, the European Commissioner for Industry. It sought to: reduce excess steel-production capacity, coordinate plant closures and restructuring, provide financial assistance for modernization and displaced workers; stabilize prices through production limits and minimum-price rules, and protect the European market through import controls and agreements with foreign suppliers. It achieved some short-term stabilization: voluntary production limits and minimum-price rules slowed the collapse in steel prices, coordination among European producers reduced some of the most damaging competition, and import agreements which provided limited protection from outside suppliers. However, it did not solve the fundamental problem of excess capacity**:** production restrictions were voluntary and frequently ignored, governments continued subsidizing national steel companies to protect employment, few politically difficult plant closures occurred, demand remained weak, while productivity improvements further reduced the need for workers. Capacity, steel prices and company finances remained under pressure.

Japan's steel market was formally open but effectively closed in the late 1970s. Import penetration—the proportion of Japanese steel consumption supplied by imports was about 0.3% in 1977, rising to about 2.0% in 1979. By comparison, imports supplied roughly 12% of the European Community market and 15–18% of the American market in 1978–79.

This was the economic and political context in which the OECD Steel Committee was conceived and launched.

The OECD Steel Committee

The OECD Steel Committee was created on 26 October 1978. The minutes of the Committee meeting on 30 January 1979, state: "Following a proposal by the EEC Delegation, seconded by the Delegations of Canada and Japan, Mr. Wolff (United States) was elected

Chairman of the Steel Committee for an initial term of one year." Twenty OECD countries and the European Communities initially participated. Also invited to attend were Brazil, South Korea, Mexico, Argentina, Venezuela, and Nigeria.

Looking back at the record, the purpose of the committee was said to be very broad. In 2008, when the mandate of the Committee was being extended, the objectives of the Committee were described as follows in the official record of the OECD: "The Steel Committee was established with the main objective of ensuring that trade in steel remained as unrestricted and free of distortion as possible. The Committee also enabled governments to work closely together to address market crises and needed structural adjustments that would reduce trade frictions and promote an efficient allocation of productive resources." Participants accepted a set of initial commitments governing steel policy: to abstain from trade-distorting policies and domestic subsidies that shift the burden of structural crises onto other nations, to allow non-viable, marginal steel mills to close naturally under market pressures, to avoid destructive export credit competition (subsidizing the financing of steel exports), and to report trade-restrictive actions promptly to ensure full transparency.

Rather ambitious guidelines were adopted and added as an annex to the establishment of the Steel Committee, which can be summarized as follows: to work together to address excess capacity; to avoid destructive competition in official support of export credit; to refrain from domestic policies to sustain steel firms during crisis periods that shift the burden of adjustment to other countries; to provide effective programs to assist steelworkers to find alternative employment; and to report promptly any action to restrict trade in steel-making materials.

From the OECD record: "The Multilateral Guidelines are part of the Annex to the Decision establishing a Steel Committee, which was adopted on 26 October 1978. They are included as "commitments" of Members and Associates of the Steel Committee in the mandate of the Steel Committee. The Guidelines aim to facilitate needed structural adjustment in the steel sector that reduces pressure for trade actions and promotes rational allocation of productive resources."

In my view, what the founders saw as possible in 1978-79 and what they mainly hoped to achieve was first and foremost a major increase in transparency, so that governments and industry, taxpayers and investors, would have a clearer picture of measures in place and of capacity and demand, so that investment decisions could be made with more complete information, and it was hoped, and participants would act more intelligently, understanding the likely consequences cumulatively of investment decisions unmatched by likely demand. *OECD Paris Symposium, 27–28 February 1980*

A clear picture of the world of steel trade and investment that existed in 1979 and was lived by the founders of the Steel Committee is available in a volume entitled *Steel in the 80s* produced as a result of an OECD Paris Symposium, 27–28 February 1980. What was becoming very clear to me, and many of my contemporaries in the Steel Committee, was that while attempts would be made to utilize trade remedies to manage the symptoms of excess capacity, trade remedies could not resolve its structural causes. Without industrial restructuring and renewal of the capital stock, governments would be condemned to recurring trade disputes throughout the 1980s, and this is in fact what took place.

The current OECD staff looking back at the 1980 steel symposium summed up the central issues seen at that time roughly as follows: The steel industry had been built around the expectation that the rapid post-war expansion of steel consumption would continue. Instead, between 1973 and 1978 steel demand declined by 2.9%, whereas before the oil crisis it had been growing by only around 5.5% annually. Participants expected perhaps 2.5% annual growth in industrialized countries during the 1980s, meaning that the prior growth trajectory should not have been expected to return. The macroeconomic foundation was not encouraging. OECD GDP growth averaged only 2.7% during 1973–79, compared with 4.7% during 1963–73, while inflation accelerated sharply. The second oil shock in 1979 pointed toward another period of sluggish growth and high inflation.

One can recognize in the problems of the steel industry today some parallels from the period of the latter years of the 1970s. In that earlier period, OECD economists estimated excess

effective capacity at 80 million tons, or 16% of effective capacity. Effective capacity rose from roughly 410 Mt in 1970 to 513 Mt in 1978, while crude steel production remained substantially lower. The problem was therefore not merely weak demand. The industry's productive structure had been designed for a different growth environment.

I remember visiting the headquarters of US Steel in Pittsburgh in 1980 and discussing the basic situation facing the company and industry with company executives in charge of planning investment. US Steel was the largest US producer, second only to Nippon Steel globally, at that time. (U.S. Steel at the time produced approximately 21.1 million metric tons of crude steel**,** compared with 32.9 million tons for Nippon Steel. The next-largest producer was Japan's NKK, at about 14.0 million tons.). What I was told was that the US integrated producers could not raise capital, debt or equity as low profitability inhibited the obtaining of the financial resources needed for modernization necessary if competitiveness was to be maintained. Capital expenditure had been falling rapidly since 1977. The American steel industry estimated that modernization would require roughly $7 billion annually of capital investment, around twice the prevailing level. High interest rates, sometimes 17–18%, combined with weak profits, made such investment especially difficult. Japan, meanwhile, was continuing technological upgrading, including greater use of continuous casting and adopting measures to reduce oil consumption for running blast furnaces.

I told the Steel Symposium in 1980 that *"What is needed is restructuring of the industry. Without restructuring, without renewal of our capital stock, we are condemned to trade-action after trade-action for the next decade."* I pointed to a negative cycle: Structural excess capacity leads to weak profitability which in turn leads to insufficient investment, which can adversely affect competitiveness, and result in an increasing need for trade remedies. Trade action operates towards the end of that chain. It therefore cannot remove the underlying cause.

From my time in government, at Treasury and then USTR (then called Office of the Special Representative for Trade Negotiations, or "STR"), I had a reasonably clear idea of the role of industrial policy in fostering national industries. I supported the OECD consensus view of the need for positive adjustment policies. This meant that restructuring was needed. This

would include modernization and scrapping obsolete capacity. Politically induced capacity expansion and retention would not be solved by trade measures. Those were palliatives. Societal needs had to be met, but optimally not with endless rounds of protection. Sector-specific initiatives would be needed. The Steel Committee and national governments was to look to causes of trade problems and address them.

I did not in 1980 look to demand from developing country markets as a solution to the failure to adjust among developed countries. I had no expectation that rapidly industrializing developing countries would absorb OECD excess steel indefinitely. Developing economies had become important steel consumers and producers. Their share of global production was approaching 13%, while their steel imports had increased from approximately 15 Mt in 1967 to 35 Mt in 1977. I told the 1980 Symposium *"We cannot rely on high net imports by the developing countries because of their enormous and growing debt."* Those countries were simultaneously developing their own steel industries, while their ability to finance large imports was constrained by indebtedness. OECD producers could not export their way out of structural overcapacity. What I could not foresee in 1979 is that later in private law practice, I would be heavily involved in steel trade litigation[2] on behalf of US domestic producers of carbon flat rolled steel from 1982 through early 2004.[3]

Current challenges for the steel sector - GFSEC

[2] . I was joined in joint representation of these interests in steel litigation in late 1985 by Robert Lighthizer, who had negotiated voluntary restraint agreements in 1984-85 and similar steel arrangements (about 20 of them) when Lighthizer was Deputy USTR (1983 -85).

[3] An AI search describes my attendance at OECD Steel Committee events during this period as follows: Wolff regularly attended semi-annual OECD Steel Committee sessions in Paris as part of the U.S. industry advisory delegation. During the late 1980s and early 1990s, these sessions focused on negotiating a Multilateral Steel Agreement to discipline global steel subsidies and capacity. Wolff's most prominent private-sector appearances at the OECD occurred between September 2001 and 2003. Alongside the Bush administration's Section 201 safeguard investigation, the U.S. launched intensive high-level talks at the OECD Steel Committee in Paris to negotiate global capacity reductions and stricter subsidy rules. Wolff attended these sessions representing major domestic steel producers to advise U.S. negotiators on excess capacity cuts and anti-subsidy disciplines. Following the liquidation of Bethlehem Steel at the end of 2003 and the conclusion of the Section 201 safeguard measures in December 2003, Wolff's direct representation of legacy integrated steelmakers—and his attendance at OECD Steel Committee meetings on their behalf—concluded in 2004. *(Note: Because the OECD Steel Committee is an intergovernmental body, private lawyers and company executives attend as accredited members of national industry advisory delegations rather than formal committee members.)*

The need for the OECD Steel Committee was clear from its inception. It is also obvious that international steel industrial policy and trade issues remain of serious concern today, nearly fifty years later. With steel production about two and a half times as great as it was in 1978, excess capacity has remained proportionately roughly about the same (25% vs. 28.8%) compared to total capacity. What has changed: the location of where steel is produced is radically different today as compared with a 48 years ago.

In 1978, overcapacity was concentrated in the established industries of the European Community, United States and Japan. It resulted primarily from mills built during the postwar boom, followed by the abrupt demand slowdown after 1974. The problem today is still global but centered increasingly outside the OECD. China's weaker domestic demand and record exports are central, while new capacity continues to be built in India, Southeast Asia and the Middle East—often with government support.

In 2016, due to persistent global overcapacity, steel producing countries created the Global Forum on Steel Excess Capacity (GFSEC) to be an action-oriented organization functioning in large part to formulate a pro-active agenda based on the foundation of the Steel Committee's analytical work. The historical significance may prove to be considerable. The 1980 symposium was already confronting the same basic policy triangle: *Excess capacity → depressed prices and profitability → trade tensions*. What was being discussed at the 1980 Steel Symposium, were two possible responses: protection of markets, or removal and restructuring uncompetitive capacity while modernizing viable production. Political and economic reality required employment of both of these approaches. The same is true today.

In 1980, at the Symposium, I warned that failure to restructure would produce "trade-action after trade-action". This proved to be the case in the subsequent four decades, characterized by heavy and unavoidable use, of anti-dumping, countervailing measures, safeguards and other steel trade interventions. They were made necessary given the absence of sufficient restructuring. In 1988, my colleagues at the law firm Dewey Ballantine surveyed the problem of government interventions in steel leading to recurrent structural crises, and produced a study entitled Steel

and the State. When the book was written, the world in 1988 was still much the way it had been when the Steel Committee was inaugurated a decade earlier. (I would highly recommend that the OECD or others produced a similar comprehensive update of that volume to promote public understanding of the problems facing world steel trade today.) In 1988, China produced over 60 million tons of steel, accounting for approximately 7% to 8% of global crude steel production. However, China was climbing into the top tier of global producers (competing for the 4th and 5th positions globally with West Germany). The six largest developing countries (Brazil, South Korea, India, Taiwan, Mexico and South Africa) accounted for 13.2%. Today, China stands as 52% of global steel production, and the six largest developing countries in terms of steel production together account for 15.8% of global production. Global excess capacity is forecast in the OECD Global Steel Outlook to be 28.8% of steel-making capacity in 2028.

In 1980, the discussion was largely about adjustment within mature OECD steel industries, alongside the emergence of Japan and newly industrializing economies. Today's excess-capacity debate is much more strongly shaped by very large capacity additions outside the OECD, with extensive government support, intervention by state-owned enterprises and persistent cross-border spillovers. The 1980 framework nonetheless contains the intellectual roots of the contemporary OECD and GFSEC proposition that trade measures alone cannot resolve excess capacity because excess capacity is fundamentally a structural problem.

The absence of China and other major producers from any forum makes the resort to the default to trade restrictive measures far more likely. The Milwaukee Declaration of GFSEC Ministers adopted on 30 September 2026 calls for numerous concrete actions and notes that: "GFSEC Members further recognize that the use of non-market policies and practices primarily by non-GFSEC Members has created structural issues in the steel sector. Based on the studies and analysis under this Framework and by the GFSEC Facilitator and the OECD Secretariat, Members will determine whether there are additional actions that can be developed to address the sources and root causes of excess capacity and their impacts on Members' steel industries and workers." . One part of the long-term solution that could be considered is an agreement on subsidies disciplines. This is in line with the Milwaukee Declaration's Comprehensive Framework for Joint Action which includes parallel efforts, the first of which is to: "1. Reduce

and eliminate market-distorting subsidies and other support measures by government or government-related entities that contribute to persistent global excess capacity in the steel sector, while recognizing that time-limited restructuring or industrial transition support may be appropriate where it avoids net capacity expansion and enables long-term commercial viability."

At the September 2002 OECD meeting, now over two decades ago, the United States proposed a four-part plan to eliminate the market distortions that give rise to excess steel capacity: Prohibit all subsides to the steel industry—except for subsidies intended to facilitate the closing of steel capacity (i.e. health and pension legacy costs, plus environmental legacy costs); Abolish all market access barriers—except safeguards and AD/CVD duties; Enforce domestic laws that combat anticompetitive practices; and Strictly limit new preferential financing to the steel sector, such as multilateral loans and export credits.

A Subsidies Code for Steel

A starting point for an international negotiation leading to an agreement to discipline steel subsidies should be to inventory assets. Of these, the two most relevant and should be called upon to support the effort are the OECD and WTO Secretariats. The former has a long and deep history involved in examining the steel sector and its challenges and the latter has extensive experience with negotiating disciplines over subsidies. This collaboration would not be in service of an existing negotiation at the WTO. That would be premature. WTO reform efforts have not resulted in serious engagement on an agreed agenda.

Within the context of WTO reform, the subject matter of subsidies falls primarily under somewhat broad heading of discussions about creating a "level playing field". However, there is no consensus on an actual renegotiation or formal rewriting of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement). There is no active advanced negotiation on subsidies at the WTO which interested joint GFSEC/WTO members could join. A 2020 picture of where matters stand is not far out of date. (See, for example, Reforming WTO Subsidy Rules: Past Experiences and Prospects Siqi LI & Xinquan TU, Journal of World Trade Law. (2020); and Jennifer Hillman and Inu Manak in Foreign Affairs published in 2023 entitled

Rethinking International Rules on Subsidies, which Inu Manak carried further at the WTO Public Forum this last September. An older source, but of continuing value is *Steel: Big Problems, Better Solutions* Gary Clyde Hufbauer and Ben Goodrich, both of PIIE, Policy Brief 01-9, July 2001. Negotiations on a revision of the WTO subsidies agreement would involve various conflicting interests: those who want to see improved disciplines on subsidies, those who stress having improved disciplines on measures taken in response to subsidies, and the positions of developing countries. These issues have not been resolved.

While the questions involved in obtaining rules on subsidies are not confined to the steel sector, waiting for an opportunity to pursue solutions for generic questions that have been identified, such as the need to increase transparency, with improvements made in subsidy notification requirements, or resolving the outstanding question on when the grantor of a subsidy is a public body, would be of uncertain value to solving pressing current problems experience in a particular industrial sector such as steel, as the need for action is in the near term. For this reason, I suggest that an attempt at finding solutions be first addressed on a sectoral basis, to narrow the focus initially to steel. Where broader solutions are applicable to trade in general, the disciplines can be adopted more generally, even on a multilateral (all WTO member) basis. GFSEC participants and other major steel producing nations will have to decide whether there is sufficient interest among steel producers to attempt to formulate subsidy disciplines for the steel sector.

For an example of how an industrial sector approach was taken to making improvements in subsidies disciplines on a sectoral basis, consider the efforts of the world semiconductor industry. This negotiation was undertaken by the industry itself and endorsed by their governments. The World Semiconductor Council (WSC) consists of six regional semiconductor associations meeting at the CEO and senior executive levels. Their counterpart is the Government and Authorities Meeting on Semiconductors (GAMS). The participating industry associations and officials are drawn from six semiconductor producing regions – China, Chinese Taipei (Taiwan), South Korea, Japan, the European Union and United States.

These economies account for almost all semiconductor trade, meeting at both the level of officials and industry executives, separately and at time together, devised an approach that could be considered for steel. See the 2022 paper I presented to official representatives of China, Taiwan, South Korea, Japan, the European Union and the United States, on *International Cooperation in the Semiconductor Sector During a Period of Intensified Official Support.* In that paper I reviewed the WTO rules on subsidies, particularly on the attempt to achieve transparency through member notifications. All six economies officials agreed to strengthen obligations to notify in order to obtain greater transparency. The "expectation" of the six participants was that, upon request, participating members would provide detailed information to GAMS (the Government and Authorities Meeting on Semiconductors, the equivalent to GFSEC) on a subsidy being questioned. It was stipulated that the response to a request was include information on "the form of the assistance or equity capital provided under the policy or program, grant or loan; names of the agencies or entities providing the assistance or equity capital; details on current recipients and eligibility criteria; the legal basis and policy objective of the policy or program providing the assistance or equity capital; the current and planned size of the program and its duration; the amount of loans, if any, indicating costs to the borrower; prices for goods supplied, if any; the amount of equity capital invested, if any and a description of the nature, circumstances and justification for the investment; and any exemptions from law provided for recipients".

The semiconductor agreement on government support also envisaged a non-actionable set of categories. That part of this approach can also be adapted for inclusion in a steel subsidies agreement, permitting subsidies that support transfer labor and mills out of the industry if a national industry is being downsized to reduce the excess capacity overhanging the market.

There are other sources of ideas for additional subsidy disciplines. The trade ministers of the United States, Japan and the European Union made some progress toward subsidies disciplines in 2020. They agreed that "new types of unconditionally prohibited subsidies needed to be added to the WTO Agreement on Subsidies and Countervailing measures:

a. unlimited guarantees;

b. subsidies to an insolvent or ailing enterprise in the absence of a credible restructuring plan;

c. subsidies to enterprises unable to obtain long-term financing or investment from independent commercial sources operating in sectors or industries in overcapacity;

d. certain direct forgiveness of debt."

Also discussed was considering a reversal of the burden of proof on the harmful effects of subsidies that create massive excess capacity. The three also addressed subsidies delivered to and through state-owned enterprises (the "public body" issue) and deal with forced technology transfer. The trilateral discussion was never concluded, but some of the ideas the three considered should be reviewed in the context of efforts to draft a Steel Subsidies Agreement.

A distinct asset in preparations for any negotiation will be the OECD MAGIC database (Manufacturing Groups and Industrial Corporations), which serves as the primary analytical foundation for recent OECD studies detailing how government interventions distort global industrial markets. Specifically applied to the global steel industry, the OECD's econometric tracking across a core sample of 47 major international steel groups (spanning 2005–2024) reveals a severe, structural divergence in global industrial policy trade practices. The primary conclusion from the OECD Industrial Subsidies Portal is that subsidies underlie massive structural overcapacity and actively undercut unsubsidized competitors**.** Steel is fourth on the OECD MAGIC list of the most heavily subsidized industries, coming after photovoltaic cells, semiconductors and aluminum. The prevalent form of subsidy for steel is shown in this database as being attributed to below market borrowing.

The Swiss-based Global Trade Alert reported in July that "subsidy use has increased consistently as a share of all steel measures. Subsidy programmes stood at just 7% of all steel measures in 2017–2021, rose to 27% on average in 2022–2025, and reached 40% in the first half of 2026. China is the largest single source, at 13%. Its support is heavily provincial and usually embedded in larger programmes: Jiangxi Province recently unveiled a USD 294.4 million Chuangzhi Future Science and Technology Innovation Industry Guiding Fund, and Xiamen a USD 147 million Xiamen Guosheng Industrial Chain Innovation Fund. Other jurisdictions are

joining. Türkiye, South Korea, Brazil and the United Arab Emirates have all unveiled public financial support reaching steel."

A likely objective of any steel sectoral agreement to monitor and regulate subsidies will be obtaining transparency. While the WTO Subsidies Agreement calls on members to notify their subsidies, the record shows deteriorating compliance. Last year, 73 members had submitted their 2025 new and full subsidy notifications, due on 30 June 2025, while 93 had yet to do so. The Chair highlighted the longer-term decline in the overall submission rate, including "nil" notifications, from 77% for the 1995 notification cycle to 44% for 2025.
Incentives, positive and negative, can be designed to induce compliance with notification requirements.

Conclusion

The Steel Committee enabled governments to consult with each other as they each worked to address market crises and needed structural adjustments. Doing so, it was felt at the inception would reduce trade frictions and promote an efficient allocation of productive resources. The Committee notes that "considerable progress has been made to open steel markets and to enhance transparency, but governments still need to work closely with each other to address remaining trade distortions and other barriers that affect markets." A next step could be to rein in subsidies on a steel sector basis, while provisional safeguard measures may be needed while subsidies disciplines are devised and are applied. It would not be easy to achieve a Steel Subsidies Agreement, but I think it would be worthwhile to attempt to do so. And one can never rule out finding mutual interests that allow subsidy disciplines to be agreed.

ANNEX

A Curated AI view of the OECD Steel Committee

Long-Term Impact & Reflection

Though the initiative brought nations to the table, Wolff has noted in retrospective analyses that transparency alone did not cure global market distortions. While the source of excess capacity shifted over the subsequent decades (notably towards China and later India), the structural challenges of government-subsidized overproduction remained a persistent bottleneck in international trade policy.

In 1979—its first full year of operations following its creation in late 1978—the OECD Steel Committee focused on executing the "Multilateral Guidelines" to combat a severe international market crisis marked by global overcapacity and rising trade friction.

The committee carried out several specific operational and policy actions during 1979:

1. Implementation of the Multilateral Guidelines
The committee began holding member nations accountable to a newly adopted framework aimed at **facilitating structural adjustment** within the steel industry. Governments committed to avoiding policies that would artificially prolong the life of inefficient, obsolete steel mills, agreeing instead to let market forces encourage necessary downsizing.

2. Initiating Global Supply and Capacity Monitoring
To address massive oversupply, the committee established an information-sharing program to **monitor capacity developments and government policies**. Member nations (including the U.S., Japan, and European countries) began submitting data on their domestic steelmaking infrastructure, raw material markets, and plant investment pipelines. The goal was to provide transparency so countries would stop building competing, subsidized mills that the global market could not support.

3. Mitigating Trade Disputes and Protectionism
A primary function in 1979 was acting as a diplomatic pressure valve. As the U.S. and Europe faced an influx of cheap steel imports, domestic industries lobbied heavily for aggressive tariffs. The committee worked to ensure that any necessary national trade restrictions remained **strictly limited in scope and duration** to prevent a full-scale international trade war among allies.

4. Reviewing Subsidies and Price Distortions
The committee provided a unique venue to scrutinize state aid. During 1979, the committee held critical dialogues evaluating how government-backed financing,

Whether the committee had "success" depends on how it is measured: It was a major diplomatic success for preventing a Western trade war, but a long-term failure at stopping global steel overcapacity.

The committee proved that international dialogue could manage immediate political crises, but it could not rewrite the economic reality of state-subsidized industries.

Where the Committee Succeeded

- **Prevented a Transatlantic Trade War:** In 1979, the U.S. domestic steel industry was furious about subsidized European steel flooding the market. The committee acted as a critical diplomatic shock absorber, preventing the U.S. and the European Community from entering a spiral of retaliatory tariffs that could have fractured Western economic alliances during the Cold War.

- **Established Unprecedented Transparency:** For the first time, major industrial powers agreed to open their books regarding industrial strategy. The committee successfully created a standardized system for reporting national steel capacities, investment pipelines, and closures.

- **Laid the Groundwork for Eventual Privatization:** The constant peer pressure and transparency within the OECD venue eventually forced European governments to realize that subsidizing obsolete state-run mills was unsustainable. This pressure contributed directly to the massive restructuring and privatization of European steel (such as British Steel) in the 1980s.

The establishment of the OECD Steel Committee in late 1978 was highly controversial. While it is remembered as a diplomatic breakthrough, its creation sparked fierce debates across international borders, within governments, and between economic ideologies. The primary friction points that made its founding contentious included:

1. The Clash of Economic Ideologies (Free Market vs. Protectionism)
The late 1970s was a period of intense intellectual debate over trade. Free-market economists vehemently opposed government intervention in the steel market.

Economists like **Milton Friedman openly criticized the push for steel interventions in 1978**. Friedman argued that if foreign governments wanted to subsidize steel and sell it cheaply to American consumers, the U.S. should view it as "foreign aid" rather than a threat.

- Proponents of the committee countered that foreign state subsidies (especially in Europe) had completely broken the free-market model, making multilateral intervention the only way to save domestic industries from collapse.

2. European Resistance to "American Overreach"

The United States aggressively pushed for the committee's creation. However, European nations—already operating under the European Coal and Steel Community (ECSC)—viewed the American proposal with deep suspicion.

- **Fear of Sovereignty Loss:** Many European governments were heavily subsidizing or actively nationalizing their steel plants (such as British Steel) to prevent catastrophic job losses and social unrest.

- They worried the U.S. would use an OECD committee to pry into their domestic industrial policies, micromanage their subsidies, or force them to shut down mills prematurely to protect American profit margins.

3. Accusations of Creating an "International Cartel"

Critics from third-party nations and consumer industries worried that a formal committee of the world's largest steel-producing governments would morph into a cartel. There was significant anxiety that the committee would try to artificially fix global steel prices, mandate production quotas, or divide market shares among the U.S., Europe, and Japan—effectively punishing smaller or developing steel-producing nations outside the OECD.

4. Domestic Political Battles in the U.S.

Even within the United States, the committee's creation was controversial.

- **The Steel Industry:** U.S. steel manufacturers and labor unions were impatient with international diplomacy. They wanted immediate, aggressive protection—such as heavy unilateral import tariffs or strict quotas. They viewed the creation of an OECD committee as a stalling tactic by the Carter Administration to avoid taking tough domestic action against foreign trade partners.

- **The State Department vs. Trade Officials:** Within the U.S. government, there was a rift. State Department diplomats feared that pressing too hard on foreign steel subsidies would damage critical Cold War alliances with Japan and Western Europe.

The Committee was successful but chiefly as an information, transparency, and coordination body, not as an effective regulator of the global steel market.

- It created a continuing forum for governments, industry, and labor during successive steel crises.
- It developed unusually comprehensive data on capacity, production, demand, trade, subsidies, and government ownership.
- Its monitoring has exposed nonmarket practices that individual governments often do not report transparently.
- Its research has demonstrated empirically that subsidies preserve inefficient capacity, increase recipients' market shares, and injure unsubsidized competitors.
- It supplied the analytical and administrative foundation for the separate Global Forum on Steel Excess Capacity**.**
- It has kept excess capacity and subsidy disciplines on the international agenda when other institutions, particularly the WTO, have struggled to address them.

Its record is much weaker when measured by actual market correction:

- Global excess capacity remains enormous and has grown again.
- Governments continue to subsidize new or uneconomic capacity.
- The Committee's guidelines are not binding, and it cannot compel disclosure, capacity reductions, or subsidy withdrawal.
- Major producers can resist scrutiny or remain outside an effective consensus.
- Attempts associated with the OECD process to negotiate a binding multilateral steel-subsidies agreement ultimately failed.
- Trade restrictions have often redirected subsidized steel to other markets rather than eliminating the underlying distortion.

The latest OECD findings illustrate both sides. The Committee's work revealed that the median Chinese steel company received subsidies relative to assets approximately 15 times gre**ater** than comparable OECD firms in 2024. But the persistence—and increase—of that subsidization also demonstrates that transparency has not produced adequate discipline. OECD Steel Outlook 2026

AI assessment:

The Committee has been highly valuable diagnostically and moderately valuable diplomatically, but only marginally successful in changing the conduct responsible for global excess capacity.

That does not make it irrelevant. Without its data and common analytical framework, governments would have a weaker basis for identifying subsidies, coordinating responses, or negotiating stronger rules. But it should not be mistaken for an enforcement institution: it can document the disease and organize the consultation; it generally cannot administer the cure.

In terms of sheer volume and structural complexity, the global steel overcapacity crisis is significantly worse today than it was during the 1978 crisis. While the late 1970s saw catastrophic job losses and structural collapses concentrated in traditional Western manufacturing hubs (like the US and UK), the modern market faces a massive, deeply entrenched global supply-and-demand mismatch.

The primary structural differences between 1978 and today highlight why the current crisis is far more severe:

1. The Scale of Excess Capacity is Gigantic

- **In 1978:** The global crisis was sparked by a post-WWII overexpansion colliding with the 1970s oil shocks, which suddenly halted demand. The resulting surplus was measured in tens of millions of metric tons and was mostly isolated to Western Europe and North America.

- **Today:** According to the OECD Steel Outlook reports, global excess steelmaking capacity has ballooned to 640 million metric tons. It is projected to climb to an alarming 745 million metric tons by 2028. This modern surplus *alone* is roughly eight times the size of the entire U.S. steel market.

2. Market and Demand Dynamics Have Flipped

- In 1978: Market correction was painful but achievable because aging, non-competitive Western mills eventually closed down or downsized under market pressures.

- Today: Global steel demand has contracted significantly, yet steelmaking capacity continues to expand regardless of demand. The surplus is heavily driven by China—where state-backed subsidies keep unprofitable mills operating—and is increasingly spreading via cross-border investments into Southeast Asia and India. In 2025, a massive wave of 131 million metric tons of Chinese exports was redirected abroad to offset collapsing domestic real estate demand, deeply depressing global profit margins.

3. Highly Complex Trade Circumvention

- **In 1978:** Trade friction was addressed through relatively straightforward domestic protectionist measures, tariffs, and import quotas.
- **Today:** Because major economies like the US and EU have steep tariffs on direct imports, state-subsidized steel is increasingly subject to **trade circumvention**. Subsidized semi-finished steel is routed through third-party countries (such as in Southeast Asia) for minor processing before being re-exported, making international trade laws and tariffs much more difficult to enforce.

4. The Double Burden: Decarbonization Mandate
Unlike the crisis of 1978, modern steel producers face an aggressive decarbonization mandate to transition to green, low-emission technologies. The OECD warns that persistent overcapacity keeps global steel prices so artificially low that market-oriented mills lack the capital and profit margins required to fund the billions needed for green technology investments.

To combat this worsening situation, nearly 30 countries met at the 2026 GFSEC Ministerial Meeting in Milwaukee to adopt a unified framework to counter non-market subsidies and strengthen trade remedies.

Scholars and trade policy officials will be called upon to assess whether the above AI assessments can be verified by a close examination of the record.

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