

## Alacero calls to the governments of the region to face the structural changes in the steel industry and its negative effects

Alacero - Santiago, Chile, May 21, 2018. The world steel industry is in a process of structural change unprecedented in its history and Latin American producer companies are being affected.

The steel industry is at a crossroads where, on the one hand overcapacity, particularly in China, continues being a risk for the stability of the market and the operation of companies and on the other, the application of protectionist countermeasures (US Section 232, EU and Turkish Safeguards) continues distorting the flows trade and causing a trade deviation that will seriously affect the regional market.

To face that high-risk scenario, Alacero calls to Latin American governments to work in a coordinated manner on preventive measures to avoid the region being affected and help to ensure that a level playing field and fair trade in the region's market are maintained.

### The Problems of the Steel Industry:

- The structure of the industry is being modified by a growing state capitalism, while Latin American companies operate under market conditions and without financial support from the governments.
- The existing overcapacity of steel, estimated by the OECD at 600 million tons, where China leads this excess, still has no solution and the problem is aggravated by announcements of new capacities to be installed.
- The main economies of the world are implementing measures to counteract the negative effects caused by the existing excess capacity.
- Among the main problems stand out unfair trade in steel (dumping and subsidies).
- However, the application of the trade defense instruments of the World Trade Organization (WTO) has not been sufficient.
- Faced with the limitations of these instruments, it begins to apply barriers that distort global steel trade (US Section 232, EU and Turkish Safeguards).
- These barriers will undoubtedly produce, what we call a trade deviation that will further affect the Latin American steel market.
- China and its state-owned enterprise continue to operate under non-market conditions.

### Regarding the Global Forum Overcapacity, Alacero requests:

- Implement the Hangzhou 2016 mandate that recognized the structural problem and its negative impact on workers and trade, as well as the need for a collective solution.
- Implemented effectively and immediately the strategy of the 6 principles agreed at the Ministerial Meeting in November 2017.
- The governments of the G20 ratify their political commitment to solve the crisis of the steel industry in the next Meeting of Leaders 2018 to be held in Argentina.

### **Alacero requests the governments of Latin America:**

- A coordinated action between governments and industry to address the problems faced by the global and regional steel industry.
- The joint defense in international forums where industry issues are discussed.
- In the short term, the application in real time of a customs monitoring system of imports and exports to avoid trade diversion.
- Strengthen the application of WTO trade defense instruments.
- Apply agile and efficient response mechanisms to the negative effects of excess production capacity.
- Develop a permanent monitoring system of the industry situation in the main countries and economic blocks.

### **About Alacero**

Alacero –the Latin American Steel Association– is the organization that brings together the Steel Value Chain of Latin America to promote the values of regional integration, technological innovation, corporate responsibility, excellence in human resources, safe working environments, and social and environmental sustainability. Founded in 1959, Alacero is formed by 49 companies in 12 countries of Latin America, whose production of about 70 million annual tons. Alacero is a Special Consulting Organization to the United Nations and is recognized as International Non-Government Organization by the Republic of Chile, host country of Alacero’s headquarters.