

Steel producers summit threatens stepped-up trade war against China

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Representatives of the world's leading steel producing nations have failed to agree on any measures to tackle the crisis in the industry.

A meeting Monday in Brussels was billed as a “High-Level Symposium on Excess Capacity and Structural Adjustment in the Steel Sector,” organised by the Belgian government and the Organisation for Economic Co-operation and Development (OECD). Instead of resolving tensions, it marked a further stepping up of an ongoing trade war.

Ministers and other high-level government officials in charge of steel-related industrial and trade policies from 34 countries attended, including the United States, China and India, which collectively produce 93 percent of global steel output. Alongside these were representatives from the European Union (EU), World Trade Organisation, the World Steel Association, and delegates from various private sector steel corporations.

The meeting was called in response to the massive global overcapacity in steel production. The OECD noted that global steelmaking capacity was 2.37 billion tonnes in 2015, but declining production meant only 67.5 percent of that was being used—down from 70.9 percent in 2014. New plants were set to add another 47 million metric tonnes by 2018.

China, which has gone from producing a few percent of the world's steel a few decades ago, produced half of all steel worldwide in 2015. It now has an overcapacity of 350 million tons, according to EU estimates. This is double the amount produced in one year in the entire EU. China's attempt to export some of its surplus has led to a collapse in steel prices of up to 40 percent. In March, China announced that 500,000 jobs would go in its steel industry, with capacity to be drastically reduced.

According to World Steel Association chairman

Wolfgang Eder, “The problem in Europe is that there is too much capacity” and the industry would probably have to be reduced by half in the next 15 years to survive. Given that 330,000 workers are employed at more than 500 sites throughout Europe, the scale of job losses entailed would be staggering.

The “overarching focus” of the Brussels meeting was “on promoting structural adjustment in the steel industry and reducing excess capacity by removing distortionary government policies and through industry restructuring.” It aimed to “agree on steps to reduce competition-distorting policies.”

Behind such phrases, the real agenda of the meeting was for the major imperialist powers to confront China, not an OECD member, with threats of escalating sanctions.

Belgian Deputy Prime Minister Kris Peeter, who chaired the meeting, acknowledged that “very frank” discussions took place. EU Trade Commissioner Cecilia Malmstrom said, “It's now life or death for many companies” as “the massive surge in steel imports from China is hitting Europe very hard and the price of steel in Europe has dropped by 40 percent in the last years.” Singling out China again, she said a “crucial problem here is of course the involvement of states and support, and not market needs, and this has created incentives to overproduce.”

Malmstrom warned that the EU has begun to impose a series of tariffs against China and was now “examining a few other Chinese issues as well and we might bring them further later this year.”

Following the meeting, US Secretary of Commerce Penny Pritzker and Trade Representative Michael Froman released a belligerent statement, warning: “Unless China starts to take timely and concrete actions to reduce its excess production and capacity in

industries including steel ... the fundamental structural problems in the industry will remain and affected governments—including the United States—will have no alternatives other than trade action to avoid harm to their domestic industries and workers.”

Li Xinchuang, the vice secretary general of the China Iron and Steel Association, was belligerent in his response, stating, “It is a totally pointless complaint from the US and it’s biased against China.”

Speaking to Reuters, Li said, “China’s steel industry is market-based and Chinese steel products have good quality, low price and good service. The complaint on government subsidies is also crap.”

Xinhua, China’s official state news agency, declared that assigning blame to the Chinese steel industry was “a lame and lazy excuse for protectionism. ... Blaming other countries is always an easy, sure-fire way for politicians to whip up a storm over domestic economic woes, but finger-pointing and protectionism are counterproductive.”

China’s assistant commerce minister, Zhang Ji, told reporters that China had cut 90 million tonnes of capacity and would reduce it by a further 100-150 million tonnes. Asked what steps the government would take following the unsuccessful talks, Commerce Ministry spokesman Shen Danyang told reporters Tuesday, “China has already done more than enough. What more do you want us to do?”

Even though any decisions reached at the meeting were to be nonbinding, nothing whatsoever could be agreed other than a “follow-up high-level discussion in September 2016.”

For decades, the trade unions in every country have played a central role in dividing steel workers and sabotaging all struggles, as they facilitated the loss of hundreds of thousands of jobs and attacks on wages, terms and conditions, and pension rights. Today they openly act as the nationalist cheerleaders for corporations and are the staunchest advocates of protectionism and trade war measures.

On February 15, Brussels witnessed the repulsive spectacle of steel unions and employers associations from 17 European countries holding a joint demonstration at the EU Commission to demand further trade war measures against China. Given their record it was fitting that trade union representatives were invited to speak at Monday’s meeting. The union

reps were asked to present reports in a session of the summit dealing with “structural adjustment challenges in the steel sector.” Their expertise was called on in a session aimed at “Drawing on the experiences that economies have had in restructuring their steel industries in the past ... and how these lessons could be applied to develop effective strategies for addressing the current crisis in the steel industry.”

The official report of the meeting said the trade union speakers “noted the importance of ensuring that all countries play by the same trade and social rules.”

The pro-capitalist unions will stop at nothing in defending the corporations.

The same day as the Brussels summit, the United Steel Workers union (USW) filed a case with US regulators to demand “four years of increased tariffs” on “a flood of foreign [aluminium] imports.” The USW said, “The majority of the aluminium currently flooding into the US market comes from Canada, the Middle East, Russia and Venezuela.” USW International President Leo W. Gerard said, “Aluminium is vital to our national and economic security, and this case will help us retain and begin to rebuild domestic production of primary unwrought aluminium.”

Aluminium, he continued, “is a vital product for our aircraft and weapon systems. It’s used in construction, manufacturing and in electrical transmission.”

China had to be confronted, insisted the USW, as the “significant imbalance between supply and demand in primary unwrought aluminium” was “principally caused by massive capacity additions in China that exceed growth in demand.”

Lining up with the Obama administration’s war drive against China, the statement warned, “Aluminium, steel, paper and many other USW-represented sectors have been the targets of unfair trade. ... This vital case draws a line in the sand. We will not cede primary unwrought aluminium production.”



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