The EU’s safeguard measures for steel

*On 1 July, the **adjustments to the EU safeguard measures** entered into force. The adjustments after the second review go to the maximum protection that is compatible with World Trade Organization rules. The changes under the second review take into account the special circumstances prevailing in the market after the COVID-19 crisis (see background for further details).*

*The **steel industry is nevertheless unhappy with the outcome of the second review** and it has been very vocal in expressing its dissatisfaction.*

*We have explained to them several times that we **could not** accept some of the adjustments they proposed, such as the reduction in quota volumes, elimination of carryover of unused quotas and reduction of liberalisation pace because they were **clearly illegal under WTO rules**. However, the approach taken by the Commission when shaping the adjustments under the second review, which focuses on the management of quotas, **will produce a very substantial further reduction of exports** of several million tonnes, notably from critical origins such as Turkey or Russia.*

***Several other ongoing actions in the trade field benefit the EU steel industry**. These range from the continued engagement in the Global Forum on Steel Excess Capacity/G20, to the development of new subsidy rules as part of WTO reform. They include dispute settlement (e.g. the request for consultations with Indonesia with respect to various measures restricting exports of certain input materials for the production of stainless steel), to the negotiation of provisions ensuring unrestricted supply of raw materials in our Free Trade Agreements or the market access efforts to remove barriers to EU exports.*

*All the new tools being developed (including the **enforcement regulation**, **International Procurement Instrument**, **investment screening**, the **white paper on subsidies** in the internal market) would also benefit the steel industry in one way or another. Trade policy will play an important role in all the above actions, but it cannot alone address issues it is not equipped to solve. Only the effective and timely activation of all relevant industrial and related policies can do so.*

Main messages

- The adjustments to the steel safeguards that came into force on 1 July were very ambitious and will be effective in response to the needs of the Union industry in these difficult times.
- In particular, via the quarterly administration of all quotas, the adjustments will be effective in **deterring the stockpiling behaviour of exporters** who may try to sell very high amounts of steel in the EU market in the very early phases of the recovery in an opportunistic manner.
- The Commission has also put in place a very effective adjustment for the most critical category (**category 1** – hot-rolled flat products). This adjustment will be of great help for the industry (and for Arcelor Mittal in particular).
- I know from your previous discussions with my Cabinet, and with DG TRADE, that you and several Member States had called for a more drastic approach.
- I can again reassure you that we **turned every possible stone**. However, accepting certain requests would have seriously **jeopardised the legality** of our measures. The measures must be WTO-compatible, that is a red line for us.

Use of Trade Defence Instruments to protect the EU steel sector

- We will continue to use the full toolbox of Trade Defence Instruments effectively (**the steel industry is by far the most protected industry in the EU**).
- The Commission has already started to deliver on the commitment vis-a-vis Member States to deliver timely and detailed import data, resulting from a very close monitoring exercise. **We have already shared the first report**. This is an important step which I trust Member States and the industry will find helpful. We will therefore monitor very closely what is happening in the market.
- As regards the situation of **worldwide over-capacity**, the EU is currently co-chairing the Global Forum on Steel Excess Capacity. Chinese State-sponsored excess capacity is the root cause of the current problems in the steel sector. The EU works for robust conclusions and recommendations by the Global Forum, which will be submitted to the G20 Leaders in November. The EU **appreciates the strong engagement of the industry** in the process.

Trade Policy will continue to be effective – but it is not the remedy for all issues

- **Several actions in the trade field already benefit the EU steel industry**. These range from the continued engagement in the Global Forum on Steel Excess Capacity and G20, the development of new subsidy rules as part of WTO reform, use of dispute settlement, our Free Trade Agreement negotiations and the market access efforts to remove barriers to EU exports.
- In addition, **new tools and initiatives in the making** will also benefit the steel industry in various ways (examples of such initiatives are improvement of the enforcement regulation, International Procurement Instrument, investment screening, and creating rules on foreign subsidies in the internal market).

Defensives

Will the Commission carry out another review before the end of the third year of measures?

- The Commission made clear its commitment to review the measures again if necessary.
- However, I have to be clear as far as expectations are concerned. The adjustments that just came into force were extremely ambitious within the existing legal framework. The **red lines that we could not cross in this review remain applicable**. Therefore, one cannot expect that by means of a new review, we could introduce a drastic set of new adjustments.
- This said, our objective is to ensure the effectiveness of the measures in line with legality and we therefore stand ready to review the measures **if there is a justification for it.**

Will the Commission consider extending the safeguard measures beyond their current expiry date, 30 June 2021?

- If a country imposes safeguard measures for a period beyond 3 years, the exporting countries affected would then be legally entitled to take retaliatory measures. The measures other WTO members could adopt against the EU would potentially affect billions of EU exports of a wide array of products (other than steel), including high added-value products, agricultural products (e.g. wine).
- Therefore extending the measures would come with **very high costs and spillover effect** to many other EU sectors that should pay for the protection of the steel industry.

Background

The Commission imposed definitive safeguard measures on 1 February 2019. The definitive measures took the form of a tariff-rate quotas (TRQs) for 26 product categories under which an additional duty of 25% applies only when imports exceed the level of traditional trade flows (average imports 2015-2017). Countries with an important economic interest can export under a country-specific quota corresponding to their actual historical imports, while others are subject to a residual (global) quota. The measures are in place for three years, i.e. until 30 June 2021. The Commission committed to reassess the measures each year of application and introduce appropriate adjustments.

On 29 May, the Commission notified the changes it intends to bring to the Steel safeguard measures. In the Safeguards Committee on 12 June, 20 Member States voted in favour (representing 93% of EU's population) and none opposed the proposal. The adjustments entered into force on 1 July 2020.

The basic adjustments that entered into force on 1 July consist of:

- move to a quarterly, rather than yearly management of all country-specific quotas; this adjustment, whilst preserving the total volumes per product category, will ensure a more stable flow of imports and minimise the risk of undue import surge during the remaining duration of the measures;
- introduce a country-specific quota administration in product category 1 (hot-rolled flat products);
- introduce a refined regime for the access to the residual quota of countries benefiting from country-specific quota. This adjustment will ring-fence, where appropriate, the use of the residual quota for the incumbent smaller exporting countries falling within this global section of the TRQs, and will minimise the risk that they are crowded out by those exporters enjoying country-specific quotas.
- update the list of developing countries excluded from the measures on the basis of the most recent stable statistical data: 2019 import statistics.

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