



EUNIRPA

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EUNIRPA - Position Paper

1. On 1 April 2020, EUROFER sent a letter to the President of the European Commission asking for a dramatic reinforcement of the current safeguard measures, including a reduction of the current quota levels by as much as 75% as well as crisis and security related import steel restrictions, in reaction to the economic effects of COVID-19. These requests are based on grounds that steel mills are “essential” to the economy.

2. EUROFER’s requests are regrettably nothing less than an extraordinary attempt to use the temporary economic downturn resulting from the current sanitary emergency situation in order to continue, undisturbed, its aggressive downstream integration strategy at the expense of the non-integrated EU downstream steel industry.

3. Apart from the fact that virtually all the major industry sectors wish to call themselves “essential”, it is critical to stress that within the steel sector itself, the downstream steel industry – and in particular the non-integrated processors – which collectively employ hundreds of thousands of people is a vital component to this sector. The non-integrated downstream industry constitutes a continued source of technology development and creates a tremendous amount of added value. It is therefore equally as essential to the EU economy as the group of steel mills represented by EUROFER and is equally as committed to pursuing a Green Deal on steel.

4. The non-integrated downstream steel industry is essentially composed of a myriad of small and medium sized enterprises which is being particularly affected by the current lockdown and is in a far more fragile position compared to the steel mills that mostly consist of large multinational companies with stronger means to mitigate financial and cash-flow hardship. In spite of the fact that a number of steel mills in the EU have had to stop production and/or deliveries within the EU due to the lockdown, a significant number of non-integrated processors are thankfully still able to continue to maintain their operations running because they can continue to source their raw materials at reasonable prices and in commercially viable ways from a variety of sources including outside the EU. Any attempt to further reduce the availability of imported feedstock would constitute a terrible blow to the non-integrated downstream industry. Many companies, most of which have already committed to large efforts in the wake of a cleaner environment, are at the brink of bankruptcy. Any additional restrictions on imports would lead to closures and the loss of tens of thousands of jobs.

5. EUROFER’s request to reduce the available quotas under the current safeguard measures by as much as 75% would amount, in practice, to a *near complete* elimination of imports and would lead to a virtual monopolization of the EU market against all the basic principles of free competition. Together with the additional request to neutralize carbon leakage costs, the EU steel mills are simply seeking to increase their integrated downstream operations. EUROFER is – rather shamefully – aiming to use the COVID-19 crisis as a new attempt to further weaken and ultimately eliminate the non-integrated steel industry without any consideration for the strategic importance of this industry for the economy in the EU.



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6. The effects of COVID-19 on the economy are going to be temporary and there are already tangible signs that the market will resume rapidly by the end of the second quarter of 2020. EUNIRPA urges the Commission to leave the current safeguard measures untouched for the time being and do whatever it takes to ensure that the non-integrated downstream steel industry, which is one of the driving forces of the pan-European network of small and medium size enterprises and a crucially strategic asset for the EU economy, remains competitive in this challenging environment. Any sudden change in current rules will simply add yet a new layer of legal uncertainty and create additional distortions on a market that is only now starting to digest the impact of the current sanitary crisis and is seeking to stabilize itself.

7. The Commission should not aim to solve the world-wide temporary downturn created by a sanitary crisis by bowing to protectionist pressures exercised by a small group of large and powerful steel producers. This would definitely be at odds with the Commission's continued efforts to maintain a legally sound multilateral approach to fair trade principles with its major trading partners and any decision in that direction could be met with retaliatory measures and potentially produce dramatic consequences on future exports of the steel industry as a whole.

Yours sincerely,

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