

## EU steel-imports revamp puts focus on bloc's market-intervention role

11/06/2020 – MLex

### In Brief

Strong criticism of the EU's proposal for adjustments to its steel import-control mechanism by both steelmakers and downstream users has put the bloc's constant struggle for a balanced approach to market intervention back in the spotlight. Both groups say the proposed adjustments don't address their needs amid the Covid-19 crisis.

On May 29, the European Commission announced a plan to overhaul the safeguard measures to take into account the economic crisis caused by the Covid-19 pandemic. The proposed changes have drawn strong criticism from the bloc's steelmakers and users — both groups say the proposed adjustments don't address their needs in the face of the crisis.

The curbs, originally introduced in 2018, are intended to protect the bloc's industry after the controversial 25 percent duty implemented by US President Donald Trump, targeting most of the world's steel imports into the country in the name of national security. The mechanism sets certain quota limits for duty-free imports of 26 product types above which the 25 percent duty is imposed.

The commission began an annual review of the safeguard measures in February — before Covid-19 hit Europe — to determine whether adjustments were needed. The changes, due to take effect on July 1, are intended to take into account the new market reality in the wake of the pandemic, including concerns about a surge in shipments to the bloc as national lockdowns around the globe are eased.

EU officials face a difficult task as they must carefully calibrate the adjustments to strike the right balance between domestic production and imports — a condition that EU steelmakers and users say is not met by the current proposal.

The plan proposes moving to a quarterly management of all country-specific quotas and tightening access to residual quotas by countries that have exhausted their specific allocations. It stops short of the duty-free quota cuts demanded by steelmakers.

— Demand slump —

The European Steel Association, known as Eurofer, and more than 30 CEOs of European mills have described the proposal as “unhelpful” and called for adjustments to address the post-pandemic changes on the bloc's market, including a 50 percent demand slump.

“We therefore urge the commission and member states to improve the proposal and turn it into a crisis-oriented review, effectively safeguarding the European steel industry,” the steelmakers said in a joint statement (see [here](#)).

They insisted that continued or restored steel production — as well as stockpiling in countries such as China, Indonesia, Russia, and Turkey — warrants a tightening of the import restrictions.

“The import quotas should be reduced considerably,” the steelmakers said.

They warned that leaving the duty-free quotas unchanged “could massively boost the market share of imports while a huge part of EU production capacity sits idle.”

“The imminent risk of cheap steel offers flooding the market would hamper our recovery and the survival of one of Europe's strategic industries,” the steelmakers argued.

## Press Clippings

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— 'Extravagantly protectionist measures' —

But European steel users, including Eunirpa, which represents non-integrated wire-rod processors, disagree with the steelmakers and accuse them of advocating “extravagantly protectionist measures.”

Eunirpa argues that the steelmakers’ demands “have no other purpose than bluntly seeking to shield the European market from all imports of steel products.”

“Eurofer’s position completely ignores the interests of the EU industrial users and distributors,” the organization said in an open letter to Eurofer dated June 10 and seen by MLex.

“EU industrial users need a continuous and uninterrupted flow of diversified sources of supply of steel ... both within the EU and through imports from third countries,” it added.

Eunirpa president Kris van Ginderdeuren told MLex that moving to the quarterly distribution of quota would quadruple the importers’ risk of being subject to 25 percent duty on excess imports.

“This will be like a casino for importers, who until the very last moment won’t know if their shipments can escape duties,” he said.

He expressed doubt that the quarterly distribution system is the right mechanism to avoid stockpiling or preventing duty-free quotas from being used up in just a few days.

Other steel-using industries echo Eunirpa’s criticism.

Clepa, an association representing European car-part makers, argues that the safeguard mechanism leads to additional sourcing costs and significant uncertainty.

In a short comment sent to MLex, Clepa said that a potential post-pandemic spike in demand for steel “would mean quotas would be exhausted and automotive suppliers therefore forced to pay additional duties and see a cost increase in already challenging times.”

“In a crisis like this, where disruptions take place at a global level, flexibility and cost control are key, and the safeguard mechanism has a negative impact on both,” Clepa said.

To enter into force, the commission’s proposal requires approval by at least 15 of the 27 EU governments. The vote has been scheduled for June 12.