

EC fails to consider real market situation in safeguards decision, steel users say

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European Commission's (EC) decision to extend steel safeguards for three years with a liberalisation rate of 3% annually has expectedly drawn criticism from steel users who rely on imports. They believe that the move was strictly politically motivated rather than driven by a market reality.

Different steel downstream operators are deeply concerned by the EC's recent proposal, as their access to import sources could be limited by the quotas until at least July 1, 2024. Associations, representing interests of steel processors, are exasperated by the fact that the EC has failed to take into account the current steel market situation, characterised by an extreme supply shortage, sky-high prices, and the expected steel consumption recovery. The decision was largely based on the fact that the US has kept in force its 25% tariff on steel imports from the US, sources say. The US and EU only plan to start talks regarding the tariffs by the end of the year, whereas participants earlier expected that measures will be lifted for the EU by December.

"Since the Section 232 from the US Department of Commerce is still enforced, and no other legal dispositions have changed in the trade law environment, the Commission considers that the same principles apply, and thus communicated to all parties last Friday," Eurometal commented the decision. "No considerations on market spot situation, or supplies have been considered so far."

EUNIRPA, the association of European non-integrated wire rod processors, regrets that the EC failed to consider "any slightest economic factor." It finds the decision especially irresponsible given the corrigendum to the EC's Friday extension notification in which the share of imports relative to EU's total production in 2020 was reduced from 20.3% (in June 11 notification) to 14.8% (in June 14 correction). "Despite the adjustment, and the substantial decrease in the volume of imports in absolute and relative terms, the EU is still proposing to extend the measures," Kris Van Ginderdeuren, EUNIRPA president and VMI Group Commercial Director told Metal Expert.

"Contrary to the UK which (although it is a brand new set-up of the trade defence instruments) has produced a remarkable document in which it has made a very detailed economic analysis of 130 pages for each one of the product categories. In contrast, the Commission merely produced a 6 page document," he added.

In its notification, the EC concluded that although the absolute level of imports decreased by 13% in 2019 and by 27% in 2020 when compared to 2018, the presence of imports in the market remained at high levels. "In the years prior to the imposition of a safeguard measure, the maximum share reached by imports was 11.8% in 2017," the EU said.

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Besides, EUNIRPA believes that the liberalisation rate of 3% is too low considering the expected demand recovery (+12% in 2021; +5% in 2022, according to Eurofer's forecast). "I think that a liberalisation of an absolute minimum 15% to 20% per year would be a correct step from the Commission and the politicians behind. Let us hope the Commission takes this liberalisation proposal serious," Van Ginderdeuren said.

Italian distributors association Assofermet also believes that the decision is protecting only steel producers in the EU, and ignoring the interests of steel users. "[The decision] arrives only 19 days before the expiry of the measures still in force, representing a temporal misalignment with respect to the long lead times of EU producers which in several cases even reach 5-6 months. Many importers have begun to conclude supply agreements with non-EU steel mills for arrivals in the second half of 2021 already in March 2021," it says in a note seen by Metal Expert.

Assofermet complains that steel processors, who are currently seeing an increased demand for steel processing and marketing amid the post-pandemic recovery, cannot fully benefit from the situation and are forced to "sacrifice part of their production capacity" because they are lacking steel feed.

Market participants down the supply chain are expected to continue to fight against the current regulation to protect the interests of steel users. Meantime, the EC's proposal is not yet a final decision to extend the measures, and EU member states must by June 18 decide on whether to approve it or not.