

Head of Unit
Relations with third countries for Trade
Defence matters
Rue de la Loi 170
B – 1049 Brussels, Belgium

28 June 2019

Subject: Review of the safeguard measures against imports of certain steel products

Dear Sir,

In view of the review of the safeguard measures against imports of certain steel products¹, Orgalim expresses its continued concern regarding these measures, imposed provisionally since July 2018², and definitively since January 2019³.

Orgalim questions the real impact of the US national security measures on steel in causing a significant diversion of trade towards the EU, in particular considering the US has given some countries⁴ better conditions to trade steel. Moreover, the import quotas provided for in the safeguard measures are insufficient and some of them⁵ have already been exhausted⁶. The main reasons for this are the good growth rate of the downstream steel users in the past years, together with the low level of quota assigned for certain steel products compared to the latest development.

Furthermore, there is also the need to import certain steel products, which are not produced by the European steel industry.

As a result, following the review of the safeguard measures, we ask that the safeguard measures are abolished, or that at least that the quotas are increased in order to meet the needs of steel

¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOC_2019_169_R_0008&from=EN

² Commission Implementing Regulation (EU) 2018/1013 of 17 July 2018 imposing provisional safeguard measures with regard to imports of certain steel products https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.181.01.0039.01.ENG&toc=OJ:L:2018:181:TOC

³ Commission Implementing Regulation (EU) 2019/159 of 31 January 2019 imposing definitive safeguard measures against imports of certain steel products <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0159>

⁴ For example: Canada, Mexico and South Korea

⁵ The quotas have already been exhausted, for example, for product category 4 (Metallic Coated Sheets).

⁶ The definitive safeguard measures foresee a mixed approach. First, a country specific tariff-rate quota should be allocated to countries having a significant supplying interest, based on their imports over the last 3 years. It is considered that countries with a share of more than 5 % of imports for the product category concerned have a significant supplying interest. A global tariff-rate quota ('the residual quota') based on the average of the remaining imports over the last three years should be allocated to all other supplying countries.

Orgalim represents Europe's technology industries: companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future. Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11 million people across Europe and generate an annual turnover of around €2,000 billion. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

users and avoid disruption of trade flows. The quantitative level of the tariff-rate quota, based on the average imports in the period 2015-2017 plus 5 %⁷, is already lower than the import volumes of 2017 and 2018, and it should rather be increased than put into question.

Such an increase of steel quotas is crucial to the competitiveness of the European technology industry as prices of European steel products have risen since July 2018, when the safeguard measures were imposed. This reflects decreased competition in the European steel sector, making it harder for downstream users to negotiate their contract prices. Moreover, some specific steel products, which are currently affected by the safeguard measures, are essential to meet the EU ambitious key targets for a greener and more energy-efficient economy.

Furthermore, given the close economic ties between the European Union and Switzerland, Switzerland should be exempted from the steel safeguard measures in the same way as the European Economic Area countries⁸.

An emerging challenge is that the EU's safeguard measures on steel disrupted supply chains and caused uncertainty for the downstream industry. Due to the risk of a safeguard duty of 25 %, large amounts of steel are currently stored in customs over Europe, waiting to be released when the new quotas take effect on 1 July 2019. Consequently, downstream users do not receive their steel products in time to meet orders. Moreover, as these speculative trade flows are likely to increase, there is a real risk that importers with high cash holding will try to hoard steel products.

In order to increase legal certainty and avoid speculation, we propose that companies are granted a share of the quota upon providing a confirmed order. Currently, quotas are allocated in chronological order upon clearing customs at the EU border. This creates uncertainty for importers due to the potentially long delivery time. In fact, if the quota is exhausted by the time a product goes through customs, the importer may have to pay an unexpected additional 25 % tariff.

We once again urge the European Commission to take into account the interest of the downstream steel users when making a decision on the annual review of the steel safeguard measures. The current union interest analysis insufficiently addresses the economic impact for many end-user industries. The competitiveness of European manufacturing needs to be preserved.

All European businesses deserve the right to be protected from unfair competition. We do not believe that a safeguard measure is the appropriate tool to do this in the case of steel imports. We remain hopeful that the review of the safeguard measures can lead to revoking them.

Sincerely,

Malte Lohan
Director General, Orgalim

⁷ See paragraph 144 of the Commission Implementing Regulation (EU) 2019/159 of 31 January 2019 imposing definitive safeguard measures against imports of certain steel products

⁸ According to Article 6.1 Commission Implementing Regulation (EU) 2019/159 of Norway, Iceland, and Liechtenstein shall not be subject to the safeguard measures.