Targeted Consultation

European Steel Association (EUROFER) - Summary

7 December 2020

Most distortive subsidies:

Foreign subsidies in the steel sector mainly stem from China and India. Indonesia, Turkey and Russia are third countries that are also granting many subsidies in this sector. The steel sector is concerned that other countries, in particular those targeted by Chinese investments, will start distorting the EU market as well (e.g. Vietnam or the countries of the MENA region).

At the example of China, India and Turkey, it was explained that many different types of subsidies can be observed for example: (i) tax rebates, (ii) direct transfers of funds and (iii) government provision of goods and services for less than adequate remuneration. Also, commercial banks are encouraged to give financing support to steel and coal enterprises when transferring capacity overseas and exploiting international markets.

In general, the most distortive subsidies in the steel sector are the ones supporting the building up of additional capacity especially when there is already excess capacity in the considered sector (currently, global excess capacities are equivalent to three times the EU steel-making capacity. For this reason, in EUROFER's view, in the steel sector the distorting effect of subsidies should be presumed), but also all subsidies actively supporting operating expenses, preferential access to raw materials (physically and financially) and export subsidies.

Some types of subsidies are very difficult to identify.

Consequences of subsidies:

Any form of subsidies in a third country will give the beneficiary companies a better position to appear on the European Market. Beneficiaries can offer better prices than competitors on the steel market. Moreover, services attached to these cheaper products, such as transport, are provided to prices that are more beneficial. Companies receiving subsidization from third countries can also undercut non-subsidised companies in public procurement tenders. Tenders are often won by SOEs in countries which have signed the Memorandum of Understanding with China in the framework of the BRI.

Beneficiaries can sustain loss-making periods and thus outcompete others while not failing themselves and continue adding artificial additional capacity in markets already suffering from overcapacity (see

EUROFER complaint on the Hot-Rolled Flat anti-subsidy case, point 25: “Chinese steel makers determined to keep their world’s leadership in the sector, have been neglecting profits to the point that they churned out a combined USD 11 billion from January to October 2015”);

Policy options:

Doing nothing is the worst option. A better guidance alone would neither create a sufficient incentive for national/local authorities to tackle distortive effects of foreign subsidies nor give these authorities a strong legal basis to address such distortions. Moreover, the lack of a broad and comprehensive tool when choosing to solely adapt the existing rules, could lead to circumvention, hence undermining the effectiveness.

Supportive of developing new legal instruments complementing the EU acquis. This should include a compulsory notification for subsidised acquisitions that is very much welcomed by EUROFER as they believe it avoids loopholes.

The ideal solution would be a combination of existing rules’ adaptation and new EU legislation. A loophole existing rules are not able to address is for example the intragroup transfer of cheap raw materials or semifinished products from a potentially subsidized third country mother company to its subsidiary the EU.

Support for strengthening the international rules for the granting of subsidies both at WTO and bilateral levels. This is however a long-term task with uncertain results. A level playing field in the EU in relation to subsidy rules requires the EU itself to first develop ambitious and workable legal rules that can be then promoted in the multilateral context.

For any policy option chosen, the Commission should ensure uniform implementation throughout the EU and (in case of shared competence with Member States) ensure a proper coordination. The Commission should consider giving itself specific investigation powers to investigate alleged / suspected subsidies, especially in cases where third parties will not cooperate. The enactment of any commitments taken by beneficiaries of foreign subsidy should be duly monitored.

Impact of policy options:

In general, the impact of the different policy options is hard to assess, as this very much depends on the specific adopted instrument.

When choosing for the policy option of a new EU legislation, the EU should have a long-term approach to grant a positive, long-term impact on jobs and climate ambition.

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