



**NOTIFICATION PURSUANT TO ARTICLE 12.1(C)
OF THE AGREEMENT ON SAFEGUARDS (EXTENSION)**

**NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2
OF THE AGREEMENT ON SAFEGUARDS**

EUROPEAN UNION

Certain Steel Products

Supplement

The following notification, dated 10 June and received on 11 June 2021, is being circulated at the request of the delegation of European Union.

The European Union had notified the initiation of an investigation on 26 February 2021 (G/SG/N/6/EU/1/Suppl.2). The scope of the investigation was to decide whether the safeguard measure should be prolonged beyond 30 June 2021. The European Union hereby notifies to the Committee on Safeguards, pursuant to Article 12.1(c) of the Agreement on Safeguards, its proposal to extend a safeguard measure on imports of certain steel products.

1. Evidence that the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof and that the industry concerned is adjusting

Pursuant to Article 7, paragraphs 2 and 3 of the Agreement on Safeguards, a safeguard measure can be in place for a maximum duration of 8 years. The Agreement also foresees that a measure originally imposed cannot last more than 4 years, unless the competent authorities of the importing Member have determined that the safeguard measure continues to be necessary to prevent or remedy serious injury and that there is evidence that the industry is adjusting. The EU safeguard measure was originally in place for a period of 3 years.

To determine whether the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof imports and whether the industry is adjusting, the European Union undertook a comprehensive analysis of a broad set of data from multiple sources: The European Union assessed, *inter alia*: the evidence provided by the Union industry in their questionnaire replies and written submissions, the information provided by interested parties (users, importers, exporting producers and exporting country governments) in their written submissions, as well as information available to the European Union including statistical databases and relevant publications on the steel sector.

Economic situation of the Union industry

To assess the economic situation of the Union industry, the developments of imports and other relevant data included in its assessment, the European Union assessed the data of the period 2018-2020 ('the period considered').

| Table 1 - Production, production capacity, capacity utilization, stocks | | | |
|--|-------------|-------------|-------------|
| in 000 tonnes | 2018 | 2019 | 2020 |
| Production volume of the product concerned | 200.416 | 189.459 | 168.675 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>95</i> | <i>84</i> |
| Production capacity for the product concerned | 252.367 | 252.461 | 251.864 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>100</i> | <i>100</i> |
| Capacity utilisation | 79,41% | 75,04% | 66,97% |
| Stocks | 21.464 | 20.000 | 18.251 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>93</i> | <i>85</i> |

Source: Questionnaire replies

Production volume declined constantly throughout the period considered by 5% and 16% in 2019 and 2020 respectively. As a result, in a context where production capacity remained stable, the capacity utilisation ratio declined year-on-year. Stocks followed a similar declining trend during the period.

| Table 2 - Union consumption, domestic sales and market share | | | |
|---|-------------|-------------|-------------|
| | 2018 | 2019 | 2020 |
| Consumption in 000 tonnes | 167.140 | 157.120 | 139.955 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>94</i> | <i>84</i> |
| Domestic sales in 000 tonnes | 132.960 | 127.448 | 114.936 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>96</i> | <i>86</i> |
| Market share in % | 79,6% | 81,1% | 82,1% |

Source: Industry data and questionnaire replies

During the period considered consumption decreased by 6% and 16% in 2019 and 2020 respectively when compared to the year 2018. Domestic sales of the Union industry followed a similar downward trend. In the same period, the Union industry increased its market share by 2.5 percentage points.

| Table 3 - Unit sales price, profitability, cash flow and return on capital employed | | | |
|--|-------------|-------------|-------------|
| | 2018 | 2019 | 2020 |
| Unit sales price (EUR/tonne) | 763 | 725 | 666 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>95</i> | <i>87</i> |
| Profitability (% turnover) | 5,7% | -0,4% | -3,7% |
| Cash flow (million EUR) | 7.456 | 6.798 | 6.386 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>91</i> | <i>86</i> |
| Return on capital employed (%) | 8,6% | -2,6% | -19,4% |

Source: Questionnaire replies

Unit sales price of the product concerned went down by 5% in 2019 and by 13% in 2020 as compared to 2018. The Union industry experienced a massive drop in profitability, turning lossmaking already in 2019. This trend continued in 2020, reaching -3,7% losses. Cash flow and return on capital employed also saw a continuous negative trend during the period considered.

| Table 4 - Employment | | | |
|-----------------------------|-------------|-------------|-------------|
| (FTE) | 2018 | 2019 | 2020 |
| Employment | 215.359 | 215.620 | 202.331 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>100</i> | <i>94</i> |

Employment remained stable in 2019 but decreased by 6% in 2020.

The above data showed that the economic situation of the Union industry had deteriorated significantly already in the year 2019, when the Union industry already turned into lossmaking, with virtually all injury indicators showing a sharp negative trend. It should be noted that from 2018 to 2019 the profitability experienced a slump by 6.1 percentage points to reach -0.4% at the end of 2019. This serious worsening thus took place well before the unexpected onset of the COVID-19 pandemic and its ensuing effects on the market.

The financial position of the Union industry further deteriorated in the course of 2020, when the economic effects of the COVID crisis complemented the weakening of the Union industry's financial position produced by the continuation during 2020 of the import pressure exerted by exporters to the Union. The effects of the COVID-19 crisis came on top of the continuous jeopardy to the financial position of the Union industry caused by import pressure. Imports together with, to some extent, the COVID outbreak plunged the Union industry into a serious financial situation with losses of -4%.

It should be emphasized that the additional impact of the pandemic-induced crisis on the financial position of the Union industry, which deepened the already undergoing import-induced deterioration, was comparatively smaller. From 2019 to 2020 the profitability decreased 3.3 percentage points to reach the bottom losses of almost -4%. Therefore, the COVID-19 pandemic crisis has thus amplified a pre-existing and continuing source of serious injury for the Union industry, which is mainly driven by imports.

2. Information on whether there is an absolute increase in imports or an increase in imports relative to domestic production

| | 2018 | 2019 | 2020 |
|-------------------------|-------------|-------------|-------------|
| Volume of imports | 34.180.000 | 29.672.000 | 25.019.000 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>87</i> | <i>73</i> |

Source: EUROSTAT

The absolute level of imports decreased year-on-year during the period considered, by 13% in 2019 and by 27% in 2020 when compared to 2018. However, the presence of imports in the market remained at high levels. The level of imports increased its share significantly as compared to the production of the Union industry, reaching more than 20% in 2020. In the years prior to the imposition of a safeguard measure, the maximum share reached by imports was 11,8% in 2017.

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Import volume (tonnes) | 18.329,00 | 21.868,00 | 26.552,00 | 29.141,00 | 30.094,00 | 25.019,00 | 29.672,00 | 34.180,00 |
| Production volume (tonnes) | 243.945,00 | 249.855,00 | 248.763,00 | 249.204,00 | 254.925,00 | 200.416,00 | 189.459,00 | 168.675,00 |
| Share of imports relative to domestic production | 7,5% | 8,8% | 10,7% | 11,7% | 11,8% | 12,5% | 15,7% | 20,3% |

Furthermore, the European Union found that the market share of imports remained, on average, higher during the period subject to the safeguard measure than in the period before the imposition of any safeguard measure (period 2013-2017)¹, when compared to consumption.

¹ The maximum share of imports in the period 2013-2017 was 18,1% (in 2017).

| Table 7 - Import share evolution (over consumption) | | | |
|--|--------------|--------------|--------------|
| | 2018 | 2019 | 2020 |
| Consumption in 000 tonnes | 167.140 | 157.120 | 139.955 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>94</i> | <i>84</i> |
| Volume of imports in 000 tonnes | 34.180 | 29.672 | 25.019 |
| <i>index 2018 = 100</i> | <i>100</i> | <i>87</i> | <i>73</i> |
| Market share | <i>20,4%</i> | <i>18,9%</i> | <i>17,9%</i> |

Source: EUROSTAT, Industry data

In addition, the investigation confirmed that during the period considered the main steel exporting countries exhausted a large number of the country-specific quotas allocated to them and, quite often, in a rather short time frame within the relevant periods of application of the safeguard. Therefore, the investigation concluded that import pressure remained high during the period considered.

3. Precise description of the product involved

The product subject to the safeguard measure is certain steel products. The relevant tariff lines subject to the measure are the same as those listed in Annex I to the Notification of 7 February 2019 (G/SG/N/8/EU/1/Suppl.1 - G/SG/N/10/EU/1/Suppl.1 - G/SG/N/11/EU/1/Suppl.2).

4. If the final measure replaces a provisional measure, or if a final measure is extended, a Member is encouraged to provide a written description of any part of the imported product that will no longer be subject to the measure

The extended measure does not introduce any changes to its scope, neither in terms of product definition, nor in terms of geographical coverage.

5. Description of the proposed measure

The proposed measure consists of a Tariff-Rate Quota ('TRQ') available per product category, out of which, an out-of-quota 25% duty applies.

6. Proposed date of introduction of the measure

The proposed extension of the safeguard measure will come into effect on 1 July 2021.

7. Expected duration of the measure

The expected duration of the proposed prolongation of the safeguard measure is three years, until 30 June 2024.²

8. Proposed date for the review

The European Union commits in its proposal to undertake a review of the functioning of the safeguard measure within the first year of prolongation. Other reviews are possible throughout the lifespan of the measure, where warranted.

9. Expected timetable for progressive liberalization of the measure

The measure will continue being progressively liberalized, at regular intervals, at the beginning of each period of application. The rate of liberalisation foreseen in the proposed prolongation of the measure is an increase of the TRQ volume of 3% yearly.

² 30 June 2024 at 23h59, Brussels time.

10. If the notification relates only to a finding of serious injury or threat thereof, and does not relate to a decision to apply or extend a safeguard measure

Not applicable.

11. Information relating to the extension of a safeguard measure

- (i) Evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury.

The investigation, based on documented evidence, concluded that the Union industry is adjusting to a situation of higher import volumes in the EU market.

- (ii) Reference to the WTO document that notified the initial application of the measure.

Pursuant to Article 12.1(a) of the WTO Agreement on Safeguards, on 26 February 2021 the European Union notified the Committee on Safeguards that its competent authority had initiated a safeguard investigation on the imports of certain steel products on 26 February 2021 (G/SG/N/6/EU/1/Suppl.2).

- (iii) Duration of the measure from initial application till the date at which it will be extended

The initial safeguard measure was from 19 July 2018 until 30 June 2021. The European Union proposes to extend the measure for three years, until 30 June 2024.

- (iv) Precise description of the measure in place prior to the date of extension

The latest version of the measure in place can be found in the European Union's notification of 14 December 2020 (G/SG/N/10/EU/1/Suppl.10 - G/SG/N/11/EU/1/Suppl.7). The original measure was notified on 7 February 2019 (G/SG/N/8/EU/1/Suppl.1 - G/SG/N/10/EU/1/Suppl.1 - G/SG/N/11/EU/1/Suppl.2).

12. Information relating to exporting members

- (i) The major exporting Members of imports of the product involved

The main exporting countries of the product concerned are: Turkey, Russian Federation, India, People's Republic of China, Republic of Korea and Ukraine.

- (ii) Developing countries excluded

The list of developing countries that will continue being subject to the safeguard measure remains the same as that included in Annex II to Commission Implementing Regulation (EU) 2020/2037.

13. Invitation for consultations

Consistent with Article 12.3 of the Safeguards Agreement, the European Union is prepared to consult with those Members having a substantial interest as exporters of the product concerned, with a view to exchanging views on the measure proposed.

Consultations will take place, on a virtual setting, from Monday June 14th until Friday June 18th.

Members wishing to engage in consultations should directly contact either the European Union delegation in Geneva or the European Commission at:

TRADE-SAFE009-REVIEW@ec.europa.eu

enrique.arrieta@ec.europa.eu

The members should indicate in their email at least two different time slots for the consultations and, if possible, provide the names and email addresses of the participants.

14. Members are encouraged to attach, in an electronic form, publicly available document(s) containing the relevant decision(s) made by the competent authority.

Not applicable at this stage.
