

Ms Cecilia MALMSTRÖM
Commissioner for Trade
EUROPEAN COMMISSION
B-1049 BRUSSELS

Brussels, 25 June 2018

Subject: European Commission notice of initiation of a safeguard investigation concerning imports of steel products (2018/C 111/10)

Dear Commissioner,

The sectors that we represent are concerned by the European Commission's investigation into imports of steel products. As downstream users of steel, we will be impacted should the investigation lead to the conclusion that any kind of trade restrictive measures should be imposed.

We are strong supporters of the EU steel industry and its success is critical to our supply chains, allowing, for example, EU-based manufacturers to deliver high-quality goods to markets all over the world.

However, we believe that for many of the product categories under investigation, the requirement for a sudden, recent, significant and sharp increase in imports is not supported by trade data. Indeed, the choice of investigation period contrasts a moment (2013) when many of our sectors were suffering the worst effects of the economic downturn with a point in time (2017) by which construction and manufacturing had recovered and demand had increased significantly. As this demand has grown, so too has our need for both EU and imported steel.

Nor does it seem to be the case that EU producers have been caused serious injury by imports over this period of time. In fact, European steel producers are in good health and are themselves reporting very strong financial performance, with steel prices high and earnings increasing. European steel producers have recorded very high profits in 2017 and are predicting similar outlooks for 2018.

With regard to the threat of injury from diverted trade as a consequence of the US measures, should imports increase in the coming months then trade deflection could be just one of many different factors influencing this trend. The impact of increased demand should also be taken into account. Many of our sectors foresee increased demand for steel in manufacturing, metalworking and construction in 2018 and beyond. EU producers themselves predict that demand for steel in the EU will increase by up to 2% this year, so in this positive economic climate it can be expected that imports will also increase.

Furthermore, our experience is that capacity utilisation in the EU steel sector is currently high, with some sectors even experiencing a shortage of capacity leading to increased prices and longer lead times. According to Eurofer's own data presented to the Commission in the investigation, this capacity utilisation can be well over 80% in certain categories. The ability of European producers to successfully fulfil orders at competitive rates and lead times should be taken into account. Indeed, the European steel sector even chooses not to produce certain products as it prefers to focus instead on high-end products. With world market prices for steel reflecting European market prices in many categories, European buyers will then only source outside the EU if they are having trouble placing orders. Currently, consolidation in the EU steel sector is significantly increasing the market power of a very limited amount of players and limiting purchaser options.

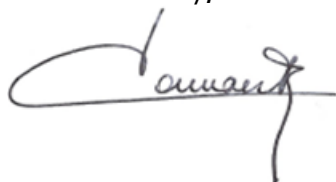
Our industries belong to sectors for which global supply chains are of crucial importance. It is vital for us to have the ability to procure raw materials and semi-finished products of good quality at competitive prices. Many steel products are already heavily subject to anti-dumping and anti-subsidy measures. The imposition of further measures would put downstream users under yet more pressure in their fight for global competitiveness. When the costs of European manufacturers increase due to higher prices of raw materials and semi-finished products, non-European end-product manufacturers gain a competitive advantage.

The EU would in this case protect the European steel industry at the expense of all downstream user industries. We ask that the union interest consideration takes into close account the comparative economic and employment data of the steel industry on the one side and the steel-consuming industry on the other. While employment in the steel sector is currently 320,000, employment in the sectors represented here is approximately 20 million.

European steel is and will remain an integral part of our supply chains. Nevertheless, the application of ever greater layers of protection for it will ultimately only have a negative impact on downstream users of these products. Therefore, we are convinced that the imposition of safeguard measures is not in Europe's interest.

Our sectors remain at your disposal for any further information that you may require.

Yours sincerely,



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Secretary General
ACEA



Paolo Falcioni
Director-General
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