

STEEL

Proliferation of Steel Trade Restrictions and Distortions Since G20* Commitment against Raising New Trade Protectionist Measures

(November 2008 – March 2009)



● Fiscal export incentives

▲ Import duties and taxes

■ Product Quality Standard requirements

◆ "Buy National Steel"

○ Restrictive import licensing

**Proliferation of Steel Trade Restrictions and Distortions since
G20 Commitment against Raising New Trade Protectionist Measures
(November 2008 – March 2009)**

TOP VIEW

(N)TB: (Non) Tariff Barrier EI: Export Incentive

Country	Measure	Type	As from
China*	Export duties eliminated combined with cancellation of export license requirement	EI	Dec 2008
	VAT export rebates raised (13%)	EI	Apr 2009
Egypt	Import taxes imposed (10% with minimum value)	TB	Feb 2009
India*	Import duties reinstated (5%)	TB	Nov 2008
	Export duties eliminated (15%)	EI	Nov 2008
	New mandatory domestic Product Quality Certification	NTB	Deferred by one year in Feb 09
	Restrictive import licensing requirements	NTB	Nov 2008
Indonesia*	Mandatory Product Quality Standards to protect consumer safety, increase product quality and establish fair trade competition	NTB	Apr 2009
Iran	“Buy Iranian Steel” order	NTB	Mar 2009
Malaysia	New technical regulations requiring Certificates of Approval for Conformity with domestic Product Standards	NTB	Nov 2008
Russia*	Import duties temporary increased (by 10% up to 15%)	TB	Jan 2009
Thailand	New requirements Approval under domestic Product Quality Standards	NTB	Mar 2009
Turkey*	Import duties increased (from 5% up to 15% on imports from third countries not under FTA with Turkey)	TB	Jan 2009
Vietnam	Import duties increased (by 7% up to 12%)	TB	Dec 2008
USA*	“Buy America” steel clause	NTB	Feb 2009

* G20 member

Status: 31 March 2009

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	CHINA
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Short description of measure	<u>Export incentive</u> Elimination of export duties on certain flat steel products (5%) combined with cancellation of steel export licensing requirements. (Measures aimed at stimulating the exports of domestic excess production)
Sector affected by measure	Carbon hot-rolled coil and plate
State of play/Date of adoption	Applicable as from 1 December 2008
Likely impact for EU interests (affected steel segment)	Increasing risk of renewal of export surges into the EU China's exports to EU were at 3.1 million tonnes (1 988 million euro) in 2008

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	CHINA
Short description of measure	<u>Export incentive</u> Imposition of VAT export rebate on certain flat and long steel products (13%)
Sector affected by measure	Carbon cold-rolled and galvanized sheets, stainless hot-rolled and cold-rolled sheets and coils, electrical steel, high-speed bar and rod
State of play/Date of adoption	Applicable as from 1 April 2009
Likely impact for EU interests (affected steel segment)	Increasing risk of renewal of export surges into the EU China's exports to the EU were at 1.6 million tonnes (1 199 million euro) in 2008

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	CHINA
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Comments

- Chinese steel industry revitalization plan announced in February includes the objective of improving the export environment using export incentives
- Chinese government – at central and local level – has been supporting ‘their’ steel enterprises by a broad array of mechanisms and tools including:
 - Subsidies such as grants of ‘in-kind’ resources, preferential loans, debt forgiveness, debt-to-equity swaps, steel import substitution, fiscal and dividend foregoing and preferential tax arrangements
 - Government interventions on the global market interface (interventions impacting import and export of raw materials as well as steel products, inward FDI guidance, promotion outward FDI)
 - Inappropriate internalization of cost categories (labor rights and work safety standards, environmental sustainability)
 - Export promotion:
 - Selective application of VAT rebates discretionary steering export activities (and therefore profit levels of domestic steel exporters)
 - Discretionary restrictions of exports of raw materials, semi-finished products and lower added-value products in the first stage of processing (decrease VAT export rebate, export taxes, quota, restrictive licencing):

- **Increasing domestic availability depressing domestic prices indirectly subsidizing downstream, higher added-value steel production and exports,**
- **At the same time, reducing supply on the international markets artificially keeping world market prices, and therefore cost for international steel producers, high (raw materials)**

(See “The State-Business Nexus in China’s Steel Industry - Chinese Market Distortions in Domestic and International Perspective », Chapter 5 – Specific Instruments of Governmental Micro-Management and Interventions in China’s Steel industry, THINK!DESK China research & Consulting, February 2009)

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Country involved	EGYPT
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Short description of measure	<p><u>Import tax</u></p> <p>Import tax of 10% with a minimum value, on top of already applicable 5% import duty.</p> <p>Review of this measure will be made based on a follow up of the evolution of domestic EXW sales prices for the products concerned.</p>
Sector affected by measure	Cold-rolled sheets, galvanized sheets and organic coated sheets
State of play/Date of adoption	Applicable as from 15 February 2009 (temporary for one year)
Likely impact for EU interests (affected Steel Sector)	Risk of diversion to EU market to be assessed considering other third country steel exports into Egypt (37 thousand tonnes in 2006 – latest data available)

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	INDIA
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Short description of measure	<u>Import duty</u> Reinstatement of import duty (5%) reportedly said to be designed to “safeguard the interests of domestic producers” in the wake of the fall in international prices (India scrapped its 5% import duty on steel products in April 2008 when steel prices were rising, as part of its fight against inflation)
Sector affected by measure	Finished Flat and Long Steel products
State of play/Date of adoption	Applicable as from November 2008
Likely impact for EU interests (affected Steel Sector)	(amounts in yearly average 2006 – 2008) <ul style="list-style-type: none"> • EU steel exports into India: 780 thousand tonnes (980 million US\$) • Risk of diversion to EU market to be assessed considering other third country steel exports into India (4 million tonnes)

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	INDIA
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Short description of measure	<u>Export incentive</u> Elimination of export duty on certain finished long steel products (15%)
Sector affected by measure	Rebar, wire rod, bars and sections
State of play/Date of adoption	Applicable as from November 2008
Likely impact for EU interests (affected Steel Sector)	(amounts in yearly average 2006 – 2008) Risk of diversion to EU market to be assessed considering other third country steel exports into India

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	INDIA
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Short description of measure	<u>Product Quality Standards</u> Certification requirements related to product quality control imposed by national standards (BIS licencing) prohibiting non conforming products from being imported (mandatory to and discriminatory against foreign producers/imported products)
Sector affected by measure	Electrical steel, galvanized sheets and plate for pressure vessels and structural applications
State of play/Date of adoption	Application deferred by one year in Feb 2009
Likely impact for EU interests (affected Steel Sector)	Cost increase for EU exporters related to the application for BIS licencing, sampling in third party labs, visits-on-the-spot of BIS teams at foreign manufacturers cost, and fees for certification

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	INDIA
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Short description of measure	<p><u>Restrictive import licensing</u></p> <p>Restrictive import licensing limiting imports of certain flat products to end user business with back-to-back export orders (licence only issued in case of a direct import by an “actual user company”, not by intermediaries such as traders and stockists)</p> <p>(With traders and stockists unable to secure import licences, domestic re-selling of imported hot-rolled coil would be halted aimed at preventing prospective dumping, notably by CIS countries and China)</p>
Sector affected by measure	Hot-rolled coil
State of play/Date of adoption	Applicable as from November 2008
Likely impact for EU interests (affected Steel Sector)	Risk of diversion to EU market to be assessed considering other third country steel exports into India

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	INDONESIA
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Short description of measure	<p><u>Product Quality Standards</u></p> <p>Introduction of mandatory Product Quality Standards to protect consumer safety, increase product quality and establish fair trade competition (measures deterring imports from entering the country to protect the domestic steel industry: prior to importing, importer must file a report to an appointed surveyor including details such as volume and use)</p>
Sector affected by measure	Finished Flat Steel products
State of play/Date of adoption	Announced for effective application as from April 2009
Likely impact for EU interests (affected Steel Sector)	<p>(amounts in yearly average 2006 – 2008)</p> <ul style="list-style-type: none"> • EU steel exports into Indonesia: 65 thousand tonnes (87 million US\$) • Risk of diversion to EU market to be assessed considering other third country steel exports into Indonesia (2.8 million tonnes)

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Country involved	IRAN
Short description of measure	<u>Public Procurement</u> “Buy Iranian steel” government order obliging all Iranian state organizations and companies to buy steel only from domestic producers (reportedly because of low demand for domestic steel and rising imports, especially flat steel)
Sector affected by measure	Finished Flat and Long Steel products
State of play/Date of adoption	Applicable as from March 2009
Likely impact for EU interests (affected Steel Sector)	

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	MALAYSIA
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Short description of measure	<u>Product Quality Standards</u> Introduction of mandatory technical regulations requiring certificates of approval for conformity with domestic Product Quality Standards (measures deterring imports from entering the country to protect the domestic steel industry: prior to importing, importer must file a report to an appointed surveyor including details such as volume and use)
Sector affected by measure	Certain Finished Flat and Long Steel products
State of play/Date of adoption	15 November 2008
Likely impact for EU interests (affected Steel Sector)	Risk of diversion to EU market to be assessed considering other third country steel exports to Malaysia

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	RUSSIA
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Short description of measure	<u>Import duty</u> Import duty temporary increased (by 10% up to 15%)
Sector affected by measure	Finished Carbon Long and Stainless Flat Steel products
State of play/Date of adoption	Applicable as from January 2009
Likely impact for EU interests (affected Steel Sector)	(amounts in yearly average 2006 – 2008) EU steel exports into Russia: 128 thousand tonnes (200 million US\$)

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	THAILAND
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Short description of measure	<u>Product Quality Standards</u> Introduction of new requirements for Approval under domestic Product Quality Standards (tightening of inspections and overseas mill visits)
Sector affected by measure	Steel products produced in Thailand including Flat and Long Steel products
State of play/Date of adoption	Applicable as from March 2009
Likely impact for EU interests (affected Steel Sector)	(amounts in yearly average 2006 – 2008) Risk of diversion to EU market to be assessed considering other third country steel exports into Thailand (6.3 million tonnes)

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Proliferation of Steel Trade Restrictions and Distortions

Country involved	TURKEY
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Short description of measure	<u>Import duty</u> Import duty increase up to 15% for carbon flat steel products on imports from third countries not under FTA with Turkey
Sector affected by measure	Hot-rolled coil, cold-rolled sheets and coated sheets
State of play/Date of adoption	Applicable as from February 2009
Likely impact for EU interests (affected Steel Sector)	(amounts in yearly average 2006 – 2008) <ul style="list-style-type: none"> • Falling under a specific steel FTA with Turkey, EU steel exports are not directly affected. • However, risk of diversion to EU market to be assessed considering other third country steel exports – third countries with no FTA with Turkey, notably CIS countries and potentially China (3. 8 million tonnes)

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Country involved	TURKEY
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Comments

Turkish Steel Restructuring

According to a Consultants' preliminary analysis contracted by the Commission (*wygininternational, final report 10th March 2008*):

- Important investments and significant increases of hot-rolling capacity have been undertaken by the Turkish steel industry over the period 2002-2007 (after the five-year restructuring period 1996-2001), and further investments are in project or ongoing until 2010.
- Significant state aid has fuelled the creation of new capacities for light long steel products increasing further already existing domestic excess capacity in this steel segment.

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Country involved	VIETNAM
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Short description of measure	<u>Import duty</u> Import duty increased by 7% up to 12% for certain long steel products
Sector affected by measure	Bars and rods
State of play/Date of adoption	Applicable as from December 2008
Likely impact for EU interests (affected Steel Sector)	Risk of diversion to EU market to be assessed considering other third country steel exports into Vietnam

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Country involved	USA
Short description of measure	<u>Public Procurement</u> Buy America clause limiting the use of steel products and manufactured goods in public building or works funded by the US stimulus package (expected to begin in 2010 and be largely completed over three years, translating to estimated steel demand of 4 million tonnes per year)
Sector affected by measure	Finished Flat and Long Steel products for Infrastructure and Construction such as rebar, wire rod, sections, plate, as well as galvanized products
State of play/Date of adoption	Applicable as from February 2009
Likely impact for EU interests (affected Steel Sector)	<ul style="list-style-type: none"> • EU exports to US: application to be consistent with US obligations under international agreements (WTO GPA but not all US states are bound by GPA) • Risk of diversion to EU market to be assessed considering exports to the US from countries under no international procurements rules, such as China, India, Turkey, Ukraine, Mexico, Brazil, Thailand, ...

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Country involved	USA
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Comments

Buy America steel clause and US trade defence action

New US steel trade cases are being prepared reportedly aiming at ensuring that steel imports are not competing for projects funded under the new US economic stimulus package

Possible products concerned:

- Apart from tubes, long products for construction (heavy sections, wire rod)
- Flat products may also be targeted (e.g. stainless, coated and cold-rolled)

US imports fell significantly end of 2008, but US steel consumption also has declined significantly – so some imported products could have maintained or even gained market share.

Also, the US industry could file petitions based on threat of injury – despite the declining import trend