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**Council for Trade in Goods
Committee on Safeguards**

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**IMMEDIATE NOTIFICATION TO THE COUNCIL FOR TRADE IN GOODS
OF THE RESULTS OF THE CONSULTATIONS UNDER ARTICLE 12.3**

COMMUNICATION FROM CHINA

Certain steel products

The following communication, dated and received on 24 October 2021, is being circulated at the request of the delegation of China.

Pursuant to Article 12.5 of the WTO Agreement on Safeguards (the AS), China hereby notifies the results of the consultations conducted under Article 12.3 of the AS with the European Union (EU). The present notification is without prejudice to the rights reserved by China under the GATT 1994 and the AS.

China and the EU held consultations on 18 August and 26 August 2021 respectively to discuss the extension of the EU safeguard measure on certain steel products¹ (the safeguard measure).

China has expressed the following position during the consultations:

1. China firmly opposes the implementation and extension of the EU safeguard measure

The EU safeguard measure is inconsistent with the WTO rules. There are problems in the analysis of key elements of the safeguard measure, such as import increase, injury, and "unforeseen developments". Moreover, the EU's decision to extend the safeguard measure lacks factual and legal basis. It failed to demonstrate that the safeguard measure continues to be necessary to prevent or remedy serious injury and that the domestic industry is adjusting. On the contrary, there are sufficient facts to indicate that the deterioration of the EU steel enterprises during the investigation period was mainly due to the impact of the COVID-19 pandemic and the decline of domestic demand, which should not be remedied by a safeguard measure.

In addition, the improving public health situation leads to the rebound of EU's economy exceeds expectations and the recovery of internal market demand, and the steel products are in short supply. EU's insistence on extending the safeguard measure could only provide further over-protection to the EU steel industry. It is not in line with the EU's overall interests and will exacerbate the distortion of global steel trade.

In contrast, many WTO Members have announced the termination of either steel-related safeguard measures or investigations. In the spirit of maintaining global fair trade and promoting the healthy development of steel trade, several steel-producing countries such as China have elected not to initiate steel safeguard investigations in response to the United States Section 232 tariff measures.

¹Notified by the means of the documents G/SG/N/8/EU/1/Suppl.2 - G/SG/N/10/EU/1/Suppl.11 - G/SG/N/11/EU/1/Suppl.8; and G/SG/N/8/EU/1/Suppl.2/Corr.1 - G/SG/N/10/EU/1/Suppl.11/Corr.1 - G/SG/N/11/EU/1/Suppl.8/Corr.1.

2. The EU takes advantages of the trade remedy measures to provide excessive protection to its steel industry

As part of EU's industrial policy, systematic and comprehensive trade remedy measures have been provided as protection to the EU steel industry. By 2020, there were in total 147 EU anti-dumping and anti-subsidy measures in force, out of which, 56 measures concern steel products. Among these measures, 51 of them came into effect before the safeguard measure, 4 were implemented during the safeguard measure period. Furthermore, there are 7 ongoing investigations. Some of 147 measures have been effective for over 15 years. The measures cover almost all categories of steel products and extends to downstream steel articles: hot rolled and cold rolled flat products (including various thicknesses, different coatings and functions such as corrosion resistance), long products such as steel bars and wire rods, different kinds of pipes and tubes, various kinds of stainless steels. Almost all exporting members to the EU have been seriously affected.

Long-term trade remedy protection has led to structural imbalances in the EU steel market. EU steel companies have been allowed to maintain high market shares and product prices, continuously gaining market shares from the imported products and forming oligopolistic structures in many market segments. At the same time, the EU downstream demand is not effectively met due to the impact of both high prices and unstable supply. Even when many EU downstream enterprises are calling for the immediate termination of the safeguard measure to stabilize market price and ensure supply, the EU steel industry continues to seek protection under trade remedy measures and export a large amount of products overseas. For years, the export has been exceeding 30 million tons.

The unfair competitive advantages gained by the EU steel industry have harmed the interests of all parties, including those of the EU industry itself in terms of its long-term development. China hopes that the EU will pay attention to and correct the above-mentioned issues to reduce market distortions caused by excessive protection.

3. Conclusion

By now, mankind is faced with stern challenges posed by the COVID-19 pandemic and a fragile world economy as the pandemic is undergoing many twists and turns, including the constant mutations of the virus. At such critical moment, we value mutual respect and sincere cooperation more than ever. As DG Okonjo-Iweala stated, "*Multilateral Trading System has shown resilience despite the severity of the global health and economic crisis caused by the COVID-19 pandemic. Members have, by and large, heeded the call to refrain from imposing trade restrictive measures on products and services necessary for combating COVID-19. WTO members must show collective leadership, act to ensure that markets remain open.*" China calls on all parties to properly resolve trade frictions through dialogue and cooperation. In this way, we can turn the risk of conflict into a driving force for industrial cooperation, and jointly build a more open world economy.

China also submitted to the EU its calculation of adverse effects and requested compensation thereof under Article 8.1 of the AS.

The EU stated its position and views on the above issues.

No agreement was reached in terms of the calculation of adverse effects or the adequate means of compensation under Article 8.1 of the AS.

China reserves all its rights under the Agreement Establishing the World Trade Organization and its Annexes, including the Agreement on Safeguards and the Understanding on Rules and Procedures Governing the Settlement of Disputes.
