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WORKSHOP ON STEEL TRADE ISSUES

MARKET ACCESS AND TRADE FACILITATION ISSUES:  
STATEMENT BY MR. SALVATORE SALERNO

*The Workshop will be held in Paris on 27-28 May 1998.*

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**WORKSHOP ON STEEL TRADE ISSUES  
MARKET ACCESS AND TRADE FACILITATION ISSUES:  
STATEMENT BY SALVATORE SALERNO<sup>1</sup>  
HEAD OF UNIT, DIRECTORATE GENERAL I, EUROPEAN COMMISSION  
PARIS, 27-28 MAY 1998**

Chairman,

**The benefits of the Uruguay Round for the trade in steel**

1. One of the Community's objectives for the Uruguay Round was to conclude negotiations on a Multilateral Steel Agreement in order to establish a level playing field for international trade in steel, including tougher disciplines on subsidies than those provided for in the GATT's or WTO's general subsidy rules. Despite the absence of an MSA, the Uruguay Round has already had important consequences for the trade in steel products.

2. In the area of **tariffs**, one of the objectives of the Uruguay Round was to reduce tariff barriers by at least a third and to reduce uncertainty by increasing the number of bound tariffs. In general terms, the final level of tariffs for industrialised countries will fall from an average of 5 per cent to 3.5 per cent. In the steel sector, a number of leading producer countries agreed to phase out their tariffs over a ten-year period, reaching 0 per cent by January 2004. The Community's average tariffs are presently around 3.2 per cent. These will fall to around 2.2 per cent in 2000 before disappearing completely in 2004. In practice, imports from many steel exporting countries already enter the Community at zero duty or preferential rates under the terms of bilateral agreements, GSP or tariff suspension regimes (around 58 per cent in terms of volume or 55 per cent in terms of value).

3. The **WTO Safeguards Agreement** reinforced the effectiveness of the instrument whilst limiting its scope both in terms of the measures taken and their duration. It agreed on the phasing-out of all "grey area" measures such as voluntary export restraints (VRAs) and orderly market arrangements. The Community's steel agreements with Russia and Ukraine will have to be reviewed before those countries join the WTO to ensure that they are consistent with WTO rules.

4. The Community's **common import regime** has been amended to take account of the WTO Safeguards Agreement. This measure, which also covers the WTO's Import Licensing Agreement, is the basis for the Community's prior statistical surveillance of certain sensitive steel imports.

5. The **anti-dumping** (AD) instrument is one of the most widely used and contentious trade defence instruments.

6. The New Agreement on Implementation of Article VI of GATT 1994 – the WTO Anti-dumping Agreement – considerably strengthens the discipline in this area compared with the 1979 Anti-dumping Code negotiated in the Tokyo Round. It requires greater transparency for anti-dumping actions and establishes new methodologies, procedures and rules to govern dumping investigations by national

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1. The views expressed in this paper are those of the speaker and do not represent the official position of the Commission or of the European Community.

governments, whilst maintaining a balance between the legitimate interests of domestic producers on the one hand and those of importers and exporters on the other.

7. The EC's anti-dumping instrument is based on, and is in full conformity with, the WTO Anti-dumping Agreement.

8. In certain areas, the EC has gone beyond its WTO obligations by introducing additional concepts to its AD legislation. Examples include the lesser duty rule, which means duties are always set at a level which is sufficient to remove the injury caused by dumping – even if this is not sufficient to remove the dumping itself. Another example is community interest, i.e. measures will not be imposed if it is clearly not in the Community interest to apply such measures.

9. As a result, the EC's anti-dumping investigations are objective, transparent and fair. There is full disclosure of the facts relating to decisions, and a chance for all interested parties to make their views known. After the case is concluded, any party can appeal to the European Court of First Instance.

10. The Council of Ministers has just adopted a Commission proposal to alter anti-dumping policy towards Russia and China, in recognition of the profound economic reforms underway there<sup>2</sup>. In brief, the change would mean:

- removal of the label 'non-market economy' from Russia and China with no replacement label;
- introduction of a new case-by-case approach in which the existence of market economy conditions for each producer in these countries concerned by an anti-dumping investigation are assessed according to clear and objective criteria;
- improvements to procedure for granting individual treatment and calculation of comparative advantage.

11. The Community has few anti-dumping actions in the steel sector. Definitive anti-dumping measures are currently in force on just five products (stainless steel fasteners, grain-oriented electrical sheets, haemetite (pig iron), seamless steel pipes and tubes, tube and pipe fittings), originating in certain third countries.

12. Another aim of the Uruguay Round was to establish certainty and clarity to the rules on **subsidies and countervailing measures**. The Community was instrumental in obtaining agreement, for the first time, on the definition of a subsidy, as well as new mandatory rules on the calculation of the value of subsidies and more rapid procedures for dealing with disputes. The new WTO rules are compatible with the EC's own laws and regulations on subsidies. As a result, business only has to comply with one set of criteria: if the subsidy conforms to EC laws it will also be in conformity with WTO rules. The new WTO subsidy and countervailing duty rules help to counter the import substitution effects of subsidies and their effects on third markets; in other words, they can be a precious tool for opening up third markets to Community exports.

13. The Community has always applied stricter rules to subsidies towards ECSC steel products than it has towards other sectors. The ECSC Treaty (Article 4c) prohibits subsidies. The only permitted

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2. Council Regulation (EC) N° 905/98 of 27 April 98. Published in the Official Journal N° L 128, 30.4.98, p. 18.

exceptions to this rule are aids for research and development, environmental protection, and social aid towards plant closures. Regional aid for investment in steel is not permitted<sup>3</sup>. One of the Community's goals for a Multilateral Steel Agreement was to persuade its partners to agree similar disciplines. The current **state aids code for ECSC steel products**, established by Commission Decision N° 2496/96/ECSC, establishes Community rules for state aid to the steel sector for the period to July 2002, when the ECSC Treaty will expire. The code permits aid for partial closures, under strict conditions, so as to promote further capacity reductions needed for the overall long term restructuring of the European steel industry. An annual report on the implementation of the code is published in the Official Journal of the European Communities.

14. It is important that countries maintain and improve transparency about government assistance to industry through the WTO Subsidies Committee. In the absence of an MSA, the OECD Steel Committee can play a useful role in developing greater transparency about government assistance to the steel sector, not least in the area of aids granted at sub-national and local levels, which can distort international trade. The Community, on behalf of the Member States, has submitted information to the OECD Steel Committee about the Community state aid regime and about the aid granted by Member States at the national and sub-national levels during the period 1995-1997. It now looks for similar transparency from other steel-producing countries.

15. Trade in steel products also benefits, along with other products, from other parts of the WTO package of agreements, including new WTO rules on **technical barriers to trade** and on **trade-related investment measures (TRIMs)**.

### **Towards a new multilateral agenda: Competition policy**

16. In the areas described above, the Uruguay Round has produced major reductions in tariff and non-tariff barriers to trade. It has also consolidated the trend towards increasing globalisation, a trend that as we heard in a previous session is already beginning to affect the steel sector.

17. However, present multilateral trade rules do not yet address one important trade-restricting area: competition rules. The European Community is participating actively in the WTO Working Group on the Interaction between Trade and competition Policy and last month, the European Competition Commissioner Karel Van Miert urged the World Trade Organisation to launch negotiations next year towards a binding agreement on a set of competition rules. He proposed:

- A commitment that members adopt domestic competition structures encompassing basic rules on such things as abuse of market power and mergers;
- Common principles on harmful practices with an international dimension, for example price and output fixing, market sharing, bid-rigging and export cartels;
- The development of a co-operation instrument which could include exchange of non-confidential information, and
- A dispute settlement mechanism.

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3. With one exception: until 31 December 2000, regional aid is permitted in Greece, up to a total of 50 MECU, provided that the aid investment does not lead to an increase in production capacity (ECSC Aid Code, Article 5)

18. The Commissioner pointed out that multilateral competition rules would be in the interests of both developed and developing countries. Furthermore, developing countries would be able to benefit from technical assistance in setting up domestic competition structures while transitional periods could be granted to help them deal with specific problems.

19. In the steel sector the European Community is already working actively with a number of partners to improve co-operation and compatibility in the area of competition policy. For example:

- Competition-distorting agreements of a co-operative or concentrative nature, the abuse by one or more undertakings of a dominant position and public aid (other than what is allowed in the Community) are incompatible with the bilateral Europe Agreements with our partners in Central and Eastern Europe. Implementing rules are being developed and the Community is providing technical assistance through the Phare Programme;
- The Free Trade Agreement with Turkey on certain steel products contains similar provisions;
- The principal objective of the Community's new steel agreements with Russia and Ukraine is to achieve market conditions for liberalisation of trade through the progressive application of disciplines in respect of competition, state aid and environmental protection that are compatible with those in the Community. The Community is providing technical assistance to both countries through the Tacis Programme;
- The steel protocol to the new Co-operation Agreement with the former Yugoslav Republic of Macedonia establishes a framework for dialogue and transparency on such matters of common concern as competition, state aid and restructuring.

### **Maximising the gains of free trade - market access**

20. An economy that is competitive and able to create jobs must be open to international trade - and the Community has one of the most liberal trade regimes in the world. But it also needs to benefit from open markets abroad. This is particularly true at a time of increasing globalisation. The Uruguay Round produced a major reduction in tariff and non-tariff barriers to trade. The Community is well placed to benefit from these developments, but it needs the instruments to ensure that other countries respect the multilateral or bilateral commitments which they have made to open up their markets.

21. In 1994, the Community adopted a new measure designed to defend its economic interests in countries outside the Community. The so-called **Trade Barriers Regulation** (Council Regulation (EC) N° 3286/94) is a trade policy instrument allowing individual Community firms as well as industries and Member States to request the Community to investigate and attack trade restrictions or discriminations in third countries, using bilateral or multilateral approaches as appropriate. It is already proving its worth in the steel sector - for example in the case of Brazil's condition of payment restrictions for imports of stainless steel.

22. In February 1996, the Commission adopted a Communication entitled "The Global Challenge of International Trade: A Market Access Strategy for the European Union" [doc. COM(96)53 final]. The **Market Access Strategy** marks a new stage in an outward looking commercial policy for the European Community. Its aim is simple: to improve market access in third countries in parallel to the continued progressive opening of the Community's own market, both by ensuring the full implementation by its

partners of their Uruguay Round obligations and through other market access actions of a bilateral or multilateral nature.

23. The market access strategy is underpinned by a massive sectoral and geographical database of market access barriers brought to our attention by the Commission's antennae around the world, by Member States and, significantly, by the Community's industries which are directly affected by barriers to their exports or investments in third countries. In the steel sector, we have already registered some important market access successes in persuading certain countries to eliminate restrictions on the export of scrap steel. The **market access database** is available to the public on the Internet (<http://mkacddb.eu/int>).

24. It seems likely that other trading partners will develop similar pro-active commercial policies as tariff barriers decrease and non-tariff barriers become the main focus of concern.

### **Steel trade - The need for international dialogue and greater transparency**

25. It is encouraging to see that more and more major steel-producing countries are either members, observers or occasional participants in OECD Steel Committee meetings or workshops. The European Community fully supports the expansion of the Steel Committee's activities with non-members countries. The OECD Steel Committee has an important part to play in promoting dialogue among the major steel-producing countries and regions on issues of common concern, such as trade and industrial restructuring.

26. Last June, the OECD Steel Committee decided to enhance those activities relating to its goals of ensuring that trade in steel remains as unrestricted and free of distortion as possible, that trade barriers are reduced and that governments can act promptly to cope with crises in close co-operation with trading partners. As a first step, all members agreed to increase transparency by providing a report on their steel trade and trade-related trade policies, covering such areas as tariffs, non-tariff measures and subsidies.

27. I would encourage those countries that have yet responded fully to the OECD questionnaire to do so as soon as possible.