



Statements by Vice-President Katainen and Commissioner Malmström at the European Parliament plenary debate: US decision to impose tariffs on steel and aluminium

Strasbourg, 14 March 2018

EP Plenary debate on US tariffs on steel and aluminium

Vice-President Katainen's opening remarks:

Ladies and Gentlemen,

We have taken note of the decision of the US President last week to impose tariffs on imports of steel and aluminium to the US. We have also taken note of the possibility for allies to be excluded from the scope of such measures. We expect that the EU as a whole will be excluded as a key political, security and economic partner that trades fairly with the US.

EU and the US are strong historic allies. We share and promote fundamental values such as democracy, the rule of law, human rights. We also believe in and stand for undistorted market economy as well as open, rule-based and fair trade.

In the past years, both the US and the EU have faced increased imports and dumping of steel and aluminium, mostly from Asia. To a large extent, this has been the consequence of global overcapacity, in particular in China, fuelled by massive domestic subsidies. As a response, both the EU and the US have taken action against this in the form of anti-dumping measures on Chinese steel and aluminium imports – which are allowed by the WTO. Thanks to this, our industry has been able to survive for the time being.

The problem is not over yet, though, and this is why we created a Global Forum on Steel Overcapacity in which the EU and US work together with China and others to address the root causes of the problem. This group aims at identifying and eliminating overcapacity and support measures that fuel it. Such work should be expedited. And we should also better enforce WTO rules and ideally update rules on subsidies which are incomplete and do not cover well all situations. This would provide stronger discipline on massive subsidies that can create distortions and hurt EU and US companies.

The EU already started to work with the US on this agenda. This is why we have created a trilateral cooperation on level playing field also with Japan. A first meeting took place this weekend in Brussels on which Commissioner Malmström will debrief you. Work will accelerate and intensify in the near future.

We hope that China will understand the value of a strong rules-based order and join our effort, even if it means going further in the reform of their economic model where the state still has a strong role.

In the meantime, we sincerely hope that the process of exclusion on EU steel and aluminium exports from the scope of US measures will be expedited, transparent and smooth. We

believe that our exports do not cause any threat to US security. Commissioner Malmström had a bilateral exchange with US Trade Representative Lightizer on this matter in the margin of the trilateral meeting this week-end and can tell you more about this.

Commissioner Malmström's opening remarks:

As you know, President Trump has signed off on import duties of 25% on Steel and 10% on aluminium last week, under Section 232 of the 1962 Trade Expansion Act - a US law from the Cold War! -and justified on national security grounds. These measures will enter into force the night between 22 and 23 March.

We regret the adoption of these measures. Justifying tariffs on the basis of national security considerations risks undermining the multilateral trading system. Moreover, the European Union, friends and allies in NATO, is not a threat to the national security of the US.

During my meeting with USTR Lighthizer last Saturday, I made clear to him that we are very disappointed indeed that longstanding allies and security partners from Europe need to justify their exports of steel and aluminium and to prove that they are not a threat to US national security.

We are of the firm view that the EU should be excluded from the Section 232 measures announced last week and I made this very clear in my meeting with Ambassador Lighthizer.

Unfortunately, I did not leave last Saturday's meeting with sufficient clarity as regards the exclusions. We are in contact with US counterparts to obtain more clarity as soon as possible and we have been told that the USTR will publish very soon on their website a more detailed outline of the procedures for the exemptions.

This would be very damaging to transatlantic relations and the global rules system based on a common global order that we have constructed together with our US partners. And if the EU is not to be excluded from the measures then there would have to be a firm and resolute, but proportionate, response. We are continuing the preparations to ensure that we can respond in line with the WTO rules, in the event that the EU would not be excluded from the scope of the Section 232 measures.

Last week, the college of Commissioners discussed three strands of work for future measures. They would defend our interests and those of the trading system.

They would be fully in line with international obligations and by the book.

The first strand is that we would execute our rights in the WTO. We are talking to friends and partners around the world who are also affected by the 232 decisions and who would be impacted by these measures, to see if we can coordinate our rights in the WTO.

Because WTO proceedings take time, we're also looking at other, immediate measures.

The second track is to protect our market from potentially significant trade diversion.

By the US's own assessment steel imports should be reduced by 13 million tonnes. There could be a surge of steel or aluminium imports into the EU following US tariffs.

So we are preparing to put in place our own safeguard measures, while maximizing our openness. We urge our trading partners to do likewise. We do not want to encourage further closing of steel and aluminium markets.

We suspect that the US move is effectively not based on national security considerations but an economic safeguard measure in disguise. The EU is entitled use the WTO Safeguards Agreement to rebalance the benefits we have granted to the US in the past.

This allows measures corresponding to the economic loss suffered. And we are discussing different US products.

With these three tracks that we are discussing, we are ready to act in a proportionate way according to WTO rules. We do not want things to escalate. We do not share the view that

trade wars are good and easy to win. On the contrary they are very bad for the world and they are very easy to lose. So things should not be escalated, we will manoeuvre carefully, but we have to protect the interests of our citizens and our jobs.

Dialogue with the US is intense. It is continuing this week and we hope that very soon we can report to you with more detail on the outcome of this.

Thank you very much I am looking forward to the debate, Mr President.

Commissioner Malmström's closing remarks:

Honourable Members of Parliament, let me answer a few of your questions.

The EU is among the countries most affected by this, but there are others as well who export steel. On exactly how it would strike the European Union, we are in a close dialogue with the Member States. There are 9-10 countries affected in the EU, but the consequences are of course much larger.

The Australian exception we do not know much about. The exceptions for Canada and Mexico are related to a satisfactory outcome of the negotiations on NAFTA. So we are still searching for more information there.

The EU is of course a security partner to the US going back a long time. We work together in NATO. We have stood together in Iraq, in Afghanistan, and many other places in the world. We are cooperating in the fight against Islamic State, and our friendship and strategic partnership goes way back.

On tariffs, we need to clarify a few issues. Yes, the EU has tariffs on cars vis-à-vis the US and other countries. But the US has higher tariffs on other items. For instance, there is a 25% tariff on trucks and pick-ups. You cannot discuss tariffs unilaterally – we try to take away tariffs in trade agreements. When there are no agreements, these are tariffs. And they are not only vis-à-vis the US; they are for all countries with whom we do not have trade agreements, so that's why you cannot negotiate tariffs individually. It's part of a bigger picture.

We believe that this US measure is a safeguard in disguise; that the security exception that does exist in the WTO, but which is meant to be used for wartime, is misused. So we are confident that we could win such a case in the WTO. And we are reaching out to other friends and allies to see if we can have a joint approach here.

On trade distortions – that is why we have the safeguard measures that we are ready to put in place.

Whether a summit is a way to solve this is beyond my pay grade. I think we have to try to solve these issues quite urgently, actually.

But as long as the measures have not entered into force, we hope to avoid a significant trade dispute.

The root problem, as many of you have said, is overcapacity in steel and aluminium sectors. Certain countries are using massive subsidies and producing under non-market conditions. So the EU and the US should – and we already are – work together on this. And the EU has, from our side, done our part.

With your help, we have modernised our trade defence instruments. We are using them, upholding rules against those countries who distort trade. And that is why we met together with the US Trade Representative and also with Minister Seko from Japan this weekend, to discuss how we can work jointly to face this challenge. We achieved a to-do list, an action plan; and we will meet again on this topic. It was a very constructive meeting, with the aim to work to improve the level-playing field.

Protectionism is never a good answer. That is why we are reaching out to other parts of the world in order to jointly stand up for the principles of the international global trading system – the rules-based system, the multilateral organisations.

The WTO is not perfect but it has served us well. Both us, the US and other countries of the world, and we'd rather work together to strengthen it, not weaken it. This is also why we are reaching out to other countries and have an ambitious negotiating agenda. We are creating a circle of friends with partners across the world who firmly believe that trade is a good thing. We do good trade agreements based on fair, transparent, sustainable trade, good for our people and for our companies. That is why we stand up to this in the framework of the WTO system.

I want to thank you for the strong support you have given to the Commission, and to our approach to adopt WTO compatible measures. We are doing this in a measured and calm way.

I also want to thank you, because I know many have been reaching out to US counterparts in Congress and elsewhere. That is indeed very useful.

Thank you very much for this debate. Thank you Mr Speaker.

Vice-President Katainen's closing remarks:

Thank you very much for this House's very strong support to the policy that the Commission has adopted in this file.

It's very important that the whole EU is united when addressing these kinds of trade issues and difficulties. We also acknowledge in the Commission the good cooperation with the Congress of the United States. Both main parties, Republicans and Democrats, share the view on rules-based world order and rules-based trade with us. We have to acknowledge this good cooperation.

Also the business sector of the US shares the views of ours. So we have to acknowledge this. This is not a dispute between Europe and the United States as such.

So, that's why the Commission will concentrate on problem-solving instead of provoking further problems in this file.

So, what we want to do is to clear up this mess. I think there are good reasons, which both sides will at the end of the day accept, that we don't need; we don't want a trade war. Instead, we should concentrate on improving our trading conditions between the two trading blocks, like-minded continents.

Honourable members, this incident is a good reminder for all of us. When we want to build or harness globalization, it must be based on rules-based world order, instead of the rule of the strongest.

Trade agreements are good examples of building rules-based world order. Actually the reality is as simple as this: we have to choose between the two options: either we want to have trade agreements, which bring values to trade, which strengthen the rules-based world order, or then we are in a situation where we are at the moment, where arbitrary decisions can harm all of us.

So, honourable members, we try to find a solution as soon as possible and we want to enhance our trade and security cooperation with the United States.

Thank you very much.