



european community

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EC ASKS FOR A GATT PANEL ON U.S. STEEL CVD CASES

The European Community today asked the GATT Subsidies Committee in Geneva to establish a panel on US countervailing duty (CVD) cases on lead and bismuth carbon steel products originating in France, Germany and the United Kingdom. The definitive duties were imposed by the US Department of Commerce last January 19.

The Community has had several rounds of consultations with the US authorities on these cases and they were submitted as well to a conciliation meeting of the GATT Subsidies Committee on April 26, 1993.

The panel request therefore constitutes a further step under GATT dispute settlement procedures.

The Community considers the US determinations to be unjustified, contests their correctness in respect of a large number of issues and considers that these determinations in any event overstate the effect of any alleged subsidization of EC steel producers and thus violate express provisions of the GATT Subsidies Code.

At this stage this panel request only raises issues concerning the subsidy findings of the US Department of Commerce. The Community completely reserves all its rights concerning the US findings in respect of injury and dumping.

More specifically, the Community would like to put forward the following issues to a panel:

- 1) The US has countervailed subsidies which would have been granted up to 15 years ago to EC steel companies. During this period a Voluntary Restraint Agreement (VRA) has limited EC exports to the US and any issues between the parties have been dealt with in this way. The Community considers that in these circumstances countervailing duties which are imposed by the US in order to compensate for alleged subsidization of EC steel producers during the period of the VRAs and indeed before, have no economic or legal justification.
- 2) The US has recalculated the actual amount of alleged subsidies given by a government in order to determine a presumed 'stream of benefits' a company would receive due to such subsidization.

This US methodology, which is not based on ascertained facts but on hypothetical reasoning, leads to the imposition of countervailing duties which can amount to two or three times the actual amount of any subsidy.

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3) In the case against one major Community steel company, the US distributed the subsidies it found to exist only over its domestic production, although that company has major production units outside its domestic market and it was never proved by the US that those foreign subsidiaries would not have benefited from the alleged subsidization.

The US approach virtually doubled the countervailing duty that was imposed against products of this steel producer.

4) A British company producing steel with assets it had purchased at full market value, is confronted with countervailing duties, only because the company it had purchased the assets from may have been subsidized prior to the sale of those assets.

For the EC Commission it is clear: if a company purchases assets from another company at full market value, it receives no benefit from any subsidies which may previously have been granted to the seller of those assets.

5) The Community puts further into question numerous US subsidy findings in cases in which governments were the providers of capital to steel companies.

6) The US countervailed forgiveness of debt by private German banks to a steel company. For the Community, in the circumstances concerned, no subsidy can exist.

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