

**Communication from the European Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank**

**Steel: Preserving sustainable jobs and growth in Europe**

**COM(2016) 155 final**

APPROVED FINAL DOCUMENT

The Committee on Economic Activities of Italy's Chamber of Deputies,

Having examined, pursuant to Rule of Procedure 127 of the Chamber of Deputies, the Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank on "Steel: Preserving sustainable jobs and growth in Europe" (COM(2016) 155);

Referring to the useful intelligence and analyses collected in the course of its hearings;

Taking cognisance of the opinion of the Committee on EU Policies adopted on 29 June 2016;

*Whereas:*

The steel industry remains one of the pillars of the manufacturing sector, as steel is one of the basic materials used in construction, transport, infrastructure and industrial production, and, in a more recent development, is now also being used in the construction of renewable energy plants;

A competitive steel industry is vital to the competitiveness of European industry, and has the potential to be the decisive element in ensuring that the EU meets its target of generating 20% of its GDP from the manufacturing sector by 2020;

There are several reasons for defending the steel industry of Europe: steel remains an important manufacturing material; Europe should not have to depend on imports; and valuable advanced technologies are embedded as a salient feature of the European steel industry, which leads the way in the production of high-end products;

Another distinguishing feature of the European steel industry is its environmental standards, which are higher than those of other countries;

Technological progress offers considerable scope for further reducing the environmental impact of steel production through the reuse of scrap. The EU is already a global frontrunner in steel recycling;

From this perspective, Italy is one of the best performing countries: only 35% of its steel output comes from a full-cycle production plants (which have to be large, use considerable mineral resources and require huge financing), but most comes from arc furnaces installed in smaller and more flexible foundries that, thanks to their use of scrap, make less of an environmental impact;

In furtherance of the objectives that the European Commission has set, action needs to be taken to reverse the progressive decline of the EU's share of the global steel market. In 2004-2015, the EU's share of world production fell from 19% to 10%; in 2008-2014, more than 80,000 jobs were lost in the industry while, conversely, the share of the global market controlled by China, India and South Korea rose;

In spite of the decline, the EU is still the world's second largest steel producer after China. The industry generates an annual turnover of 166 billion euro and accounts for 1.3% of European GDP. The 500 steel plants located in 23 of the countries of the EU directly provide 328,000 jobs;

The industry is paying the consequences not only of global overproduction but also of unfair trading practices, particularly as perpetrated by China, which exports subsidised products below cost;

With regard to this issue, a significant step in the right direction was taken with the adoption of the Commission Implementing Regulation EU 2016/670 of 28 April 2016 introducing prior Union surveillance of imports of certain iron and steel products originating in certain third countries;

For all the reasons outlined above, we commend the European Commission's efforts to frame a strategy that will coherently and comprehensively address all the difficulties of the steel industry;

Acknowledging that this document is to be submitted to the European institutions as part of the political dialogue;

*does hereby express itself favourable to the Communication,*

*with the following remarks:*

- a) With regard to trade policy, the European Union should take a more decisive and steadfast stance against the unfair and harmful competitive practices of some countries. Not only must trade defence measures be made more effective, they must also be implemented more rapidly than at present. Currently, the EU takes far longer to trigger defence measures than the United States of America. It is therefore necessary to break the stalemate in the European Council, which is holding up the approval of a Proposal for a Regulation presented by the European Commission in 2013 for the modernisation of trade defence instruments providing for, inter alia, the imposition of higher tariffs on products that are characterised by structural distortions relating to raw materials, or else have received state subsidies in the course of their manufacture. The proposed Regulation would do away with the "lesser duty rule", which the WTO trade regulations do not require, and other regions, such as the USA, do not apply;
- b) A comprehensive reform of the EU's trade defence instruments for EU industry in general is needed to assure conditions of genuine equality with China and other trading partners, in accordance with the rules of the WTO;
- c) We concur with the plan to set up "Steel Contact Groups" with all the major producing countries to systematically address global overcapacity and its causes, and to examine corrective structural measures and strategies to overcome unfair competition;
- d) On the same grounds, and with reference also to the steel industry, China's recognition as a market economy should be deferred until the country shows respect for the rules of international trade, as the European Parliament has already demanded by means of a resolution adopted on 12 May last;
- e) It appears that the modernisation of the European steel industry will require the use of incentives, possibly accompanied by a revision of the rules on state aid, to finance restructuring works for the upgrading rather than the shutting down of production facilities;
- f) To cover the significant possible costs of upgrading and securing existing plants, use should be made of all the resources available, which, it is to be hoped, will include higher contributions from the EIB and a reconfiguration of state aid, the aim being to promote:
  - technological innovation through research, development and the use of more advanced technologies, and incentives for the training of workers in advanced technical, scientific and engineering skills;
  - the adoption of production techniques with a lower environmental impact, with particular reference to full-cycle production plants (blast furnaces), many of which date from some years ago;

- the conversion of old plants or the construction of new ones for the production of steel from scrap metal and secondary materials rather than from raw materials, which will help prevent waste and reduce costs;
- g)* For the foregoing reasons, a solution needs to be found quickly to the problems raised by the European Commission regarding the redevelopment and clean-up measures proposed for the ILVA steel plant of Taranto;
- h)* The proposed reform of the EU Emissions Trading System that the European institutions are currently examining must not lead to the imposition of additional burdens that rival steelmakers from countries without such a trading system do not have to bear;
- i)* The necessary focus on technological innovation and on the improvement of production processes also implies paying special heed to human resource development, which involves the retraining and upgrading of current employees who can be set new tasks and put to better use, the high professional qualities of steelworkers being one of the great assets of the industry. Doing so will require an enhancement of the instruments and forms of aid allowed to the industry – the European Globalisation Adjustment Fund is particularly relevant here – as well as a simplification of the processes for obtaining aid.