

Ensuring a successful outcome of the Global Arrangement on Steel and Aluminum (GSA) negotiations

October 2023

Executive Summary

- The TBI strongly supports the efforts to conclude a transatlantic agreement on a Global Arrangement on Steel and Aluminum (GSA) to permanently resolve the dispute over US steel and aluminum tariffs. This is of great importance.
- The GSA has the potential to reduce carbon leakage and set global standards regarding the trade and climate nexus and to become a stepping stone towards a more wide ranging climate club both in terms of goods and countries covered and included. In addition, there is a unique opportunity to take joint action against global overcapacities in the steel and aluminum sector and to cooperate on climate protection.
- Given the complexity and the global relevance of the issue – solving the problem of overcapacities, supporting the transformation of the industry, re-instating a level-playing field – quality should trump speed: If the self-imposed deadline of October 31, 2023 for the conclusion of a GSA is not feasible, both sides should agree on principles of an agreement including prolonged tariff suspensions with a view to swiftly concluding the negotiations by the end of 2023. This is of great urgency for the planning security of companies. In any case, the GSA must be compliant with WTO rules.
- Under no circumstances must the previous tariffs between the United States and the EU – the United States' 232 tariffs on steel and aluminum imports from the EU as well as the EU's rebalancing measures – be reimposed. The cost for businesses on both sides of the Atlantic could amount to 10 billion USD.¹
- Industry would highly appreciate consultation so that needs and concerns of the affected industries can be taken into account.

¹ <https://www.bloomberg.com/news/articles/2023-08-01/us-eu-steel-talks-inch-ahead-as-time-for-a-deal-runs-short>

Background

In order to finally resolve the dispute over the tariffs on steel and aluminum imposed by the United States under President Trump and the retaliatory tariffs imposed by the EU, the United States and the EU are currently negotiating a Global Arrangement on Sustainable Steel and Aluminum (GSA). This agreement is also intended “to restore market-oriented conditions and address carbon intensity,”² i.e. address the problem of global overcapacity in the steel and aluminum sectors – which create unnecessary emissions – to accelerate the environmentally friendly transformation of these sectors.

A temporary transitional arrangement agreed in October 2021 will apply until the end of October 2023. Under this agreement, both sides agreed on country-specific quotas under which steel and aluminum can currently be exported duty-free from the EU to the United States (“tariff-rate quota”, TRQ). In return, the EU suspended its retaliatory tariffs on US imports (“rebalancing measures”). As a further element of the temporary arrangement, both sides suspended their WTO cases related to the dispute. Should no agreement be reached – either on the GSA or on the extension of the current tariff rate quotas and tariff suspensions –, the U.S. tariffs on steel and aluminum and the EU rebalancing measures will be applied again from January 2024. The EU’s retaliatory tariffs would also increase from 25 percent to 50 percent.

While there seems to be political will on both sides to find a lasting solution to the conflict, time is running out to reach a GSA by the end of October 2023. The EU and the United States have exchanged drafts, but neither the content nor information about the state of play of negotiations have been made publicly available. In addition, stakeholders have not been consulted so far.

TBI’s Position

- The TBI very much supports the bilateral suspension of the United States’ 232 and the EU’s retaliatory tariffs. However, businesses need long-term planning security and legal certainty. Thus, a permanent solution is needed to prevent these tariffs from being reintroduced. At the same time, although providing some relaxation at least for a certain volume, businesses are not supportive of TRQs, as they continue to restrict bilateral trade. Therefore, the 232 measures and any TRQs for the EU must be abolished. The United States should also refrain from invoking 232 tariffs against close allies on the grounds of national security. The TBI does not support state interventionism in foreign trade.

² USTR, *Fact Sheet: U.S. – EU Arrangements on Global Steel and Aluminum Excess Capacity and Carbon Intensity*, <<https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2021/october/fact-sheet-us-eu-arrangements-global-steel-and-aluminum-excess-capacity-and-carbon-intensity>> (accessed 29 August 2023).

- Without stakeholder consultations and limited publicly available information on the state of the GSA negotiations and the content of the EU's and the United States' proposals, it is difficult for businesses to meaningfully engage in this discussion and provide valuable input on the feasibility of currently discussed solutions. More transparency is crucial to achieving a successful outcome of these negotiations. In addition, quality should trump speed: If the self-imposed deadline of October 31, 2023 for the conclusion of a GSA is not feasible, both sides should agree on principles of an agreement including prolonged tariff suspensions with a view to swiftly concluding the negotiations by the end of 2023. This is of great urgency for companies planning ahead. In any case, the GSA must be compliant with WTO rules.
- Using the GSA to address overcapacity and coordinate US and EU climate and trade policies should lead to a global level playing field and strengthen competitiveness on both sides of the Atlantic. We welcome the fact that US climate policy is becoming more ambitious.
- The EU and US customs tariffs should continue to be autonomously managed by the respective authorities in the EU and US.
- The GSA has the potential to significantly impact businesses in the transatlantic market: Agreeing on joint methods for measuring carbon intensity, as well as interoperable (IT) standards on how to communicate them between companies and administrations would prevent a great deal of costly red tape.
- Discriminatory non-tariff barriers including local content, local assembly and local sourcing requirements should be ruled out in the GSA.
- The GSA could also help revive the stalled trilateral talks with Japan on WTO subsidies and competition rules, focusing among others on state-owned enterprises. This is highly relevant to businesses, given that a great share of the global steel and aluminium production takes place outside OECD-countries.
- Ideally, the GSA can be expanded over time to include more goods and trading partners and thus become a stepping-stone towards a global Climate Club. In this regard, it is important that both sides exchange with their respective trading partners on setting up the GSA. Offering technical assistance to least-developed countries (LDCs) on climate action could be useful in this regard.

About the TBI

The Transatlantic Business Initiative (TBI) was established in 2021 to support closer transatlantic economic relations. It serves as a link between German business and the governments of Germany, the United States and Canada as well as the EU's institutions. The initiative is supported by four business associations: the Federation of German Industries (BDI), the German Chambers of Industry and Commerce (DIHK), the Federation of German Wholesale, Foreign Trade and Services (BGA) and the Association of German Banks (BdB).

Imprint

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