PRESS RELEASE

CHINA TAKEOVER OF SERBIAN STEEL MILL "UNDERMINES FAIR COMPETITION"; ALARMS EUROPEAN STEEL ASSOCIATION

Brussels, 17 June 2016 – The visit beginning today of China's President to Serbia follows the agreement over the sale of Serbia's largest steel producer, Zelezara Smederevo, to Hebei Iron & Steel. The purchase of a steel works in an EU candidate country by a state-owned Chinese enterprise raises serious concerns about unfair competition from state-backed enterprises and shines a spotlight on China' continued lack of progress towards meeting its WTO commitments.

"China's government is pushing Chinese companies to carry out takeovers abroad, a practice that was criticised in the May 2016 G7 Leader's Declaration[1]. Foreign investment is genuinely welcome in the EU and EU neighbourhood, but only under fair, undistorted market conditions," said Axel Eggert, Director General of the European Steel Association (EUROFER).

"However, in this instance, a steel firm is being invested in by an undertaking – Hebei Iron & Steel – which is directly owned and run by the Chinese government. Zelezara Smederevo was already subject to an ongoing National Restructuring Programme as part of Serbia's EU accession procedure. The subsequent purchase by a Chinese state owned enterprise undermines both efforts to combat global steel overcapacity and the free and fair conduct of the market – as sought by the G7" emphasised Mr Eggert.

"Market conditions do not prevail in China, and by promoting blank-cheque investments abroad, China shields its national champion companies from the commercial pressures that would prevent a private investor from making a similar purchase. This is a new way of exporting the distortions in China's market and only confirms that China cannot yet be granted Market Economy Status (MES) at the WTO", added Mr Eggert.

Additionally, China does not meet four out of the five EU criteria to be considered a market economy. These shortcomings continue even as the country sustains up to 400 million tonnes of overcapacity in steel production.

"The EU must resist calls for MES to be granted until the Chinese government ceases to intervene so intensively in its economy, puts to bed the distortions in its market, and opens up to free and fair competition and international trade. This latest purchase merely reconfirms the problems raised by China's non-market conditions; worsened by the attempt to project these distortions abroad using state-backed means", concluded Mr Eggert.

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[1] P7-8, *G7 Ise-Shima Leaders' Declaration*, G7 Ise-Shima Summit, 26-27 May 2016 , http://www.mofa.go.jp/files/000160266.pdf

Notes for Editors

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About the European Steel Association (EUROFER)

EUROFER is located in Brussels and was founded in 1976. It represents the entirety of steel production in the European Union. EUROFER members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Switzerland and Turkey are associate members.

About the European steel industry

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €170 billion and directly employs 320,000 highly-skilled people, producing on average 170 million tonnes of steel per year. More than 500 steel production sites across 24 EU Member States provide direct and indirect employment to millions more European citizens. Closely integrated with Europe’s manufacturing and construction industries, steel is the backbone for development, growth and employment in Europe.

Steel is the most versatile industrial material in the world. The thousands of different grades and types of steel developed by the industry make the modern world possible. Steel is 100% recyclable and therefore is a fundamental part of the circular economy. As a basic engineering material, steel is also an essential factor in the development and deployment of innovative, CO2-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.