



**ITEM 8:**

**ASSESSING THE EXTENT OF POTENTIAL  
TRADE MEASURE CIRCUMVENTION  
BEHAVIOURS IN GLOBAL STEEL TRADE**

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# Agenda

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- **Background:** how pervasive is trade circumvention in global steel trade?
- **Key insights** from the report.
- **Preliminary findings:** indicators of prevalence and main actors.
- **Policy message:** new empirical tools help identifying circumvention.
- **Issues for discussion**



## Background

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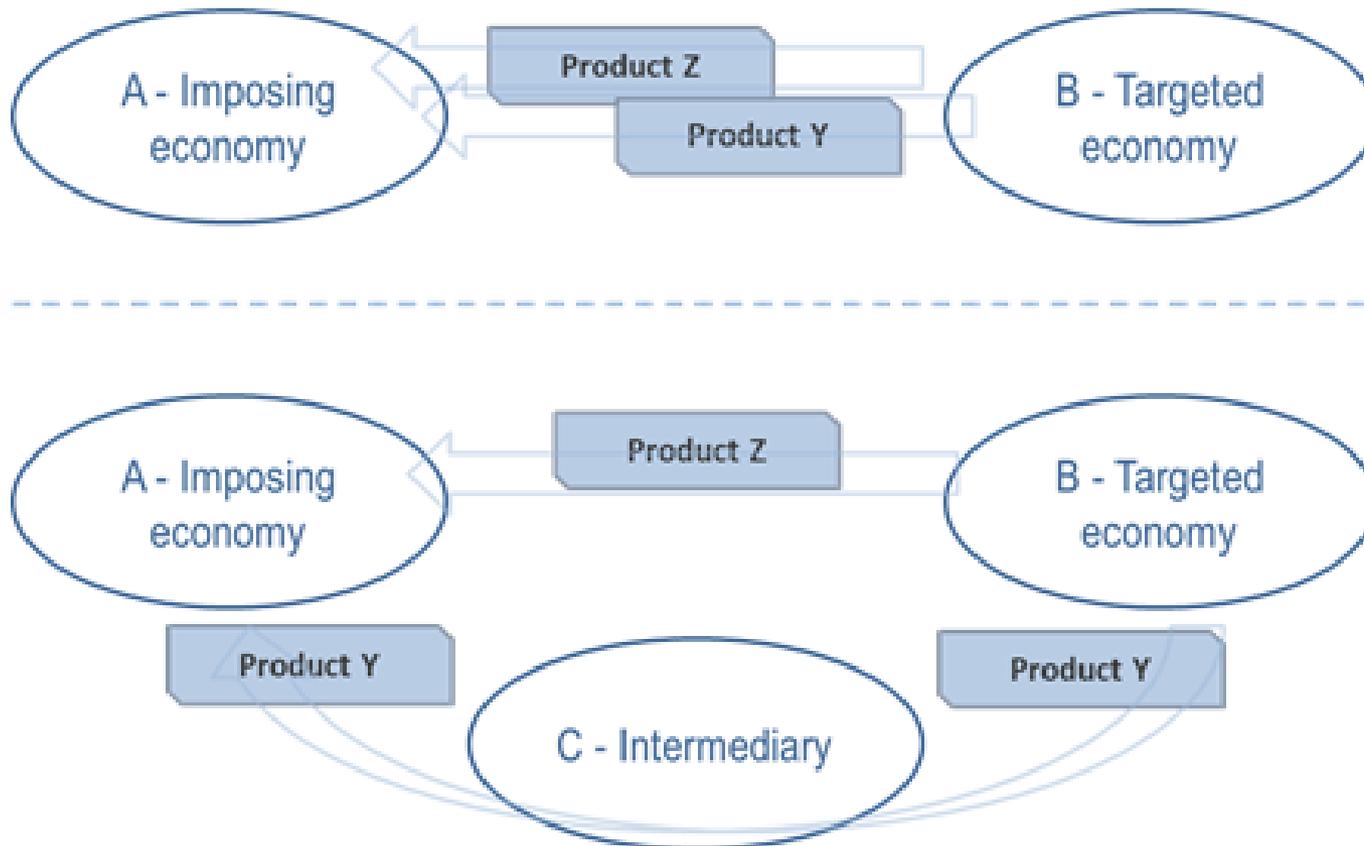
- **Definition:** Trade measure circumvention include all those activities that are carried out in order to circumvent duty orders resulting from the application of legitimate trade actions.
- Circumvention limits the effectiveness of trade remedies.

### **Objective of this report**

- Empirically identify cases of possible circumvention by using official trade statistics.
- Develop indicators at country level in order to measure the extent of the problem in the steel sector.
- Shedding light on the pervasiveness of the problem in global steel trade and inform policy makers on the need to better understand such type of behaviours.



# Illustration of a trade rerouting behaviour





## Key insights from the analysis

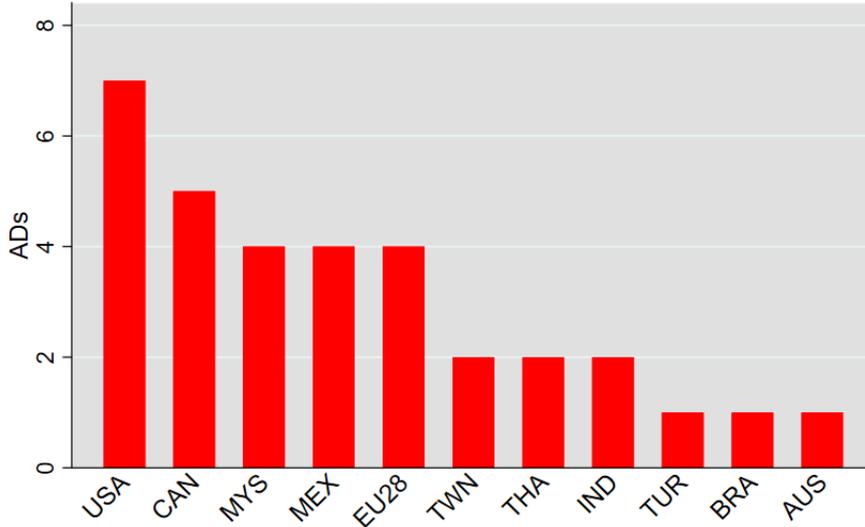
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1. Focus on AD: in **34 out of 145 AD** investigations appear being circumvented.
2. Potentially circumvented trade amounts to **about 7.6 mmt** of steel products, equivalent to about **EUR 4.7 billion** from 2013 to 2020.
3. Most of potential circumvention events :
  - are associated with AD measures initiated in 2015, at **the onset of the steel crisis**.
  - appears to involve **Viet Nam as an intermediary economy** and **China as subject economy**.

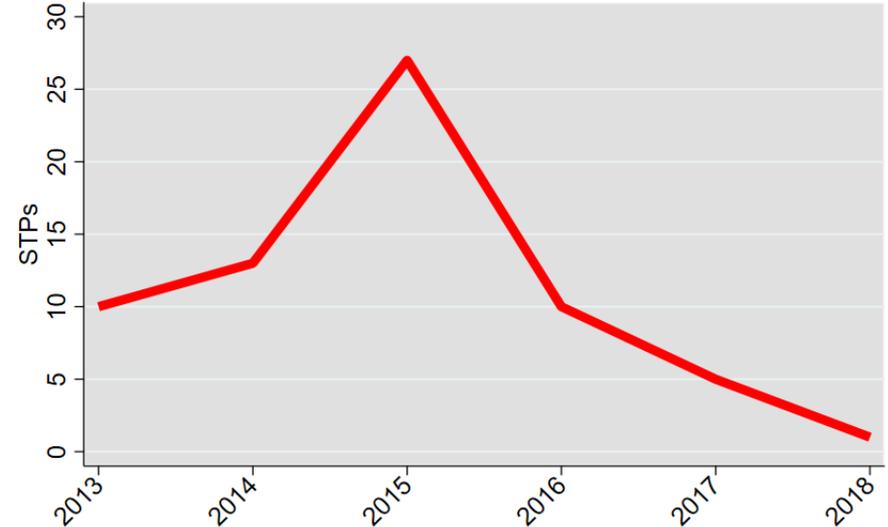


# How prevalent is circumvention in steel trade?

Number of AD circumvented  
By jurisdiction, 2013-18



STPs through the time  
2013-18

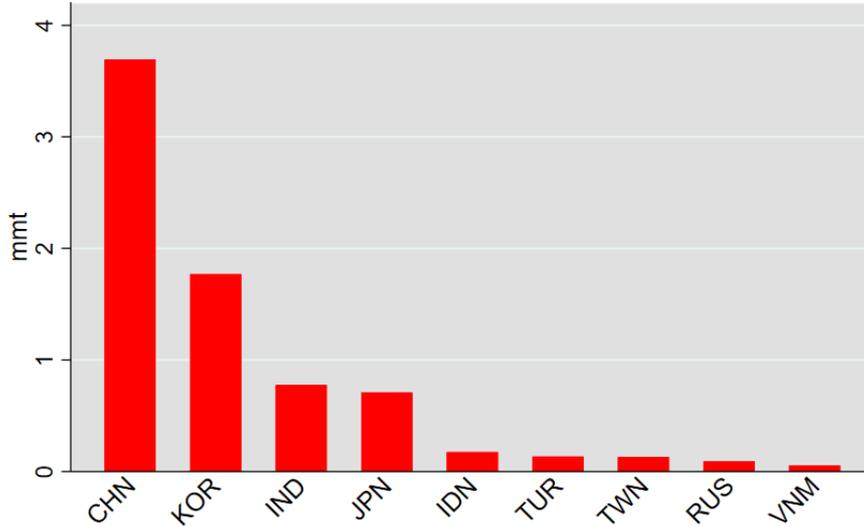


- AD investigations pursued by USA are the most affected.
- Circumvention through the time: **mostly observed in 2015**
  - When steelmaking capacity increased.
  - Consequent exacerbation of trade tensions.
  - Enhanced use of trade defense instruments.

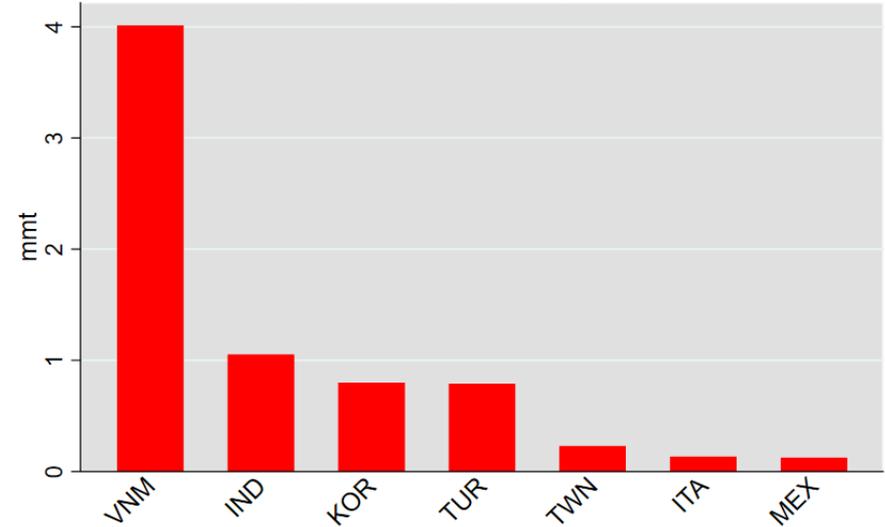


# Trade circumvention: main actors

Circumvented trade  
By subject economy, 2013-18



Circumvented trade  
By intermediary economy, 2013-18



- Substantial amount of steel rerouted related to **AD targeting China**.
- Other economies include Korea, India and Japan.
- Most of circumvented trade is estimated being intermediated **through Viet Nam**



## Policy message

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1. Circumvention appears to be quite common in the global steel market and involves a number of economies.
2. Circumvented trade offsets the remedial impacts of trade actions to address unfair imports...
3. ...so defining the size of the problem is important to identify the policy actions that could be put in place to reduce the risk of circumvention.

### What the Committee can do in the context of trade circumvention?

- Provide a useful platform to discuss trade circumvention trends.
- Promote discussions on ways to ensure the effectiveness of trade remedy actions.
- Refine methodological tools that help identifying such type of behaviours.



## Next steps

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1. Include new indicators that would take into account **CVD actions**.
2. Further methodological refinement of the analysis in order to
  1. Better measure the extent of trade **circumvention through product modifications** in third economies.
  2. Investigate the effects of trade measure circumvention behaviours on **trade unit prices**.
  3. Obtain more evidence on the effects of all **AD/CVD determinations**, including preliminary and final duty decisions.
3. Look more broadly at the network effects of trade remedy actions.



## Issues for discussion

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- 1. What can governments do to better detect the presence of trade circumvention?***
- 2. What are the most effective policy instruments for reducing the risk of circumvention?***
- 3. What are the costs associated to circumvention? Lengthy trade remedy actions vs reduced duties.***