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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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Subject:	Recommendation for a COUNCIL DECISION authorising the opening of negotiations with a view to modifying the Union's concessions made in the World Trade Organization on import tariffs applicable to certain steel products

Delegations will find attached document COM(2025) 727 final.

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EUROPEAN
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Strasbourg, 7.10.2025
COM(2025) 727 final

Recommendation for a

COUNCIL DECISION

**authorising the opening of negotiations with a view to modifying the Union's concessions
made in the World Trade Organization on import tariffs applicable to certain steel
products**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Steel is an essential material for the Union's economy, including for its green transition. Steel is used in a wide variety of sectors, such as buildings, infrastructure, railways, automotive, shipbuilding, windmills, industrial tools and machinery, household appliances, amongst others. Steel is also of strategic importance for increasing the defence and military capabilities of the EU.

The Union's steelmaking industry is the world's third largest steel producer. It employs around 300 000 people directly and it is estimated that it accounts for 2,5 million jobs (indirect and induced). There are many steel production sites across more than 20 Member States. Steel plants sustain many regional economies, underlining their socio-economic and political importance. The Union's steel industry is facing critical challenges which weaken its competitiveness in a global market and seriously threaten its long-term viability, creating high risks for the industry's existence and its ability to make new investments.

In particular, the Union's steel industry is facing serious trade-related challenges. Notably, a significant and sustained import pressure, both in volumes and prices, resulting from unsustainable levels of global overcapacity, which are negatively affecting the Union's steelmaking industry's economic performance: Union production has shrunk, and its current capacity utilisation is well below profitable levels, undermining steelmakers' ability to invest and as such, jeopardising decarbonisation objectives. In fact, several Union steelmakers have halted ambitious and costly investments in green steel projects needed to remain competitive and decarbonise its production as part of the Union's green agenda.

These critical trade-related challenges are taking place in an overall difficult context, as the steel sector is facing a lack of a level playing field, as well as higher energy and manufacturing costs. This situation also poses risks related to the Union's strategic autonomy. The combination of challenges is having a heavy impact on jobs. In fact, the Union steel industry has been seriously decimated, losing nearly 100 000 direct jobs since 2008 (around 25% of its workforce) and closing or reducing installed capacity in numerous factories across many Member States. The current situation is very fragile, and risks to seriously worsen if the challenges are not effectively addressed.

The Commission Communication "A Competitiveness Compass for the EU", adopted on 29 January 2025, establishes industrial competitiveness as a core priority and sets out cross-sectoral actions for the next years. It recognises decarbonisation as a powerful driver of growth when integrated with industrial, competition, economic and trade policies. The Communication identified steel and metals as key areas for action.

On 19 March 2025 the Commission adopted the Steel and Metals Action Plan (SMAP). The SMAP outlined actions across different policy areas, including trade. The SMAP recognised that the steel sector is vital for the EU's economic security and social stability, and it also set as an objective to promote and protect EU industrial capacities.

The SMAP concluded that, while the safeguard measure which is protecting the Union's steel industry from a flood of imports will expire on 30 June 2026, it is unreasonable to assume that the structural global overcapacities and their negative trade-related impact on the EU's steel

industry, which triggered the imposition of the safeguard measure, will disappear before 1 July 2026. On the contrary, the negative trade-related effects are likely to be exacerbated, as an increasing number of third countries are adopting measures aimed at limiting imports into their markets, resulting in the Union's market becoming the main destination for the production generated by global excess capacities. Therefore, the Commission committed to adopt a legislative proposal replacing the steel safeguards and providing a highly effective level of protection against negative trade-related effects caused by global overcapacities.

- **Consistency with existing policy provisions in the policy area**

The proposed policy action of modifying the Union's import tariff commitments in the WTO is consistent with the Union's attachment to multilateralism in its common commercial policy, including the commitment to uphold international law, which includes the WTO Agreement. The proposed policy action is instrumental to ensuring that the envisaged tariff protection for the Union's steel industry is compatible with the WTO Agreement.

- **Consistency with other Union policies**

The proposed policy action is consistent with other Union policies aimed at preserving and strengthening the Union's steel sector.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Article 207(4) in combination with Article 218(3) and Article 218(4) of the Treaty of the Functioning of the European Union (TFEU).

- **Subsidiarity (for non-exclusive competence)**

The subject matter of the envisaged negotiations relates to the common commercial policy. According to Article 5(3) of the TEU, the subsidiarity principle does not apply in areas of exclusive competence. The common commercial policy is listed among the areas of exclusive competence of the Union in Article 3 of the TFEU. This policy includes the negotiation of trade agreements pursuant to, inter alia, Article 207 TFEU.

- **Proportionality**

The recommendation of the Commission is in line with the principle of proportionality, as the conclusion of an international agreement is the main instrument for assuming reciprocal rights and obligations with a subject of international law, such as a foreign country.

- **Choice of the instrument**

Decision of the Council of the European Union.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

Not applicable.

- **Stakeholder consultations**

Not applicable.

- **Collection and use of expertise**

Not applicable.

- **Impact assessment**

Not applicable.

- **Regulatory fitness and simplification**

Not applicable

- **Fundamental rights**

The recommended action is coherent with the Union's human rights policy and consistent with the Charter of Fundamental Rights, because modifying the WTO Agreement so that it permits higher import tariffs on certain steel products, in and of itself, does not in any way limit fundamental rights. The lowering of Union import tariffs on other products which may theoretically be the result of compensation negotiated under Article XXVIII:2 of the GATT 1994, likewise, would not limit fundamental rights or would do so only in line with the requirements of the Charter. The increase of import tariffs in other WTO Members which may result from the failure to agree on the modification with all WTO Members having rights under Article XXVIII of the GATT 1994 and from those WTO Members's withdrawal of substantially equivalent tariff concessions would emanate from third countries and per se not be subject to the Charter of Fundamental Rights. If the Union's contribution to such action is relevant under the Charter, then it nevertheless complies with the requirement that the Union's action is taken on the basis of a proper legal basis, by the competent authorities, in pursuit of the legitimate objective of protecting the steel industry against competing imports, and in line with the principle of proportionality.

4. BUDGETARY IMPLICATIONS

Not applicable.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Not applicable.

- **Explanatory documents (for directives)**

Not applicable.

- **Detailed explanation of the specific provisions of the proposal**

The provisions aim to recommend the adoption by the Council of a decision authorising the opening of negotiations and nominating the Union negotiator. The Council may address directives to the negotiator.

Recommendation for a

COUNCIL DECISION

authorising the opening of negotiations with a view to modifying the Union's concessions made in the World Trade Organization on import tariffs applicable to certain steel products

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207(4), Article 218(3) and Article 218(4) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

- (1) The existing tariff concessions made by the European Union in respect of imports of certain steel products in the Agreement Establishing the World Trade Organization (WTO) will require certain adjustments following developments in the world markets. Accordingly, the existing concessions for import tariffs on those steel products included in the Union's schedule of concessions and commitments, annexed to the WTO's General Agreement on Tariffs and Trade 1994 (GATT 1994), as previously modified, need to be amended.
- (2) The Commission should therefore be authorised to open negotiations under Article XXVIII of the GATT 1994 with those WTO Members that have negotiating rights with a view to obtaining their agreement with the modification of the Union's current import tariff concessions on those steel products,

HAS ADOPTED THIS DECISION:

Article 1

The Commission is hereby authorised to open negotiations, on behalf of the Union, with the WTO Members that have negotiating rights, with a view to modifying the import tariff concessions currently included in the Union's schedule of concessions and commitments annexed to the GATT 1994, as previously modified, in relation to the steel product categories listed in Annex 2.

Article 2

The negotiating directives addressed to the Commission are set out in Annex 1.

Article 3

The negotiations shall be conducted by the Commission in consultation with the [name of the special committee to be inserted by the Council].

Article 4

This Decision is addressed to the Commission.

Done at Strasbourg,

*For the Council
The President*