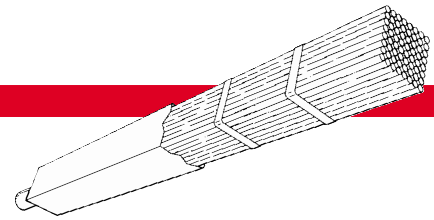

COMMERCE RULING

DOC: European enrichers unfairly subsidized

Duties should be imposed on future imports from Eurodif and Urenco, said the U.S. DOC.

THE U.S. DEPARTMENT of Commerce (DOC) on May 7 announced its preliminary ruling that European producers of enriched uranium are being unfairly subsidized by their governments. The DOC said that countervailing duties should be imposed on future imports from Eurodif, which is controlled by the French government, and Urenco, a British-Dutch-German consortium headquartered in Britain. The level of duty proposed, 13.94 percent for Eurodif imports and 3.72 percent for Urenco sales, relates only to the DOC's subsidy investigation.

"The DOC has taken another step toward confirming our assertions," said Robert Moore, USEC senior vice president and general counsel. "European government subsidies have helped facilitate the sale of enriched uranium into the United States at unfair prices. If the DOC carries its finding through to a final order, it will help to ensure a healthy U.S. nuclear fuel cycle while supporting domestic energy security objectives."

The DOC also is carrying out an investigation into allegations that Eurodif and Urenco are guilty of dumping the material as well. A preliminary ruling on that is expected in July. Additional duties could be imposed at that time, pending a final determination on both matters later this year.

USEC, along with the DOC and the U.S. International Trade Commission (ITC), filed petitions against the two companies in December 2000. USEC claimed that it lost millions of dollars of business because of government subsidies, and that the two companies were pricing enriched uranium below their cost of production—in the case of Eurodif, below the prices charged in France. In January, the ITC gave its preliminary ruling, deciding that there was a reasonable indication that these imports threatened to materially injure USEC (*NN,* Feb. 2001, p. 48).

According to a statement issued after the DOC decision, Urenco noted that the duty proposed was well below the level asked by USEC. Klaus Messer, chief executive of Urenco, said the ruling largely upheld Urenco's position "on nearly all of the subsidies alleged by USEC," and he was confident that "when the Department has verified the voluminous information we submitted and had a full briefing on the issues, Urenco will be fully vindicated." Messer went on to say that "these cases never should have been accepted by the Department of Commerce. Urenco provides services, not goods, and the international trade laws do not apply to services."

Messer commented that the case was about a competitor trying to protect itself from competition, and he accused USEC of blaming its own market difficulties on Urenco, its smallest competitor. Urenco called USEC hypocritical to accuse it of benefiting from subsidies. USEC, according to Urenco, is the world's largest supplier of enrichment services and the beneficiary of substantial government subsidies of its own—"free uranium, free SWU inventory, nominal rent for its enrichment facilities and retention by the U.S. government of substantially all pre-privatization liabilities arising from operation of the privatized enrichment plants. . . . These subsidies dwarf the benefits allegedly provided by the governments of Germany, The Netherlands and the United Kingdom. By pressing its case for countervailing duties, USEC and the U.S. Government are inviting a serious trade conflict with the European Union."

Urenco also claimed that if USEC succeeds, it will be restored to its former monopoly position, and that it already controls access to the U.S. market by Russian enrichment. Several legislators, including Sen. Jesse Helms (R., N.C.), have backed the European case, pointing to the higher costs to utilities and consumers if USEC wins its case.