

# UK Steel – Application for review of developing country exemptions from steel safeguards

## Introduction & Grounds for Application:

The UK has recently experienced sharp increases in imports from some developing countries which are currently exempt from the UK's steel safeguards. These countries previously accounted for less than 3% of UK imports for certain product categories based on the 2017-2019 reference period that the TRA based the developing country exemptions list and the associated quotas as part of the steel safeguards transition review completed in June 2021. In the last year, however, some of these historically low volume exporters have increased their import share to far exceed the 3% threshold.

It is evident that a review of this developing country exemption list is necessary to ensure that most recent trends are reflected. Since leaving the European Union at the beginning of 2021, the UK's trading environment has notably changed and the UK steel market became exposed to new trade flows. As a much smaller market than the EU, with far higher levels of import penetration<sup>1</sup> the impact on UK industry of surges in imports is far larger as there is less scope to absorb and distribute imports into a wider market.

Given the smaller number of UK steel producers, the injury is also felt more acutely as it is less spread out among a larger number of players like in the EU. Furthermore, the imbalance in measures for some products, including certain developing countries being exempt from a UK safeguard when they are not for the EU, further increases the likelihood of trade diversion. It is therefore increasingly apparent that the UK's safeguards, and wider trade remedies regime, must be more flexible and responsive to deal with these new challenges in a rapidly changing market landscape. A crucial element of this must be regular TRQ reviews to ensure that the measures reflect the most recent data and does not create loopholes for exporting countries to take advantage of.

There is also a broader point around whether the current list of self-declared developing nations at the WTO continues to reflect major changes in industrial production and global trade that have occurred in recent decades. This is particularly pertinent in the case of steel when five 'developing countries' now account for 65% of global steel production. While this is not necessarily within scope for the purposes of this application for a TRQ review, it nevertheless highlights the potential of significant increases in imports from certain countries which are exempt, and if the UK trade remedies regime is not responsive enough, this could leave the UK steel market considerably exposed.

In this application to the TRA, UK Steel requests:

- A review of the developing country exemptions to be carried out immediately, in response to surges in imports from developing countries demonstrating that the realities of the UK steel market have changed since the last review.
- A formal schedule to be set for the developing country exemptions list to be reviewed every quarter or at least every six months.

## Request for immediate review of developing country exemptions due to change of circumstances:

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<sup>1</sup> EU steel import penetration is typically around 25%. The UK has import levels over 60%.

According to regulation 35B(2) of The Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019<sup>2</sup>, a tariff rate quota review may be initiated either following an application from an interested party, or on TRA's own initiative.

Pursuant to regulation 35B(1), a TRQ review may be initiated if *"there is sufficient information indicating that there may have been a change of circumstances since the application of that tariff rate quota to those goods"*. Regulation 35B(9) contains a non-exhaustive list of changes in circumstances that may trigger initiation of a TRQ review, including the following:

*"(d) trade diversion in relation to the imposition of anti-dumping, countervailing, safeguard or other trade measures by a foreign country or territory;*

*(f) the fact that imports from a developing country member of the WTO which have been excluded from the application of the tariff rate quota can no longer be excluded under regulation 43 (developing country exception);"*

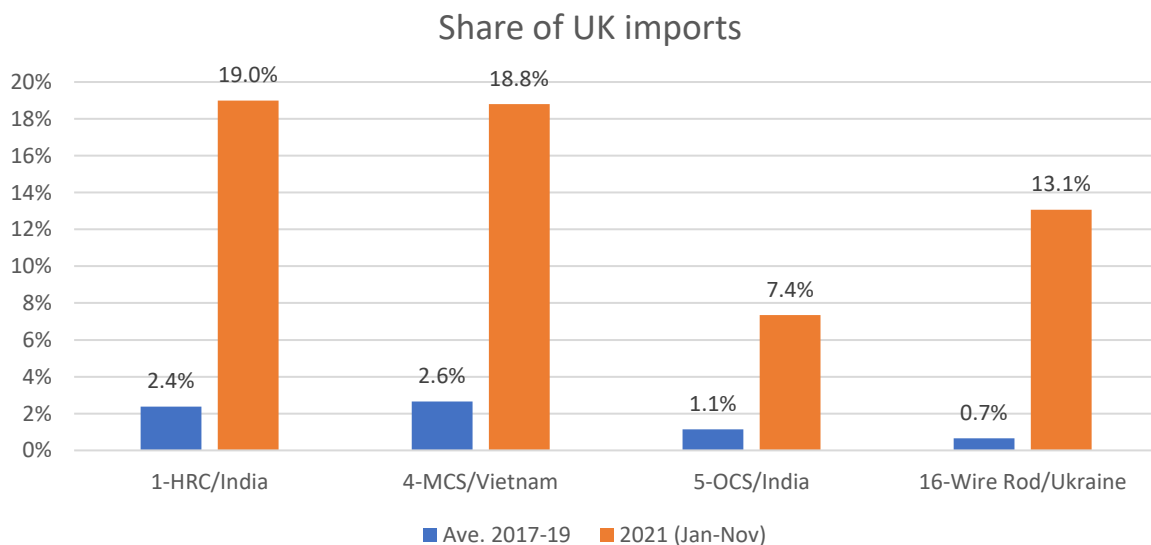
UK Steel submits that both of these changes in circumstance have taken place. In particular, Hot Rolled Sheet (Cat 1) and Organic Coated Sheet (Cat 5) from India, Metallic Coated Sheet (Cat 4) from Vietnam, and Wire Rod (Cat 16) from Ukraine are all exempt from the respective product categories as developing countries but have all far exceeded the 3% import share threshold for exemption for 2021 based on the currently available January-November import data. Not only that, but the 2021 imports also show particularly sharp and sudden increases compared to the trend in previous years.

**Table: UK imports (tonnes)**

Product	Origin	2017	2018	2019	2020	2021 (Jan-Nov)
1-HRC	India	22,897	33,880	0	21,962	117,298
4-MCS	Vietnam	56,760	57,999	13,715	49,045	259,864
5-OCS	India	1,250	3	5,207	4,697	13,641
16-Wire Rod	Ukraine	4,949	0	0	0	23,573

Source: UK Trade Info (HMRC)

**Chart: Share of UK imports from developing countries exempt from steel safeguards 2017-19 average vs 2021 (Jan-Nov)**



<sup>2</sup> [The Trade Remedies \(Amendment\) \(EU Exit\) Regulations 2020 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

Source: UK Trade Info (HMRC)

These countries are major producers of steel with capacities many times the size of the UK market and could easily flood the UK market without an effective safeguard in place. We are therefore in a situation whereby the effectiveness of the UK steel safeguards is being seriously undermined by the developing countries exemption which is now providing certain countries hugely preferential treatment which they don't require given the stage of development of their steel sectors.

The incentive to take advantage of this exemption and increase exports to the UK is further incentivised by the fact that they are not exempt from the EU's safeguards. India is subject to the EU's safeguards both for Hot Rolled and Organic Coated Sheet, as is the Ukraine for Wire Rod.<sup>3</sup> These are therefore clear examples of trade diversion, and a loophole in the framework which undermines the effectiveness of the measure. Vietnam is currently exempt from the EU safeguard for Metallic Coated Sheet (MCS), but increased imports of this product into the EU has raised concerns amid EU steelmakers who are calling for a revocation of the exemption.<sup>4</sup> This will be reviewed as part of the EU's functioning review of its safeguards and given the sharp increase of imports from Vietnam, it is probable that MCS imports from Vietnam will no longer be exempted after June 2022.

Given that imports of certain products to the UK from developing countries have increased to such extent that these countries would not qualify for exemption on the basis of 2021 data, and there is evidence of trade diversion, this demonstrates an adequate change in circumstances since the application of the tariff rate quota to trigger initiation of a review. UK Steel requests that the TRA initiates this review promptly to prevent any further surges in imports and injury to the UK industry.

## **Request for regular review of developing country exemptions:**

As noted above, the size and structure of the UK steel market means that any increases in imports disproportionately impact UK prices and have an immediate negative impact on individual domestic producers. Combined with the heightened threat of diversion resulting from the EU measures and the UK often being an easy target within this geographical area, UK Steel submits that the TRA should establish a formal schedule of periodic review for developing country exemptions, without requiring industry applications each time. Given the vulnerability of the UK's position, we propose that this should be at a greater frequency than the EU, which is once a year. Instead, it would be useful to have these reviews quarterly to ensure that the safeguards framework is robust and reflecting the most recent import trends, rather than allowing for opportunistic trading behaviour which disrupts the UK steel market.

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<sup>3</sup> See Annex II, page 10, [Safeguard measures applicable to imports of certain steel products - WTO Notification \(europa.eu\)](#)

<sup>4</sup> [EU steel safeguards could include Vietnamese HDG | Argus Media](#)