Statement of Essential Facts

Case TD0001

Transition review of anti-dumping measures applying to certain welded tubes and pipes of iron or non-alloy steel originating in the Republic of Belarus, the People's Republic of China and the Russian Federation

14 May 2021

Contents

Introduction

1.1 This section briefly summarises the legal framework for this Statement of Essential Facts (SEF) and its main findings. The background to the review and further detail on all aspects are explained more fully in the remaining sections.

1.2 This statement sets out the essential facts on which we will base our preliminary decision. It should be read in conjunction with other public documents available for this case on the public file. Its purpose is to inform interested parties of the essential facts established during this review and allow them to make submissions in response.

1.3 Interested parties are invited to make submissions within 30 days of the publication date of this SEF, i.e. before 5pm British Summer Time on Monday 14 June 2021. We may consider submissions made after this date, but please note that we are not obliged to do so if we believe it would cause an unnecessary delay in the preparation of the final report.

1.4 Registered interested parties to the case can make any submissions on the Trade Remedies Service online platform (TRS). These submissions must be accompanied by a non-confidential version or summary for the public file. In exceptional circumstances it may be impossible to summarise confidential information. If this is the case, you must provide a 'statement of reasons'. Those not registered on the TRS may send submissions by email to TD0001@traderemedies.gov.uk.

1.5 For further guidance and information regarding transition reviews please see our public guidance.

Legal framework

1.6 This SEF is made pursuant to Regulation 62 of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (as amended) (the Regulations). It includes:

- our intended preliminary decision;
- a summary of the facts considered during the transition review;
- details of the facts that form the basis of our intended preliminary decision; and
- the analysis that forms the basis of our intended preliminary decision.

About this review

1.7 This is a transition review of a UK trade remedies measure, under regulation 97 of the Regulations. This UK measure gives effect to the European Union (EU) Commission Implementing Regulation (EU) 2015/110 of 26 January 2015[1].

1.8 This review concerns anti-dumping measures applying to certain welded tubes and pipes (WTP) of iron or non-alloy steel originating in the Republic of Belarus (Belarus), the People's Republic of China (China) and the Russian Federation (Russia). Our notice of initiation (NOI) was published on 10 February 2020.

Summary and findings

Interested parties

2.1 The following interested parties provided a full questionnaire response:

- Tata Steel UK (TSUK), the main domestic producer;
- UK Steel, a domestic trade body;
- Community Trade Union (CTU), a domestic trade union;
- China Chamber of International Commerce (CCOIC), a trade body;
- BSS, a downstream user; and
- Severstal, a Russian producer.

2.2 Further relevant submissions were made by other producers, foreign government departments/ministries and trade bodies. For a full list of participants, please see 'Information from participants in the review'.

Scope assessment

2.3 The Notice of Initiation sets out the scope of the measure we have transitioned as:

2.4 Welded tubes and pipes, of iron or non-alloy steel, of circular cross-section and of an external diameter not exceeding 168.3 mm, excluding tubes and pipes of a kind used for oil or gas pipelines, of a kind used in drilling for oil or gas, or with attached fittings for use in civil aircraft. CN codes: ex 7306 30 41, ex 7306 30 49, ex 7306 30 72 and ex 7306 30 77.

2.5 To ensure the relevance of any recommended measures to the United Kingdom (UK), we assessed the scope of this review in accordance with regulation 99A(2)(a)(ii) of the Regulations. We established that TSUK produce goods which are classified under three of the four CN codes of the measure transitioned, as set out in the NOI. They do not produce goods classified under CN code 7306 30 72 (TARIC code 7306 30 72 80), which classifies non threaded WTP plated or coated with zinc.

2.6 Taking account of the specific like goods produced by TSUK, our intended preliminary decision is to vary the goods to which the anti-dumping amount will apply to exclude CN code 7306 30 72 (TARIC code 7306 30 72 80).Our amended description of the goods is:

2.7 Welded tubes and pipes, of iron or non-alloy steel, of circular cross-section and of an external diameter not exceeding 168.3 mm, excluding non threaded or threadable welded tubes and pipes that are also plated or coated with zinc, line pipe of a kind used for oil or gas pipelines, casing and tubing of a kind used in drilling for oil or gas, precision tubes and tubes and pipes with attached fittings suitable for conducting gases or liquids for use in civil aircraft.

2.8 These WTP are currently classifiable within the following commodity code(s):

- ex 7306 30 41 (TARIC code 7306 30 41 20)
- ex 7306 30 49 (TARIC code 7306 30 49 20)
- ex 7306 30 77 (TARIC code 7306 30 77 80)

2.9 This varied scope applies to the measures recommended in our intended preliminary decisions.

2.10 The majority of the assessments we carried out during this review considered the full scope of goods which applied when the measure was transition from EU to UK law. However, under regulation 100A(2) of the Regulations we are only required to consider whether our intended preliminary decision to vary the application of an anti-dumping amount meets the Economic Interest Test (EIT). In this case the EIT therefore only considered the varied scope of goods we have described above.

Consideration of whether the anti-dumping amount is necessary or sufficient to offset the dumping

2.11 Under regulation 99A(1)(a)(i) of the Regulations, in a transition review we must consider whether the application of the anti-dumping amount is necessary or sufficient to offset the dumping of the relevant goods to the United Kingdom (this is called the “necessary or sufficient consideration”).

2.12 We considered this on an individual country basis, as well as separately for Severstal, the one cooperative foreign producer. Based on the lack of imports to the UK during the period of investigation, we concluded that there was no current dumping of the goods subject to review, and therefore determined that the measures are sufficient to offset the dumping for Belarus, China, Russia and Severstal.

2.13 In order to consider whether the anti-dumping amount is necessary to offset the dumping, we would need to be able to recalculate the anti-dumping amount, for which we would generally need transaction-level data of exports of the goods subject to review to the UK. We therefore considered that it was not appropriate to recalculate the anti-dumping amount for producers in each country, including Severstal, in the absence of this data. Therefore, we could not determine whether the application of the anti-dumping amount is necessary to offset the dumping of the relevant goods to the UK.

2.14 To determine whether the measures should be varied or revoked, we therefore considered the likelihood that dumping and injury would occur if the measures were no longer applied.

Dumping likelihood assessment

2.15 We have assessed the likelihood that dumping would occur if the measures were no longer applied (dumping likelihood assessment). We determined that:

- dumping would be likely to occur if the measures were no longer applied to exporters from Belarus and China; and

- it was not likely that dumping would occur if the measures were no longer applied to exporters from Russia, including Severstal.

Injury likelihood assessment

2.16 We are required under regulation 99A(1)(b) of the Regulations to consider whether injury to the UK industry in the relevant goods would occur if the anti-dumping amount were no longer applied ("injury likelihood assessment").

2.17 We determined that injury would be likely to occur if the measures were no longer applied.

Economic interest test

2.18 Having considered all the evidence presented by each of the interested parties and contributors and all the factors listed in the legislation, we have concluded that the EIT is met for the proposed variation of the measures.

Intended preliminary decisions

Table 1: Intended preliminary decisions

Country	Company	Anti-dumping duty %
Belarus	All companies	38.1
China	All companies	90.6
Russia	All companies except Severstal	Measures revoked
Russia	Severstal	Measures revoked

Belarus

2.19 Our intended preliminary decision is to vary the application of the anti-dumping amount for Belarus. However, as it has not been possible to recalculate the amount, due to insufficient data, we recommend maintaining the anti-dumping amount of 38.1%, in accordance with regulation 100A(4)(b) of the Regulations. These measures would apply for a period of 5 years from 30 January 2021 which for the avoidance of doubt, is the date that the current measures expire.

2.20 We have reached this intended preliminary decision because we consider that:

- it is likely, on the balance of probabilities, that dumping from Belarus would occur if the anti-dumping amount were no longer applied;
- injury would occur to UK industry in the goods subject to review if the anti-dumping amount were no longer applied;
- the current measures are sufficient to offset the dumping; and
- the application of the anti-dumping amount meets the EIT.

2.21 In reaching this intended preliminary decision we considered the current and prospective impact of the anti-dumping amount.

2.22 This decision for Belarus is subject to our intended preliminary decision to vary the goods to which the anti-dumping amount will apply as set out in the 'Scope assessment' section above.

China

2.23 Our intended preliminary decision is to vary the application of the anti-dumping amount for China. However, as it has not been possible to recalculate the amount, due to insufficient data, we recommend maintaining the anti-dumping amount of 90.6%, in accordance with regulation 100A(4)(b) of the Regulations. These measures would apply for a period of five years from 30 January 2021 which is the date that the current measures expire.

2.24 We have reached this intended preliminary decision because we consider that:

- it is likely, on the balance of probabilities, that dumping from China would occur if the anti-dumping amount were no longer applied;
- injury would occur to UK industry in the goods subject to review if the anti-dumping amount were no longer applied;
- the current measures are sufficient to offset the dumping; and
- the application of the anti-dumping amount meets the EIT.

2.25 In reaching this intended preliminary decision we considered the current and prospective impact of the anti-dumping amount. This decision for China is subject to our intended preliminary decision to vary the goods to which the anti-dumping amount will apply as set out in the 'Scope assessment' section above.

Russia, including Severstal

2.26 Our intended preliminary decision is to revoke the application of the anti-dumping amount for Russia, including Severstal, with effect from 30 January 2021 which is the date that the current measures expire.

2.27 Although we consider that the anti-dumping amount is sufficient to offset the dumping of the goods subject to review, and that injury to the UK industry would occur if the anti-dumping amount were no longer applied to those goods, we have reached this intended preliminary decision because we consider it unlikely, on the balance of probabilities, that dumping from Russia, including Severstal, would occur if the anti-dumping amount were no longer applied.

Background to this transition review

Initiation of the transition review

3.1 The UK has chosen to maintain some trade remedy measures once it is outside the EU's common external tariff. The Department for International Trade (DIT) identified which measures may be of interest to the UK following a call for evidence.

3.2 For each of these measures, the Secretary of State has published a Determination Notice, under regulation 96(1) of the Regulations, setting out the decision to transition the corresponding EU trade remedies measure, and a Taxation Notice, under regulation 96A(1) of the Regulations, giving effect to the transitioned measure on replacement of EU trade duty. We are conducting transition reviews to determine if these measures should be varied or revoked in the UK.

3.3 The anti-dumping duty on certain WTP of iron or non-alloy steel originating in Belarus, China and Russia is one of the measures that has been transitioned. This anti -dumping duty was introduced by Commission Implementing Regulation (EU) 2015/110 of 26 January 2015 imposing a definitive anti-dumping duty on imports of certain WTP of iron or non-alloy steel originating in Belarus, China and Russia and terminating the proceeding for imports of certain WTP of iron or non-alloy steel originating in Ukraine following an expiry review pursuant to Article 11(2) of Council Regulation (EC) No 1225/2009.

3.4 More information about the case can be found on the TD0001 public file.

Previous measures in place

3.5 Previous EU cases concerned the following product:

3.6 Welded tubes and pipes, of iron or non-alloy steel, of circular cross-section and of an external diameter not exceeding 168.3 mm, excluding tubes and pipes of a kind used for oil or gas pipelines, of a kind used in drilling for oil or gas, or with attached fittings for use in civil aircraft. CN codes: ex 7306 30 41, ex 7306 30 49, ex 7306 30 72 and ex 7306 30 77.

3.7 A new investigation was conducted by the EC (Council regulation no.1256/2008) concerning goods originating in Belarus, China and Russia. Definitive anti-dumping duties were imposed on 16 December 2008.

Definitive duties

Table 2: Definitive anti-dumping duties imposed by EC Council regulation no. 1256/2008

Country	Company	Anti-dumping duty %
China	All companies	90.6
Russia	TMK Group (Seversky Pipe Plant Open Joint Stock Company and Joint Stock Company Taganrog Metallurgical Works)	16.8
	OMK Group (Open Joint Stock Company Vyksa Steel Works and Joint Stock Company Almetjvesk Pipe Plant)	10.1
	All other companies	20.5
Belarus	All companies	38.1

3.8 The EU initiated an expiry review on 24 January 2020. The measure remained in place pending completion of that review. In accordance with the Taxation Notice, the continuing measure took effect as a UK measure on replacement of EU trade duty. Under regulation 97C of the Regulations, this measure will continue until the Secretary of State publishes a notice giving effect to (or setting out the reasons for deciding not to give effect to) a preliminary decision following a transition review to vary or revoke the application of the anti-dumping amount.

Our transition review process

Review parameters

3.9 The Period of Investigation (POI) for the review was 1 January 2019 to 31 December 2019. To assess injury, we examined the period from 1 January 2016 to 31 December 2019, the Injury Period (IP).

3.10 We set the POI to ensure it was as close as possible to the date we initiated the review and coincided with the last day of the most recent financial quarter. The IP was set as the 12 months of the POI, and the 36 months directly preceding this.

Information from participants in the review

Table 3: Information from participants in the review – UK industry

Country	Party	Submission(s)	Status
UK	Tata Steel UK (TSUK)	Producer questionnaire submission received 1 October 2020. Additional submissions received 19 October 2020, 20 October 2020, 20 April 2021, 21 April 2021	Cooperative

3.11 TSUK were the only UK producer to register in the case and return a producer questionnaire.

Table 4: Information from participants in the review – Exporters

Country	Party	Submission(s)	Status
Russia	Severstal	Exporter questionnaire submission received 10 November 2020	Cooperative
Russia	TMK Group	Submission received 5 May 2020	Main questionnaire not submitted
Russia	United Metallurgical Company (OMK)	Pre-sampling questionnaire	Main questionnaire not submitted
Belarus	JSC Mogilev Metallurgical Works (MMW)	Exporter questionnaire (deficient)	Non-cooperative
China	Jinan Mech Piping Technology Co. Ltd.	Pre-sampling questionnaire	Main questionnaire not submitted
China	Tianjin Youfa International Trade Co. Ltd.	Pre-sampling questionnaire	Main questionnaire not submitted

3.12 We received submissions from TMK Group on both the legislative framework of the UK's trade remedies system and this specific review. Pre-sampling questionnaires were received from Severstal, United Metallurgical Company (OMK), JSC Mogilev Metallurgical Works, Jinan Mech Piping Technology Co. Ltd. and Tianjin Youfa International Trade Co. Ltd. However, the information provided in these pre-sampling questionnaires did not form part of the basis for our intended preliminary decision due to its limited and confidential nature.

3.13 JSC Mogilev Metallurgical Works (MMW) submitted an incomplete questionnaire response that lacked detailed costs and sales data. We requested this information and provided MMW with an extension to the submission deadline. At the end of this extended submission deadline, MMW had not submitted the requested information, and did not provide adequate reasons for not doing so. We subsequently assessed MMW to be non-cooperative with this review.

3.14 Severstal was the only foreign producer to submit a completed questionnaire response.

Table 5: Information from participants in the review – Foreign governments

Country	Party	Submission(s)
China	UK Embassy of the People's Republic of China	Registered interest
China	Ministry of Commerce (China)	Registered interest comments received 2 April 2021
Russia	Ministry of Economic Development and the Ministry of Industry and Trade of the Russian Federation	Comments received 17 November 2020 and 18 January 2021
Belarus	Embassy of the Republic of Belarus	Letter containing details of producers

3.15 We received registrations of interest and comments from the UK Embassy of the People's Republic of China and the Ministry of Commerce (China). We also received comments from the Ministries of Economic Development and Industry and Trade of the Russian Federation. These comments related both to the legislative framework of the UK's trade remedies system and to this specific review. We received a letter from the Embassy of the Republic of Belarus asking us to register them, the Ministry of Foreign Affairs of the Republic of Belarus and several producers as interested parties. We contacted these parties as requested and invited them to register.

Table 6: Information from participants in the review – trade or business associations of producers, overseas exporters or importers of the goods concerned or the goods subject to review, or UK producers of like goods.

Country	Party	Submission(s)
China	Chinese Chamber of International Commerce (CCOIC)	Submissions received 29 May 2020, 10 June 2020, 14 October 2020, 3 November 2020, 13 April 2021
UK	CTU	Contributor questionnaire submission received 14 July 2020
UK	UK Steel	Contributor questionnaire submission received 15 September 2020, additional submissions received 18 September 2020 and 26 February 2021

3.16 We received submissions from the CCIOC. These comments related both to the legislative framework of the UK's trade remedies system and to this specific review. We also received contributor questionnaires from CTU and UK Steel.

Table 7: Information from participants in the review – contributors

Country	Party	Submission(s)
UK	BSS Group Limited	Downstream questionnaire submission received 16 October 2020

3.17 We received a questionnaire from BSS Group Limited. BSS is a downstream industry (downstream industries are those that use the goods subject to review or like goods). We also relied on information obtained from secondary sources during this review.

Verification of data

3.18 We could not conduct on-site verification visits during this review due to travel restrictions caused by the COVID-19 pandemic. Instead, we conducted remote verification visits with the only cooperating UK producer, TSUK and the only cooperating foreign producer, Severstal, to carry out additional verification work on the information supplied in their questionnaire responses.

3.19 Before carrying out the verification work, we checked their submissions for consistency and completeness. During these checks, we identified deficiencies relating to inadequate responses, either in terms of the data or the non-confidential summaries supplied. All deficiencies were adequately resolved by TSUK and Severstal. These prior checks also identified material risk that guided our subsequent verification work. We then held meetings with representatives from each producer. We asked for further information to explain some data, and source documentation was checked before and during these meetings. The verification reports can be found on our public file (TD0001).

3.20 During this review, we also received submissions from other interested parties who were not producers or exporters (see the section on Information from participants in this review). Where necessary, we communicated with these parties to clarify details of their submissions and request copies of the source data. We also conducted our own open-source research.

3.21 Some information received from interested parties contained secondary source data. Information from secondary sources was treated with special circumspection and where practicable verified using independent sources. This included but was not limited to, published sales documentation, official import statistics and data pertaining to the relevant markets.

3.22 As a result of this verification work, we are satisfied that we can reasonably treat the data relied on as complete, relevant and accurate for the purposes of this review

The goods and like goods

Legislative definitions of "goods" and "like goods"

4.1 'Goods subject to review' are defined in section 2 of part 1 of the Regulations as;

4.2 'Goods subject to review' means the goods described in the notice of initiation of a review...'

4.3 'Like goods' pertaining to the goods under consideration are defined under Schedule 4, Part 1, Paragraph 7 of the Taxation (Cross-border Trade) Act 2018 as:

(a) goods which are like those goods in all respects, or
(b) if there are no such goods, goods which, although not alike in all respects, have characteristics closely resembling those of the goods in question

Description of the goods subject to review

4.4 Welded tubes and pipes, of iron or non-alloy steel, of circular cross-section and of an external diameter not exceeding 168.3 mm, excluding line pipe of a kind used for oil or gas pipelines, casing and tubing of a kind used in drilling for oil or gas, precision tubes and tubes and pipes with attached fittings suitable for conducting gases or liquids for use in civil aircraft originating in the Republic of Belarus, the People's Republic of China, and the Russian Federation, destined for consumption in the United Kingdom.

4.5 Tariff classifications:

- ex 7306 30 41 (TARIC code 7306 30 41 20)
- ex 7306 30 49 (TARIC code 7306 30 49 20)
- ex 7306 30 72 (TARIC code 7306 30 72 80)
- ex 7306 30 77 (TARIC code 7306 30 77 80)

Assessment of the goods and like goods

4.6 The section below sets out our assessment of whether the goods produced by the cooperating producers, TSUK and Severstal, are like the description of the goods subject to review. Due to the lack of imports from the countries concerned during the POI, we could not make a direct comparison with the goods subject to review. We have determined that both UK and Russian-produced goods have physical and commercial characteristics similar to those of the goods subject to review and are therefore "like goods". In order to make this assessment, we have relied upon information submitted by interested parties.

Like goods in the UK and Russia

Physical similarities

4.7 We are satisfied that the physical characteristics of the like goods match the description of the goods subject to review. We reviewed the shape, size, design, appearance and weight of the goods submitted as part of the questionnaire responses. We also checked the tariff classifications of the goods produced by TSUK and Severstal and confirmed that they fell under the codes specified above.

4.8 Therefore, the goods produced in the UK and Russia have physical properties that are sufficiently like the description of the goods subject to review.

Commercial similarities

4.9 We have determined that the like goods are commercially similar to the description of the goods subject to review. We are satisfied that the distribution channels, methods for negotiating prices, and end-uses of like goods are sufficiently similar to what they would be for the goods subject to review.

4.10 We received a submission from downstream industry (BSS) that, although there are some perceived differences in the quality of products and level of service, UK-produced goods and imported goods are broadly interchangeable and compete directly against each other.

4.11 Therefore, the goods produced in the UK and Russia have commercial properties that are sufficiently like the goods subject to review.

Like goods in China and Belarus

4.12 We have not been able to conduct a detailed assessment as to whether the goods produced in China and Belarus are physically and commercially like the goods subject to review. This is due to a lack of cooperation from producers in these countries. However, on the balance of probabilities, we have determined that Chinese and Belarusian producers do produce like goods that have physical and commercial characteristics similar to those of the goods subject to review and are therefore “like goods”. This is based on information submitted by other interested parties and research into secondary sources.

Conclusion

4.13 We are satisfied that the WTP produced in Belarus, China, Russia and the UK are like goods when compared to a description of the goods subject to review.

The UK industry for this transition review

Overview

5.1 UK industry is defined in Schedule 4 of the Taxation (Cross-border Trade) Act 2018 (the Act) as follows:

6 (1) For the purposes of this Schedule, a "UK industry" in particular goods means—

(a) *all the producers in the United Kingdom of like goods (see paragraph 7), or*
(b) those of them whose collective output of like goods constitutes a major proportion of the total production in the United Kingdom of those goods.

5.2 We have determined that TSUK and Liberty Steel constitute the UK industry for this transition review. This is because they are the only producers in the United Kingdom of the like goods.

Scope of the UK industry

Production processes

5.3 TSUK have described their production process as follows:

5.4 "The production process varies dependent on tube dimension. Sizes up to and including 139.7mm nominal outside diameter are manufactured using the hot stretch reduction Electric Weld Stretch Reduction (EWSR) 2 mill at Corby. Conveyance tubing with dimensions in excess of 139.7mm and up to 150mm nominal outside diameter are manufactured using the Electric Resistance Welded (ERW) cold process on the 6" mill, also located at Corby. 6" products are typically heat treated through an off-line furnace to deliver technical advantages compared to comparative cold-formed alternatives. Smaller cold-formed tubes may also be made on our Cold-formed Mill No1 (CFM1) and again, undergo heat treatment via an offline induction heating process."[2]

Surface finishes

5.5 TSUK applied several surface finishes to the like goods during the POI, including:

- hot dipped galvanised coating;
- shot-blasted and painted or powder coated; and
- polymer coated or epoxy coated.

5.6 A variety of end finishes were available, including:

- screwed ends;
- screwed and socketed ends;
- plain ends;
- grooved ends; and
- bevelled ends.

Conclusions

5.7 We have determined that TSUK and Liberty Steel constitute the UK industry for this transition review. The WTP produced by TSUK and Liberty Steel are like goods to the goods subject to review and are wholly produced in the UK and there is an existing UK industry.

The UK market

Market size and structure

6.1 The size of the UK market is 100,000-150,000[3] tonnes per annum and 30-50%[4] of demand is met by domestic producers. These figures are based on questionnaire responses from TSUK and UK Steel.

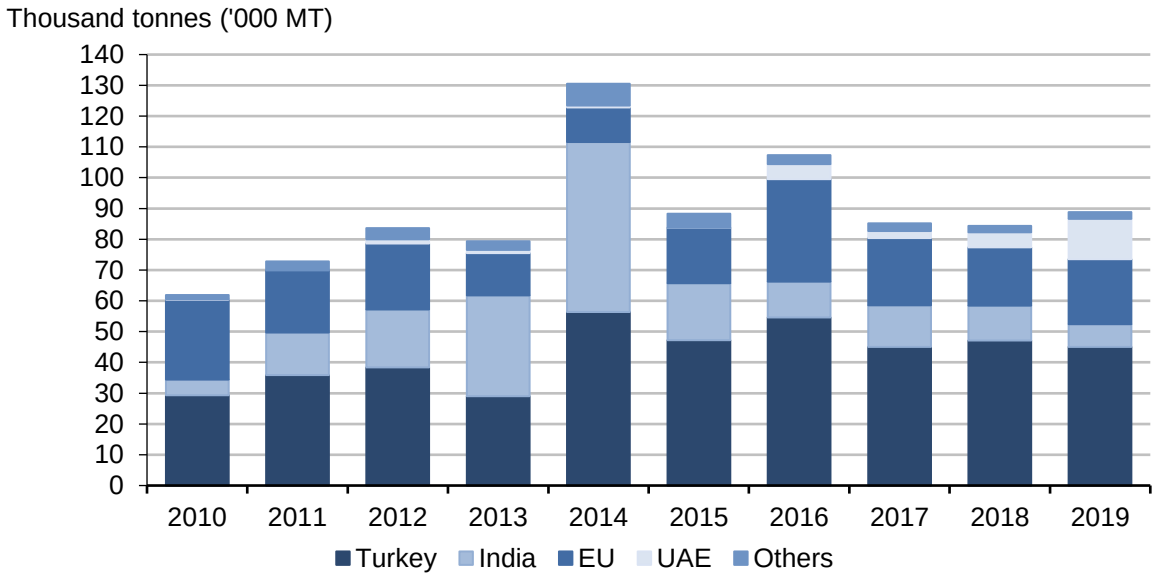
6.2 WTP are commodity products. Demand in the UK is met by domestic production and by imports from other countries which supply UK customers either directly or via UK-based intermediaries and distributors. Suppliers can differentiate themselves through price, service, and quality of the product.

6.3 TSUK supplies like goods to established distribution channels of independent trading companies. Occasionally, these companies will undertake further processing of the like goods before they are sold to fabrication and installation companies. TSUK also sell to some specialist end users, such as fitting manufacturers.

6.4 The 'Injury considerations' section of this report addresses relevant market trends in detail as part of our injury assessment.

6.5 Chart 1 details the imports of WTP to the UK over a 10-year period. It shows imports from Turkey, India and the United Arab Emirates (UAE), which more recently have come to dominate the import market. This is based on HMRC 8-digit CN level data, which covers a broader range of goods to the goods subject to review.

Chart 1: Imports of WTP (73063041, 73063049, 73063072, 73063077) into the UK 2010 - 2019



Source: UK Trade info HMRC import data for CN codes 7306 30 41, 7306 30 49, 7306 30 72, 7306 30 77 accessed 14/10/2020

Competition in the market

6.6 UK-produced goods compete against imports on the UK market.

6.7 BSS, a UK distributor, described how the UK-produced goods use a higher grade of steel and a different manufacturing process which allows the product to be used at elevated temperatures. They also highlighted that users can obtain shorter and more reliable lead times from domestic manufacturers. BSS state that the higher steel grade and shorter lead times mean that the UK-produced product is generally priced higher than imported products. Despite this, they told us that if the price difference became too great, the perceived benefits of UK products would be outweighed by the cost saving of using imports[5].

6.8 TSUK told us that the UK market can be characterised as having fierce competition. The key drivers of market demand are developments in the construction and installation market. TSUK gave the view that removing the anti-dumping measures could risk a reduction in consumer choice, leaving consumers reliant on distant suppliers who may be unable to offer the same level of service and technical support as more local suppliers.

Dumping considerations

7.1 For each of the countries concerned in this review, we have individually considered whether the current measures are necessary or sufficient to offset the dumping. For each country, we have also assessed the likelihood that dumping would occur if the measures were no longer applied. This helps inform our overall determination of whether the measures should be varied or revoked. Details of all our assessments are given below.

7.2 We have also conducted individual assessments for Severstal, which was the only exporter to submit a completed questionnaire response.

Belarus

Necessary or sufficient consideration

7.3 Under regulation 99A(1)(a)(i) of the Regulations, in a transition review we must consider whether the application of the anti-dumping amount is necessary or sufficient to offset the dumping of the relevant goods to the UK (this is called the "necessary or sufficient consideration").

7.4 HMRC records no exports from Belarus of the goods subject to review during the POI and IP[6]. We considered this to be an essential fact when applying the necessary or sufficient consideration.

7.5 The lack of imports demonstrates that the current measure is sufficient to offset dumping. We have also considered whether the measure is necessary to offset the dumping of the goods subject to review. However, as there are no imports of the goods subject to review, there cannot be any current dumping. Therefore, for the purposes of this specific consideration under regulation 99A(2)(a)(i) of the Regulations, we are not able to substantively determine whether the measure is necessary to offset the dumping.

7.6 In light of the lack of imports of the goods subject to review from Belarus, and the lack of costs and sales data from exporters of the goods subject to review from Belarus, we have used our discretion to conclude that it is not appropriate to recalculate the anti-dumping amount under regulation 99A(2)(a)(i) of the Regulations. We considered alternative methods for calculating these values, such as using costs and sales data from a third country. We concluded that we would not have sufficient confidence in the accuracy and relevance of these methods, as we do not have sufficient information with which to apply any adjustments to Belarus.

7.7 To determine whether the measures should be varied or revoked, we therefore considered the likelihood that dumping and injury would occur if the measures were no longer applied.

Dumping likelihood assessment

7.8 We considered whether dumping was likely to occur if the measure were removed, taking account of the following factors. We conducted this assessment to help inform our determination of whether the measure should be varied or revoked.

Continued dumping

7.9 There have been no UK imports of the goods subject to review during the POI. Consequently, there has been no dumping in the UK from Belarus during this timeframe.

Market distortions in Belarus

7.10 UK Steel have submitted that Belarus should be treated as a non-market economy. MMW is part of a state-owned production association, "Belarus Metallurgical Works". We do not have any information about the ownership of other Belarusian producers of the goods subject to review. However, according to the International Monetary Fund (IMF), Belarus has the highest prevalence per head of population of state-owned enterprises (SOEs) in Central, Eastern and South Eastern Europe[7]. Belarus is not a member of the World Trade Organisation (WTO).

7.11 The Organisation for Economic Co-operation and Development (OECD) has established that the effects of state ownership on the steel industry include distortions in the market, more investment in steel capacity[8], longer periods of negative profit and lower profit margins than private entities[9].

7.12 These practices increase the likelihood that state owned companies in Belarus will have unused capacity and will sell at a loss, as the factors identified as being characteristics of SOEs are related to both capacity usage and profitability. This in turn increases the likelihood of dumping, as it increases both the incentive and the ability to dump.

7.13 We also received a submission from CTU[10] that requested adjustments be made to Belarusian production costs based upon the International Labour Organisation (ILO) standards as set out in the International Trade Union Confederation (ITUC) 2020 Global Rights Index[11]. However, this submission did not contain any detail regarding the nature of the adjustments requested, nor how they apply to this review.

Production capacity

7.14 UK Steel submitted confidential figures from Metal Expert, an industry data source, that stated the capacities of all the producers in Belarus. We have compared these figures with capacity claims of relevant Belarusian producers made in their sales brochures and websites, and with information supplied by MMW[12].

7.15 There are some differences in figures, which appear to be attributable to the difference between nameplate (theoretical maximum) and actual capacities and different assumptions about technological limitations of the equipment. We compared the Metal Expert capacity figures to capacity claims made by individual manufacturers where these were available.

7.16 These capacity claims are based on the equipment present at each manufacturing location, and therefore represents potential capacity. Some of this capacity is currently used to manufacture goods outside the scope of this review, such as hollow structural sections. The production of WTP often involves one fewer production steps than that of hollow structural sections. Whilst in theory all this capacity is potential capacity to produce the goods subject to review, in practice we have assessed a complete switch in manufacturing as unlikely. This is because many of the factors that affect WTP demand are also relevant to the hollow structural sections market as they are often used in the same industries. We have assessed it as unlikely that demand for hollow structural sections would drop without an accompanying drop in WTP.

7.17 Using a combination of manufacturers' own claims, and the Metal Expert figures, we are satisfied that the potential capacity to manufacture the goods subject to review in Belarus is at least 158,000 tonnes per year. This exceeds the annual UK consumption of like goods, which for the POI was 100,000-150,000 tonnes[13].

7.18 There is significant capacity in Belarus. Given the production levels (see below) we have determined that much of this capacity is unused. Spare production capacity increases both the incentive and the ability of Belarusian exporters to dump in the future, as having spare capacity is financially inefficient and potentially unsustainable.

Stocks

7.19 We have no reliable information relating to the stocks of the goods subject to review or like goods held by Belarusian producers. Therefore, this factor was not considered when assessing the overall likelihood of dumping.

Production levels

7.20 UK Steel's submission, using Metal Expert data, shows that domestic production of like goods in Belarus is declining and is well below the levels of domestic consumption.

7.21 This trend is reflected in the partially complete, unverified information that was submitted by MMW.

7.22 This factor, when considered alongside the related factors of capacity and conditions on the exporter's home market, demonstrates that Belarusian exporters do have the ability and motivation to significantly increase production levels should attractive markets become available. Our analysis of the attractiveness of domestic and overseas markets is set out below.

Indicative domestic sales prices

7.23 We were unable to calculate a normal value for domestic sales in Belarus.

7.24 We have not been able to gather detailed, or reliable data that relates directly to the costs of producing WTP in Belarus. Neither have we been able to quantify the effects any distortions in the Belarusian economy has on these costs.

7.25 We received one claim from MMW that costs were not distorted in Belarus, but we were not provided with sufficient data to verify this.

7.26 In the absence of any further facts available in relation to distorted costs, or cooperation from Belarusian exporters of the goods subject to review, we cannot adjust the Belarusian domestic sales price to take account of distortions and establish normal value. If we could do so, it is likely that adjustments to reflect market forces would increase the normal value above the current domestic sales price, as state-owned companies are more likely to sell for a lower profit margin.

7.27 UK Steel used data from a third country (Ukraine) to estimate normal value as part of their dumping calculation for Belarus. They submitted an indicative normal value of £472 (however, they accept that it is not particularly accurate or reliable for the purpose of recalculating the dumping margin)[14].

7.28 We have determined that Ukraine is not a suitable third country to use to calculate normal value, without making adjustments. This is because the market conditions in Ukraine differ significantly from those in Belarus. Furthermore, the Ukrainian Metal Expert data upon which UK Steel base their calculations is for a limited range of products and does not encompass all the goods subject to review. We do not have sufficient information about the market conditions in Belarus in order to make adjustments, or to assess the appropriateness of any adjustments applied by interested parties.

7.29 Whilst MMW did not submit details of their domestic sales, we were able to establish a domestic price range based on their unverified consolidated sales figures and historical stock valuations. We have concluded that this is a more reliable figure to use as an indicative domestic price, as it is the most relevant fact available.

7.30 However, this range is subject to distortions due to widespread state ownership (see 'Market distortions in Belarus' section above) and is likely to be artificially low, and so is not representative of an adjusted normal value for Belarus.

Exports to third country markets

7.31 The only available data on exports of like goods from Belarus is Comtrade data, which is reported to the 6-digit Harmonised System (HS) code level (7306 30). Under this HS code, 95% of Belarusian exports went to Russia during the POI[15]. This 6-digit HS code covers a wide range of products. It is therefore not possible to establish whether these exports contained like goods or not. For this reason, we did not rely on this data when making our dumping likelihood assessment.

7.32 Eurostat data at an 8-digit CN level, shows trade between Belarus and the EU but again, it is not possible to determine whether this includes like goods or other

products within the same CN codes[16]. Eurostat data only reports sales into the EU, and so it does not have any information on other Belarusian exports.

7.33 The only conclusion we can draw from this data is that Russia is the primary export market for Belarusian exports under CN code 7306 30.

Conditions in exporters' home market

7.34 Our analysis suggests that Belarusian producers have enough capacity to supply their own domestic market. However, levels of production and capacity use fell during the IP and were particularly low in the POI. This reduction in capacity utilisation occurred despite Belarusian domestic consumption of like goods increasing. Submissions by UK Steel and MMW indicate that Belarusian producers have a limited share of the domestic market as their levels of production are far lower than domestic consumption.

7.35 It is likely that the remainder of the Belarusian demand for like goods is largely met by imports from the Eurasian Economic Union (EEU), the majority of which are manufactured in Russia[17].

7.36 These factors increase the attractiveness of any new, third country markets such as the UK.

Attractiveness of UK market

7.37 As discussed in the above section, Belarusian producers appear to have a limited share of their domestic market. This has led to excess unused capacity that has increased over the IP (see the section on Production capacity). It is likely that Belarusian producers of WTP would find exporting to other markets attractive as a way of increasing capacity utilisation. The most accessible markets available to Belarus are those in the EEU or the wider Commonwealth of Independent States (CIS) countries. However, these markets are likely to be similar to the Belarusian domestic market; characterised by relatively low prices and high levels of imports from Russia.

7.38 The submission from CTU states that any safeguard or continuation of anti-dumping duties by the EU would increase the attractiveness of the UK market. We assess this view as reasonable, as Belarus' access to the EU market may depend on the applicability of anti-dumping duties, which have been maintained.

7.39 BSS, a downstream contributor, has stated that UK manufactured products are known to offer superior quality and lead times for the like goods. This may mean that foreign exporters may need to offer discounts or price incentives in order to compete with UK industry. However, BSS also told us that if the sector accepts lower priced imports, stockists such as themselves will need to amend their purchasing choices to compete[18].

7.40 WTP are commodity products. UK Steel have submitted that at their peak, imports of Chinese WTP were 48,500 tonnes and that this market share was subsequently taken by other countries after the introduction of duties in 2008[19]. This demonstrates a market where entry would be possible for Belarusian exporters if they could offer a

competitive price. This is consistent with the UK industry claim that imports from other countries not subject to measures are causing loss of sales and price suppression.

7.41 The UK might be an attractive market for Belarusian producers, as the relatively high sales price in the UK means that it may be possible for Belarusian producers to offer competitive prices on the UK market.

7.42 In order to calculate a landed UK import price from Belarus, we have made an assessment of the likely transport costs from Belarus and added this to the indicative domestic sales price (see "normal value in comparison to UK market" above).

7.43 In our assessment, the most likely route that exports would take from Belarus to the UK would be by land, through the EU, as accessing sea freight would require additional administrative documentation and land transport on a lengthy and complex route, increasing costs. Furthermore, the only submission relating to transport costs from Belarus that we have received is in the submission by UK Steel, which provides figures for overland transport.

7.44 UK Steel submitted indicative shipping costs from "Doing Business – World Bank" based on the cost of shipping car parts[20].

7.45 Whilst these figures are not for the goods subject to review, it is reasonable to assume that the cost of freight for car parts is similar to the cost of freight for WTP. This equates to around £0.05 per Tonne per km. This would give an approximate overland transport costs of £97 per tonne to the UK. Transporting goods across the channel from Calais to Dover costs around £8 per tonne[21]. The total cost per tonne of transport from Minsk to the UK is therefore approximately £105.

7.46 We added transport costs to the indicative domestic sales price for Belarus to estimate a UK landed price for Belarusian goods subject to review. We then compared this to our estimated UK landed CIF import price needed to gain a market share of UK imports. This comparison demonstrated that the Belarusian UK landed CIF import price is likely to be competitive with other imports and gain a market share.

7.47 However, this Belarusian UK landed CIF import price would need to be compared to a normal value to establish whether it is a dumped price or not. Normal value in Belarus is subject to distortions (see factor above) that we have not been able to account for. Adjustments to take account of these distortions are likely to increase the costs of production, and therefore normal value in Belarus. This, in turn, increases the likelihood that normal value would be above the Belarusian UK landed CIF import price that we have calculated. Therefore, whilst our comparison has demonstrated that the Belarusian UK landed CIF import price could be competitive, it is also likely to be a dumped price.

Technical specifications

7.48 We are satisfied that Belarusian producers will be capable of producing WTP to the specification required by the UK market. Many of them already produce to the British

or CIS gosudarstvennyy standart (GOST) regional standards, or equivalent, and have sold into the EU market where standards are currently harmonised with those in the UK.

7.49 Belarusian producers are experienced in, and able to, obtain certification to multiple standards when required. On this basis it is clear that technical specifications are not a significant barrier to the UK market.

Previous circumvention or absorption

7.50 It is not possible to establish with any certainty whether measures have previously been circumvented or absorbed.

7.51 Trade data shows that trade has continued with measures in place between the EU and Belarus, but the data is not sufficiently detailed to know whether absorption has taken place.

7.52 We found no evidence of circumvention.

Other factors

7.53 The COVID-19 pandemic has been raised by UK Steel as a factor which may increase the chances that there are, or will be, significant stocks of WTP held in Belarus. However, we have determined that it is likely that any impact from COVID-19 will be felt globally, and it is not clear what levels of production have been maintained in Belarus throughout the pandemic. Furthermore, we have had no detailed data submitted that relates to the COVID-19 pandemic, and the pandemic is taking place outside the POI.

Conclusion and findings (Belarus)

7.54 Based on a holistic review of the factors for which we have the most relevant and reliable evidence, our conclusion is that dumping of the goods subject to review from Belarus is likely to occur, on the balance of probabilities, should the measure be lifted.

7.55 The high level of excess, unused, capacity in Belarus is a significant factor. This demonstrates that Belarusian producers are currently not able to make full use of their manufacturing equipment and increases their motivation and ability to expand current markets or find new ones.

7.56 The domestic market in Belarus offers little to Belarusian producers of WTP in its current state. Belarusian demand for WTP is largely being met by Russian exports, which has limited Belarusian producers' ability to utilise full capacity or expand production.

7.57 Belarusian producers do also have access to the CIS market. The CIS market has greater regulatory alignment with Belarusian producers than the UK market, and so it would be the easiest export market for Belarusian producers to expand to. However, much like the Belarusian domestic market, the CIS market is dominated by exports from large Russian producers, which the Belarusian producers do not appear to be

able to compete with (as is evidenced by how much of their domestic market they appear to have lost to Russian imports).

7.58 Another relevant factor is the low sales price achievable on the Belarusian market, when compared to the UK market price and the likely price that would be required to gain a share of UK imports. Both UK prices (average import price and average UK manufacture's sales price) are significantly higher than that achievable in Belarus, and would therefore likely be attractive to those producers, should the current duties be removed. This is related to the lack of significant exports from Belarus to other third countries, with the only significant exports being to Russia, where the market price is also low.

7.59 In addition, there would be few significant barriers, such as safety standard requirements, to enter the UK market. Belarusian producers would have the ability to export to the UK within a relatively short amount of time.

7.60 Whilst we have calculated a domestic sales price range, this range is subject to distortions due to widespread state ownership and is likely to be artificially low, and so is not representative of an adjusted normal value for Belarus. Because of this, the price that Belarusian exporters would have to sell at to gain a share of the UK market is likely to be a dumped price, even though that price could be above the domestic sales price, as the domestic sales price has not been adjusted for what are likely to be significant distortions.

7.61 As previously explained, the lack of imports of the goods subject to review from Belarus is an indication that the current measure has been sufficient to offset dumping. Based on the above analysis, we have determined that dumping is likely to occur if the current measures were removed.

China

Necessary or sufficient consideration

7.62 Under regulation 99A(1)(a)(i) of the Regulations, in a transition review we must consider whether the application of the anti-dumping amount is necessary or sufficient to offset the dumping of the relevant goods to the UK (the "necessary or sufficient consideration").

7.63 There are limited exports from China recorded by HMRC[22] under the relevant 8-digit CN codes. We are not able to determine with certainty whether these exports are the goods subject to review, as no Chinese producers have cooperated with this review. However, we are satisfied that there have not been significant imports of the goods subject to review, and so we can conclude that the current measure has been sufficient to offset the dumping.

7.64 We have also considered whether the measure is necessary to offset the dumping of the goods subject to review. As discussed, we do not know the exact composition of the goods that are being imported from China under the relevant 8-digit CN code. Taken together with the absence of cooperation by Chinese producers, we have been unable to definitively determine whether there have been any imports of the goods subject to review and any dumping. Therefore, for the purposes of this

specific consideration under regulation 99A(2)(a)(i) of the Regulations, we are not able to substantively determine whether the measure is necessary to offset the dumping.

7.65 In light of the negligible imports of the goods subject to review from China, and the lack of costs and sales data from exporters of the goods subject to review from China, we do not consider it appropriate to recalculate the anti-dumping amount under regulation 99A(2)(a)(i) of the Regulations. We considered alternative methods for calculating these values, such as using data from a third country. We concluded that we would not have sufficient confidence in the accuracy and relevance of these methods.

7.66 For these reasons, we have used our discretion to conclude that it is not appropriate to recalculate the anti-dumping amount. To determine whether the measures should be varied or revoked, we therefore considered the likelihood that dumping and injury would occur if the measures were no longer applied.

Dumping likelihood assessment

7.67 We have considered whether dumping was likely to occur if the measure were removed, taking account of the following factors:

Continued dumping

7.68 HMRC records negligible imports to the UK from China at the relevant 8-digit CN codes during the POI[23] (approximately 1% of total volume of imports under those codes). We cannot establish whether or not these are the goods subject to review, as the 8-digit CN codes cover a broader range of goods than the goods subject to review and we have no cooperating Chinese producers in this review. We are therefore unable to assess whether there has been continued dumping from China during the IP.

Market distortions in China

7.69 UK Steel stated that prices in China are affected by distortions within the labour, raw material and energy markets, mainly due to the prevalence of state-owned enterprises (SOEs) and government control.

7.70 UK Steel also submitted that distortions in relevant Chinese markets were found in several Australian Anti-Dumping Commission (AADC) investigations. These concerned hot rolled coil (HRC), which is the main input and cost driver in the production of WTP.

7.71 We assessed all but one of these investigations as not relevant for this review, as the time periods they cover are outside the IP of this review, and there has been no evidence submitted that the distortions are still present. The only investigation that falls within our IP is AADC investigation No.441 into steel pallet racking exported from the People's Republic of China and Malaysia (1 October 2016 – 30 September 2017)[24]. The AADC concluded that there were price distortions in the HRC market caused by the control and influence the Chinese government had over the steel sector.

7.72 UK Steel also referred to the European Commission working paper 'Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the Purposes of Trade Defence Investigations' (Commission Staff Working Document)[25].This paper was published in 2017 and includes an overview of a number of areas that are relevant to the WTP market. We have not identified any further evidence from the CCOIC or secondary sources to indicate that there have been any substantive changes since the publication of this report.

7.73 The Commission Staff Working Document concluded that there were market distortions caused by Chinese state control. State control is also evident in the Chinese Government's 13th five-year plan[26]. This plan covers the years 2016-2020, during which the Chinese Government made efforts to increase the size of SOEs and encourage improvement in the steel industry through incentives and subsidies.

7.74 We have assessed that there is evidence of market distortions. We do not know the precise effect this might have on WTP production in China due to a lack of cooperation from producers. However, we have determined that WTP prices would probably be higher in the absence of market distortions. This is due to evidence, discussed above, of state control effecting the prices of key inputs to WTP, such as labour, energy and HRC.

7.75 This level of state control increases the likelihood that there are distortions that affect the WTP market in China. This in turn increases the probability that normal value, if adjusted for these distortions, would be higher than export prices. This therefore increases the likelihood of dumping of WTP from China.

7.76 We also received a submission from CTU[27] that requested adjustments be made to Chinese production costs based upon the ILO standards as set out in the ITUC 2020 Global Rights Index[28]. However, this submission did not contain any detail regarding the nature of the adjustments requested, nor how they apply to this review.

Production levels and capacity

7.77 UK Steel and Community UK both submitted that Chinese producers have significant spare capacity to produce the goods subject to review. Neither party provided figures to support this.

7.78 According to the Organisation for Economic Cooperation and Development (OECD), China's crude steel-making capacity in 2019 was 1,152m tonnes[29] (48% of the world's total capacity). This production capacity has remained fairly stable throughout the IP. Whilst China currently plans to remove excess and inefficient steel production capacity[30], there is no evidence of this in the overall capacity data from OECD.

7.79 UK Steel submitted that China produced 996.3m tonnes of crude steel in 2019, which represents a 53.3% share of world crude steel production[31]. This production figure is 86% of Chinese crude steel making capacity as estimated by the OECD (see above).

7.80 The CCOIC submitted that production of WTP in China declined in 2016-2018[32]. Despite this decline, production of WTP in China increased in the POI.

7.81 In the POI, China produced 56.2m tonnes of WTP[33]. This equates to approximately 5.6% of the total Chinese crude steel output (996.3m tonnes) for the same year. Some of this capacity may currently be used to manufacture goods outside the scope of this review, such as hollow structural sections. The production of WTP is often one production step fewer than that of hollow structural sections. Whilst in theory all of this capacity is potential capacity to produce the goods subject to review, in practice we have assessed a complete switch in manufacturing as unlikely. This is because many of the factors that affect WTP demand are also relevant to the hollow structural sections market as they are often used in the same industries. We have assessed it as unlikely that demand for hollow structural sections would drop without an accompanying drop in WTP.

7.82 If excess steel capacity in China were distributed evenly across the whole steel industry, China would have 8.7m tonnes of excess capacity to manufacture the goods subject to review. This is at least 58 times the UK annual consumption of like goods, which in 2019 was 100,000-150,000 tonnes (0.1 – 0.15m tonnes).

7.83 We cannot say whether production levels of WTP in China will significantly change in the future. However, the spare WTP capacity that is currently present in China far exceeds annual UK consumption. Chinese domestic consumption would have to increase significantly to negate this risk, as even a very small proportion of the current excess capacity is greater than UK consumption. This is a relevant consideration when assessing the likelihood of dumping. Significant unused capacity increases both the incentive and ability of Chinese exporters to dump in the future, as having significant levels of unused capacity over extended periods of time is financially inefficient and potentially unsustainable.

Stocks

7.84 We have no reliable information relating to the stocks of the goods subject to review or like goods held by Chinese producers. Therefore, this factor was not considered when assessing the overall likelihood of dumping.

Indicative domestic sales price

7.85 We were unable to calculate a normal value for domestic sales in China. This is because we have not been able to gather detailed, or reliable data that relates directly to the costs of producing WTP in China. Neither have we been able to quantify what effects distortions in the Chinese economy has on these costs.

7.86 UK Steel submitted a normal value for China. This was a constructed normal value using the costs of Tata Steel and making adjustments based on the costs of a Mexican producer of like goods. UK Steel then compared this normal value to export prices from China to the Philippines (based on 6-digit HS code trade data) to calculate a dumping margin[34].

7.87 This dumping calculation indicated potential for high levels of dumping.

7.88 However, the export price used in this calculation was based on 6-digit HS code data only, which relates to goods that are wider than the scope of this review. UK Steel acknowledge the limitations of their calculation, and they have submitted that they do

not consider it appropriate for the dumping margin to be recalculated without access to transactional level data.

7.89 For this reason, the information we have in relation to normal value in China is limited in its accuracy and reliability. We have had no dumping calculations submitted by interested parties in relation to China other than the submission that was made by UK Steel.

Exports to third markets

7.90 Both UK Steel and the CCOIC have provided information on Chinese exports to third markets.

7.91 The CCOIC state that most exports from China of WTP go to Asia, Africa and South America. Furthermore, they say that 59% of exports go to countries along the belt and road initiative (BRI) and 34% are exported to other Association of South East Asian Nations (ASEAN) countries.

7.92 UK Steel have extracted data from International Steel Statistics Bureau (ISSB) and list the top five destinations for Chinese WTP as Philippines, Hong Kong, Peru, Chile and Indonesia. We also located secondary sources which reported similar figures. The Observatory of Economic Complexity (OEC) reported 56% of exports were to Asia, followed by Africa (14%) and North America (11%) at the relevant 6-digit HS code.

7.93 Based on both these submissions, we conclude that Asia appears to be the top export destination for China's WTP.

7.94 Chinese producers have been subject to anti-dumping measures by other authorities in relation to similar goods. Whilst these measures generally cover a broader product range, there have been relevant investigations conducted by the authorities of Australia[35], Mexico[36], USA[37] the EU[38] and Canada[39].

7.95 To conclude, we have determined that Chinese producers of the goods subject to review and like goods do export to third countries. Most of these exports appear to be to BRI and ASEAN countries. In addition, we have identified that Chinese producers are subject to several anti-dumping measures relating to goods that are the same or similar to the goods subject to review. These facts demonstrate that the UK market is likely to be an attractive one for Chinese producers of the goods subject to review if the UK's current measures are revoked. They further show that Chinese producers of the goods subject to review do engage in dumping to third countries.

Conditions in exporters' home market

7.96 The CCOIC in their contributor questionnaire state that from 2016 to 2017, Chinese producers of WTP could make large profits from domestic sales. This reduced the incentive for Chinese producers to export, export volumes declined and prices rose. However, during 2018-2019, the price of WTP returned to normal levels, which CCOIC say shows that the export price of Chinese products reacts to changes in raw material prices and domestic and international demand.

7.97 Without access to transactional level sales data from a Chinese producer, it is not possible to assess the accuracy of this view.

7.98 The CCOIC also state that China has an economic stimulus policy that focuses on infrastructure projects which in turn will increase the domestic demand for WTP. There have also been several recent public statements from the Chinese government (made in 2020)[40] that it will implement infrastructure projects such as 5G expansion, improving urban environments and upgrading residential areas as well as investment in railway.

7.99 The CCOIC submitted data on Chinese consumption figures of WTP. We have noted that this is a broader categorisation than the definition of like goods, as the figures may also include goods outside the scope of this review. The figures were taken from a combination of customs data and market intelligence reports. The figures quoted in the market intelligence report are from official sources – and while there appear to be slight differences with the customs data, we have assessed these differences as being within an acceptable range and so does not compromise the reliability of the data. We asked the CCOIC to provide further source data, as well as information that covers the POI. This confirmed that domestic consumption of WTP in China is increasing, while both imports and exports of WTP are decreasing.

7.100 The data provided by the CCOIC suggests that domestic demand for WTP increased during the POI. Government plans in place for economic stimulation through construction and infrastructure projects are likely to increase domestic demand for WTP in China. We consider that this decreases the likelihood that Chinese producers of WTP will export to the UK, and therefore decreases the likelihood of dumping.

Attractiveness of UK market

7.101 TSUK and UK Steel told us that prices in the UK are being suppressed by imports from other countries outside this transition review.

7.102 UK Steel stated that there is a significant import market for WTP in the UK (UK producers account for 30-50% of the UK WTP market). They say that UK demand for imported WTP presents a potential market for Chinese producers. For Chinese producers to get a share of this market, they would have to compete with imports from other countries. One way that Chinese exporters would be able to do this is through the pricing of their goods.

7.103 To determine what price Chinese producers could sell the goods subject to review for, we would need to establish a Chinese UK landed CIF import price. However, we do not have any reliable costs or sales data to base this calculation on. As discussed above, we do have a dumping calculation submitted by UK Steel for China, but this is not reliable. UK Steel also submitted transport costs for China, but without reliable pricing data, we are unable to apply these transport costs.

7.104 BSS Group, a downstream contributor, told us that UK manufactured products are known to offer superior quality and lead times for the like goods. This may mean that foreign exporters may need to offer discounts or price incentives in order to compete with UK industry.

7.105 However, BSS Group also said that ultimately if the sector accepts lower priced imports then stockists will need to amend their purchasing choices to compete.

7.106 The CCOIC state that imports of Chinese goods would bring competition to the UK market, in particular by competing with other imports of WTP, which could benefit consumers without harming UK industry. While we recognise that Chinese goods may compete with other imported WTP, any dumped goods would be likely to affect the whole market, including UK producers.

7.107 The CCOIC also told us that the UK is not an attractive market for Chinese producers. This is due to the Chinese Government's plans for investment in infrastructure projects, increasing domestic consumption of WTP[41]. We accept that the Chinese Government has plans to invest in infrastructure.

7.108 An increase in domestic consumption may decrease the likelihood that dumping in the UK market would occur. However, we do not have any evidence to suggest that the current plans differ materially from the investment plans of other years, or that they would significantly reduce any excess capacity in China.

7.109 Having assessed the information and facts available to us, we have determined that the UK is an attractive market for Chinese exporters. There may be some increase in domestic consumption due to Chinese Government investment plans, however, we conclude that it is unlikely that these plans would completely outweigh the attractiveness of the UK market.

Previous circumvention or absorption

7.110 We have no evidence that Chinese exporters have circumvented or absorbed the current measures. The absence of significant volumes of imports of the goods subject to review suggests that Chinese producers have not been able to absorb the current measures.

7.111 We have found no evidence of circumvention.

Conclusion and findings (China)

7.112 Based on a holistic review of the factors for which we have the most relevant and reliable evidence, our conclusion is that dumping of the goods subject to review from China will occur on the balance of probabilities, should the measure be lifted.

7.113 Assessment of the data relevant to conditions in the exporters' home market shows that consumption of WTP in China has increased year on year during the POI. This increase in consumption, coupled with a decrease in exports and imports, shows that demand for domestically produced WTP has increased. This could mean that Chinese producers would be less likely to export their goods to the UK at dumped prices.

7.114 The available data on production and capacity indicates that Chinese producers of WTP in general are likely to have significant volumes of spare capacity available, compared to the UK market size. This spare capacity could be used to produce for

export to the UK. Whilst Chinese producers are likely to have the ability to export large volumes of WTP to the UK, our assessment does not indicate whether these exports would be at dumped prices. However, excess production capacity in China is a relevant factor and does contribute to the overall dumping likelihood assessment when reviewed in conjunction with other relevant factors.

7.115 The remaining factors where we do have reliable information and evidence have all been assessed as contributing to increasing the likelihood that dumping would occur if the measures no longer applied.

7.116 The most relevant factors are the likely distortions within the WTP market, affecting the costs of labour, energy and raw material inputs. These distortions are caused by the significant control and influence of the state through SOEs within the steel sector. This means that any normal value is likely to be lower than if the cost inputs had been determined through competitive market conditions.

7.117 The UK import market is attractive to Chinese exporters due to it's size (50-70% of total UK consumption of 100,000-150,000 tonnes). In order to gain market share, Chinese producers would have to have sell at competitive prices. Were normal value to be adjusted to take account of the distortions, as set out above, the likelihood that competitively priced Chinese imports of WTP would be at a dumped price increases. This is because a normal value calculation for China would be likely to require an upwards adjustment to the costs of production due to the market distortions that are present.

7.118 Chinese producers have been found to have been dumping WTP and related goods in other trade remedies investigations. The measures that are currently imposed on Chinese producers of WTP by other countries limit the attractive export markets available to them. This increases the likelihood that Chinese producers would export their goods to UK.

7.119 As previously explained, the limited imports of the goods subject to review from China is an indication that the current measure has been sufficient to offset dumping. Based on the above analysis, we have determined that dumping is likely to occur if the current measures were removed.

Russia

Necessary or sufficient consideration

7.120 Under regulation 99A(1)(a)(i) of the Regulations, in a transition review we must consider whether the application of the anti-dumping amount is necessary or sufficient to offset the dumping of the relevant goods to the UK (this is called the "necessary or sufficient consideration").

7.121 HMRC records no exports from Russia of the goods subject to review during the POI and IP[42]. We considered this to be an essential fact when applying the necessary or sufficient consideration under regulation 99A(1)(a)(i) of the Regulations.

7.122 The lack of imports demonstrates that the current measure is sufficient to offset dumping from Russia. We have also considered whether the measure is necessary

to offset the dumping of the goods subject to review. However, as there are no imports of the goods subject to review, there cannot be any current dumping. Therefore, for the purposes of this specific consideration under regulation 99A(2)(a)(i) of the Regulations, we are not able to substantively determine whether the measure is necessary to offset the dumping.

7.123 Considering the lack of imports of the goods subject to review from Russia, we do not consider it appropriate to recalculate the anti-dumping amount under regulation 99A(2)(a)(i) of the Regulations. We considered alternative methods for calculating these values, such as using costs and sales data from a third country. We concluded that we would not have sufficient confidence in the accuracy and relevance of these methods.

7.124 For these reasons, we have used our discretion to conclude that it is not appropriate to recalculate the anti-dumping amount. To determine whether the measures should be varied or revoked, we therefore considered the likelihood that dumping and injury would occur if the measures were no longer applied.

Dumping likelihood assessment

7.125 We considered whether dumping was likely to occur if the measure were removed, taking account of the following factors.

Continued dumping

7.126 There have been no UK imports of the goods subject to review from Russia during the POI. Consequently, there has been no dumping from Russia during this time frame.

Market distortions in Russia

7.127 We received a claim from UK Steel and TSUK that distortions in the Russian natural gas market affect the cost of producing WTP. These claims gave us the grounds to assess whether such distortions prevent a proper comparison of prices. Severstal stated that they were not aware of any distortions relating to their production of the goods subject to review or like goods.

7.128 In carrying out this assessment, we reviewed the evidence submitted to us by interested parties and supplemented this with research using relevant secondary sources. These secondary sources consisted of;

- Information from PJSC Gazprom's website[43] and annual report[44];
- Russian legislation relating to state regulation of gas prices[45]; and
- The European Commission Staff Working Document on significant distortions in the economy of the Russian Federation for the purposes of trade defence investigations[46];
- Gas price information from the US Energy Information Administration[47].

7.129 We identified evidence of state control of Russian gas prices in the legislation and the Gazprom annual report. This is also supported by the European Commission Staff Working Document.

7.130 We also gathered evidence relating to potential benchmark prices on which any adjustment to costs could be based. This also allowed us to assess the scale and materiality of any potential adjustment required. The two benchmark prices identified were:

- Russian export to Europe price, calculated as £0.19778 per cubic meter from Gazprom's annual report.
- US domestic industrial natural gas price is £0.10786 per cubic meter.

7.131 Upon reviewing these prices, we identified that Russian natural gas suppliers' profits are constrained on the domestic market (due to regulation of prices). Export prices of natural gas may therefore be inflated as suppliers maximise profits on exports to compensate for lower domestic prices. We therefore determined that the US domestic industrial natural gas price is a more appropriate benchmark on which to evaluate any adjustments required. The US is the only comparable country to Russia in terms of production and consumption of natural gas. We then calculated the impact that any adjustment would have on the final cost to manufacture the goods subject to review.

7.132 As many Russian producers have a fully integrated production process from production of the steel to the production of the WTP, we considered the natural gas used throughout this process. This is particularly important as the gas used is heavily weighted to the production of the steel compared to subsequent manufacturing processes.

7.133 Electricity is also an important input in the production of WTP. Approximately 20%[48] of installed capacity of sites generating electricity in Russia are powered by natural gas. Therefore, we also considered the possible effect that market distortions in Russia's natural gas prices might have on electricity prices. We do not have the data to assess or accurately calculate this impact. However, as the majority of electricity in Russia is produced using other alternatives, the impact of the distortion in the natural gas price in Russia on the cost of production is likely to be limited when compared to the impact of natural gas which is used directly in production.

7.134 Our calculations demonstrated that an adjustment based on the US industrial price would only make a marginal difference to the cost of production of the goods subject to review and like goods in Russia. We have assessed the impact of any such adjustment as negligible. We therefore conclude that distortions in the Russian natural gas market do not prevent a proper comparison of prices in this case. This is because the impact of natural gas distortions on the manufacture of the goods subject to review is limited in the context of the dumping likelihood assessment.

7.135 We also received a submission from CTU[49] that requested adjustments be made to Russian production costs based upon the ILO standards as set out in the ITUC 2020 Global Rights Index[50]. However, this submission did not contain any detail regarding the nature of the adjustments requested, nor how they apply to this review.

Production levels and capacity

7.136 UK Steel submitted figures from Metal Expert, an industry data provider, that listed the capacities of all the WTP producers in Russia, and data from Fastmarkets Metal

Bulletin for 2019. These show that total Russian WTP capacity is 11-13m tonnes[51]. We have compared these figures with capacity claims of relevant Russian producers made in their sales brochures and websites, and with estimates of actual production and consumption of "all pipes used in the construction sector", also derived from Metal Expert, submitted by the Russian Ministries. These estimates from the Russian Ministries are much lower: total production for 2019 is stated as 4.02m tonnes and consumption for 2019 as 3.7m tonnes[52].

7.137 On review the figures submitted by UK Steel included the capacities for large diameter tubes (above 168.3mm) and seamless tubes. We adjusted the capacity figures submitted accordingly. The Russian Ministries' data appears to be limited to all pipes used in the construction sector. Whilst the majority of the goods subject to review and like goods do appear to be used in the construction sector, the capacity and production of broader goods are relevant to this review. Shaped tubes, for example (which are equivalent to hollow structural sections) fall outside the scope of this review. However, the production of WTP is often one production step less than that of hollow structural sections. In theory this capacity is all potential capacity to manufacture the goods subject to review, even if in practice we have assessed a complete switch in manufacturing as unlikely. This is because many of the factors that affect WTP demand are also relevant to the hollow structural sections market as they are often used in the same industries. We have assessed it as unlikely that demand for hollow structural sections would drop without an accompanying drop in WTP.

7.138 The capacities listed by Metal Expert are also usually higher than those listed by Russian producers. This may be because the Metal Expert figures are calculated using the mill capacities based on equipment, whereas the producers' capacities are more likely to be based on realisable production.

7.139 We have assessed that the data submitted by UK Steel, adjusted to remove seamless and large diameter pipes, as the most reliable capacity figures. These capacity figures are higher than the current production levels submitted by UK Steel and the Russian Ministries, but provide a better indication or the potential unused capacity to manufacture goods subject to review in Russia. Even taking account of the inclusion of capacity currently unused or used to produce other goods, this is significantly larger than UK consumption (of 100,000 – 150,000 tonnes per annum).

7.140 Spare production capacity increases both the incentive and the ability of Russian producers to dump in the future, as having spare capacity is financially inefficient and potentially unsustainable.

Stocks

7.141 We have little reliable information relating to the stocks held by Russian producers of the goods subject to review.

7.142 Severstal reported that their stocks declined over the IP.

7.143 The Metal Expert production and consumption data submitted by UK Steel shows a difference between Russian production and consumption of WTP - this extra volume could either go to stocks or it could be export sales.

7.144 To further help us to understand the countrywide position in regard to stocks, we conducted research using secondary sources. We found limited information about the stocks of two other Russian producers of like goods. Neither of these producers participated in this review.

7.145 The first producer, Magnitogorsk Iron and Steel works (MMK), publishes details of their product range and stock levels[53]. All the pipes that they produce are within the size ranges of the goods subject to review, although, as their end use is unknown, we do not know if they are in the scope of the review.

7.146 Their data records that over the two year period from 2018 to the end of 2019, 152,000 tonnes of pipes were manufactured, and 120,000 tonnes sold (all to the domestic market). This is an increase in stock of 32,000 tonnes, although 2017 was a year of low production for the company, and so this may have been an intentional plan to (re)build stock.

7.147 The second producer, Chelyabinsk pipe plant, publishes financial accounts that record their total stock of "pipes" growing in value slightly from 6.247 million roubles in 2018 to 7.932 million roubles in 2019[54]. It is not clear whether this growth in stock value is related to a growth in volume. This category of "pipes" is likely to be broader than the goods subject to review and may include some goods which are exempt from this review.

7.148 To conclude, there is some, albeit limited, indication of inventories beginning to build up during the POI when compared to 2018.

Indicative domestic sales prices

7.149 We were unable to calculate a representative normal value for domestic sales for all producers in Russia, although we have verified an average sales price for Severstal.

7.150 UK Steel have submitted an average UK sales price which was calculated using the data from TSUK. We applied further adjustments to this sales price during verification.

7.151 UK Steel have also submitted a Russian dumping calculation with a normal value of £443.89. This had been calculated on the basis of limited data from Metal Expert and we do not assess it as a reliable, standalone price.

7.152 To help us to understand the countrywide indicative normal value, we conducted research using secondary sources. We found limited information about the domestic sales of MMK. All the pipes that they produce are within the size ranges of the goods subject to review, although, as their end use is unknown, we do not know if they are in the scope of the review.

7.153 MMK recorded an average sales price for "pipes" per tonne in 2019 of £436, a decrease on the 2018 price of £500. Quarter one prices for 2020 decreased further to £416.[55]

7.154 We have used the data above to compile a range of indicative Russian domestic sales prices. We have used this range as a basis to calculate an indicative landed UK CIF price when assessing the attractiveness of the UK market (see below).

Exports to third markets

7.155 The Russian Ministries state that Russian producers export WTP in "small volumes" to CIS countries, in particular Kazakhstan, Belarus, Azerbaijan and Uzbekistan.

7.156 This is based on 6-digit HS code (730630) data from the official statistics of the Federal Customs Service of the Russian Federation.

7.157 We also made note of several other indicators in relation to exports to third markets:

- UK Steel submitted a Russian export price as part of the dumping calculation
- Metal Expert domestic consumption and production figures (discussed above under the heading “Stocks”)
- Comtrade exports to a 6-digit HS code
- Eurostat imports to an 8-digit CN code.

7.158 This information was limited in detail and at times contradictory. In particular, we could not completely reconcile the figures submitted by the Russian Ministries with those reported to Comtrade. The Russian Ministries stated that exports were in small volumes to CIS countries, whereas the Comtrade figures record significant sales to Germany, China and Turkey.

7.159 As the data is reported on a 6-digit HS code basis, we do not know how relevant it is to the goods subject to review, although we can be confident that it relates to the same broad category of goods. However, the conclusions that can be reasonably drawn are that Russian producers export a large proportion of similar goods to CIS countries, and some similar goods to Europe.

Conditions in exporters’ home market

7.160 The Russian Ministries state that the domestic market is important to Russian producers, as almost all their production is consumed domestically, with only a small amount exported to mainly CIS countries.

7.161 The figures they provide show production and domestic consumption increasing moderately between 2015 and 2019. Consumption peaked in 2018 and fell slightly in 2019.

Table 8: Russian Ministries' submission in relation to domestic consumption and production of WTP in thousands of tonnes ('000 MT)

	2015	2016	2017	2018	POI
All pipes used in construction sector (Russian consumption)	3,483	3,654	3,837	3,843	3,749
All pipes used in construction sector (Russian production)	3,773	3,812	3,996	4,065	4,018

Source: Comments of the Ministry of Economic Development of the Russian Federation and the Ministry of Industry and Trade of the Russian Federation regarding a transitional review of the anti-dumping measures applicable to imports of certain welded pipes and tubes from Russia, Belarus and China (Non Confidential submission)

7.162 The verified sales data from Severstal also records a drop in profitability from domestic sales of like goods during the POI when compared to the preceding years.

7.163 We also examined the information available through secondary sources. The annual report of TMK group, a Russian producer of like goods, estimated that WTP consumption dropped by 22% in Russia in 2019[56]. MMK's operating financial data supports this trend with a 9.5% fall in sales between 2018 and 2019[57]. Finally, Chelpipe group, who are Russian producers of like goods, report in their accounts a drop in domestic sales value over the same period[58].

7.164 The Metal Expert data submitted by UK Steel is not consistent with these other sources, as it shows an increase in Russian consumption of WTP of almost 20%, from 2018 to 2019.

7.165 Whilst, on balance, we conclude that consumption of WTP in Russia has fallen between 2018 and 2019, we do not see this as likely to be a long-term trend. The fall is only marginal, when compared with the significant increases in Russian domestic consumption of WTP from 2015-2017. We have assessed it as likely that domestic consumption will recover after the POI. This is supported by Russian government plans to invest into large-scale infrastructure projects and pursue modernisation plan to revamp the country's highways, regional airports, railways, seaports, and other transport infrastructure within the next five years.

Attractiveness of UK market

7.166 UK Steel claim that the current UK market price is depressed due to undercutting from other countries. They have calculated 'expected price undercutting' from Russia using an average TSUK sales price and their calculation of a Russian UK import price of £434.40 which provides a price undercutting percentage of 40-60%[59].

7.167 We have assessed this calculation as unreliable due to the way the Russian UK export price has been calculated. It is based on a delivered at place (DAP) Russian border export price, for one safety standard only. This price is not representative of the full range of goods and does not include the cost of shipping to the UK (which means it is not a landed UK price).

7.168 UK Steel have also submitted an EU undercutting calculation submitted by the European Steel Tubes Association. However, they do not provide any detail on how this undercutting was calculated, what prices and costs were used, what adjustments

were made, or the relevance of an undercutting calculation based on the CIF EU border price to this review.

7.169 In order to assess the attractiveness of the UK market we have calculated a likely Russian UK landed price and compared this to UK domestic and import sales prices. We have calculated the Russian UK landed price using the domestic price range as a basis, as discussed in the "Indicative domestic sales price" section. We have added domestic and international transport costs to this range.

7.170 Transport costs were submitted by both UK Steel[60] and the Russian Ministries[61]. We also have details of transport costs from Severstal's verified data.

7.171 We have assessed the adjustment costs submitted by UK Steel as unreliable for the following reasons:

- they do not specify the domestic method of transport used;
- the domestic transport costs are between Moscow and St Petersburg. This is not representative of usual domestic transport routes for WTP;
- the costs are based on a two digit HS code which covers a much broader range of goods than the goods subject to review; and
- the administrative costs to export are based on one-off costs and are not representative of the costs an established large exporter would incur.

7.172 The Russian Ministries submit that the UK market is not attractive for Russian producers due to high logistical costs (up to 30% of the Russian WTP price on the EU Market). They support this claim with the fact that Russia has not been exporting the product subject to review to the UK since 2000 (i.e. long before the measure was imposed in the EU).

7.173 The Russian Ministries also submitted domestic and international transport costs. We assessed these as reliable as:

- they were based on a domestic transport route from a geographic area where there is significant WTP production to a major port;
- they referenced national rail tariff rates; and
- the international shipping costs were based on detailed quotes from private logistics providers.

7.174 We also had access to actual domestic transport costs in the confidential verified sales data provided by Severstal.

7.175 We then calculated a range of likely non dumped UK landed prices for Russian exports by adding:

- the range of indicative Russian domestic sales prices (see section above);
- a range of domestic transport costs based on the costs submitted by the Russian Ministries and Severstal; and
- international shipping costs submitted by the Russian Ministries.

7.176 We have two UK prices to compare this Russian UK landed price with, in order to assess the attractiveness of the UK market. The first is a verified average sales price

from TSUK. The second is an illustrative landed UK CIF price that is likely to gain a market share. We calculated this using HMRC import statistics[62].

7.177 This calculation is based on indicative prices, it does not take account of different PCNs and currency fluctuations and therefore should be treated with caution.

7.178 However, we have determined that it is likely that Russian producers would be able to sell to the UK market at an undumped price range that would compete with other imports and the domestically manufactured like goods.

Technical specifications

7.179 We are satisfied that Russian producers will be capable of producing WTP to the specification required by the UK market. Many of them already produce to the British or GOST regional standards, or equivalent and have sold to the UK market where standards are currently harmonised with those in the UK. Russian producers are experienced in and able to, obtain certification to multiple standards when required. It is also possible to sell WTP without any safety certification in certain circumstances.

7.180 It is clear that technical standards are not a significant barrier to the UK market.

Previous circumvention or absorption

7.181 It is not possible to say with any certainty whether measures have previously been circumvented or absorbed.

7.182 HMRC import data indicates that some absorption may have taken place in 2016. However, this is based on 8-digit CN code data and limited quantities of imports. We are therefore unable to determine whether previous absorption has taken place.

7.183 We found no evidence of circumvention.

Conclusion and findings (Russia)

7.184 There are several relevant factors to consider when assessing whether future dumping of the goods subject to review is likely to occur.

7.185 There are significant levels of unused capacity in Russia. Whilst it is unlikely that all of this production capacity would be used to manufacture like goods, Russian producers do have the ability to produce increased volumes of WTP should the market incentive arise. Domestic production and consumption levels of like goods in Russia appeared to decline from 2018 to the POI, which could create an incentive to look for new markets. Russian producers also have the ability to produce to different technical specifications which would allow them entry to such markets, including the UK.

7.186 However, there is greater evidence that Russian producers of WTP have limited incentive to dump.

7.187 We do not think that the decline in domestic production or consumption is likely to continue. The Russian government has plans to invest into large-scale infrastructure

projects and pursue modernisation plans to revamp the country's highways, regional airports, railways, seaports, and other transport infrastructure within the next five years.

7.188 Russian producers of WTP also have limited levels of stock, despite the EU measures being in place for an extended time period. This demonstrates that Russian producers do not rely on access to EU or UK markets, and their business appears to be sustained by their domestic market and through limited exports to geographically close CIS and/or EEU countries. Russian producers have access to these markets through free trade agreements and regulatory alignments, and this access is unlikely to change in the medium term.

7.189 We have also assessed the undumped price that Russian producers of WTP could sell to the UK market at. This comparison demonstrated that Russian producers could gain a market share in the UK without dumping. Whilst Russian producers may choose to dump in order to gain a larger market share, to do so would limit their profits, and we no evidence that Russian producers of WTP have dumped on any other export market during the POI or IP.

7.190 While some factors do suggest that Russian producers of WTP could dump to the UK in the future, we have determined that they are unlikely to have the incentive to do so. For this reason, we have concluded that dumping from Russian producers is unlikely to occur, were the measures to no longer apply.

Severstal

7.191 As well as assessing the likelihood of dumping occurring from Russia, we have also made the same assessment for Severstal. This is because they cooperated with this review.

Necessary or sufficient consideration

7.192 Under regulation 99A(1)(a)(i) of the Regulations, in a transition review we must consider whether the application of the anti-dumping amount is necessary or sufficient to offset the dumping of the relevant goods to the UK (this is called the "necessary or sufficient consideration").

7.193 HMRC records no exports from Russia, or Severstal, of the goods subject to review during the POI and IP[63]. We considered this to be an essential fact when applying the necessary or sufficient consideration under regulation 99A(1)(a)(i).

7.194 The lack of imports demonstrates that the current measure is sufficient to offset dumping from Severstal. We have also considered whether the measure is necessary to offset the dumping of the goods subject to review. However, as there are no imports of the goods subject to review, there cannot be any current dumping. Therefore, for the purposes of this specific consideration under regulation 99A(2)(a)(i) of the Regulations, we are not able to substantively determine whether the measure is necessary to offset the dumping.

7.195 Considering the lack of imports of the goods subject to review from Severstal, we do not consider it appropriate to recalculate the anti-dumping amount under Regulation

99A(2)(a)(i) of the Regulations. We considered alternative methods for calculating these values, such as using costs and sales data from a third country. We concluded that we would not have sufficient confidence in the accuracy and relevance of these methods.

7.196 For these reasons, we have used our discretion to conclude that it is not appropriate to recalculate the anti-dumping amount. To determine whether the measures should be varied or revoked, we therefore considered the likelihood that dumping and injury would occur if the measures were no longer applied.

Dumping likelihood assessment

7.197 We considered whether dumping was likely to occur if the measure was removed, taking account of the following factors.

Continued dumping

7.198 As previously mentioned, Severstal has not exported to the UK during the POI. However, they have exported to third countries during this time.

7.199 We assessed whether dumping had occurred to these countries based on the transaction by transaction data submitted. Our initial analysis indicated that Severstal may be dumping to some third countries. However, further investigation into these sales demonstrated that this apparent dumping was a result of different PCNs by market. Once this factor was accounted for, there was no dumping identified to any third country export markets by Severstal.

7.200 Therefore, there is no evidence of continued dumping taking place to the UK or other countries throughout the POI.

Production capacity and production levels

7.201 Severstal's reported potential tube mill capacity is 459,424-624,976 tonnes per annum[64].

7.202 The indexed table below shows Severstal's production, capacity and capacity utilisation of the goods subject to review and like goods during the IP and POI.

Table 9: Index of production volume, capacity and capacity utilisation of goods subject to review and like goods:

	2016	2017	2018	POI
Production volume	100	129	125	124
Capacity	100	130	128	132
Capacity utilisation	100	99	97	94

Source: Severstal Annex D5 non confidential submission

7.203 Severstal's capacity and production volume increased in 2016-17, and then remained generally stable until the POI. Capacity utilisation declined over the same period. Despite this reported decline in capacity utilisation, Severstal have explained that their capacities were fully utilised in the POI. This is corroborated by their purchase of like goods during the POI to meet customer demand.

7.204 Severstal also produce hollow structural sections, which fall outside the scope of this review. The production process of WTP is often one step less than the production of hollow structural sections. Whilst, in theory, the capacity to produce hollow structural sections is also potential capacity to manufacture the goods subject to review, in practice, we have assessed a complete switch in manufacturing as unlikely. This is because many of the factors that affect WTP demand are also relevant to the hollow structural sections market as they are often used in the same industries. We have assessed it as unlikely that demand for hollow structural sections would drop without an accompanying drop in WTP.

7.205 If Severstal wanted to increase production or capacity significantly this would likely require a significant incentive and investment over an extended period of time. In addition, Severstal have the ability to supply raw material inputs to affiliated companies who manufacture WTP and are not subject to the current measures[65].

7.206 We have therefore determined that Severstal do not have significant spare capacity Severstal have an established presence in the hollow structural sections domestic market. To completely switch production from hollow structural sections to WTP would require a change in business plan and significant shift in their customer base. We have assessed that this is likely to remain the case in the short term.

Stocks

7.207 The stock held by Severstal for the goods subject to review and like goods is displayed below.

Table 10: Index of closing stock of goods subject to review and like goods:

	2016	2017	2018	POI
By volume	100	65	46	29
By value	100	77	69	42

Source: Severstal Annex D6 non confidential submission

7.208 Overall, total stock for goods subject to review and like goods has been declining. These limited levels of stock support Severstal's submission that they produce to order. Severstal demonstrated during verification that stock mostly accrues due to a time lag between the production and shipping to customers.

7.209 We have determined that the limited, and decreasing, volume of stocks of like goods held by Severstal reduce the likelihood of dumping.

Domestic sales prices

7.210 We did not calculate a normal value per PCN for Severstal, as we did not have an equivalent export price to compare it to and were therefore not able to complete a dumping calculation. Instead, we calculated an average domestic sales price for Severstal. This used domestic transaction-by-transaction sales data. The price was ex-works which took the net invoice value adjusted for domestic freight, packing, and credit. The average ex-works domestic sales price is based on a weighted average of the like goods sold in Russia by Severstal.

7.211 This price was not adjusted to account for any distortions as indicated in the decision outlined in the above Russian dumping likelihood section, "Market distortions in Russia". This conclusion applies to Severstal.

7.212 We have used this average price as a basis to calculate an indicative landed UK CIF price when assessing the attractiveness of the UK market (see below).

Exports to third markets

7.213 Severstal stated that they export like goods to countries that are geographically close to Russia. The profit figures submitted by Severstal (see the section on Conditions in exporters' home market) demonstrate there is potential for Severstal to realise significant profits from these exports.

7.214 Based on Severstal's profit figures (see the section on Profits), we have determined that these third markets would remain attractive to Severstal, even if the current duties on the goods subject to review were removed. We have therefore assessed it as unlikely that Severstal would prioritise expansion into the UK market above other exports to third markets. This reduces the likelihood of dumping.

Conditions in exporters' home market

7.215 Severstal claim that there is significant Russian domestic demand for like goods.

7.216 This is supported by Russian government plans to invest into large-scale infrastructure projects within the next five years.

Investments

7.217 As displayed in the indexed table below, Severstal's total investment increased in 2018 and stands out when compared to investments over the rest of the IP.

Table 11: Index of investments

	2016	2017	2018	POI
Index of investment	100	334	1385	848

Source: Severstal Annex D9 non confidential submission

Profits

7.218 Severstal's profitability overall is set out in the indexed table below.

Table 12: Index of profits

	2016		2017		2018		POI	
	% of revenue	Profit	% of revenue	Profit	% of revenue	Profit	% of revenue	Profit
Profitability of the company (all products)	100	100	100	102	100	149	100	93
Profitability of goods subject to review and like goods	100	100	127	118	112	130	90	32
Profitability of domestic sales of goods subject to review like goods	100	100	123	114	111	129	88	31
Profitability of export sales of goods subject to review and like goods	100	100	281	262	166	185	172	68

Source: Severstal annex D11 non confidential submission

7.219 The overall profitability of the company has been consistent over the IP, with a significant increase in 2018 and a marginal decrease during the POI.

7.220 Profit levels from the sales of like goods have declined significantly in the POI, on both the domestic and export market. This does not appear to be caused by lower sales volumes or reduced production, as production volumes have increased over the IP (see the section on Production capacity and production levels) and the volume of stock held has decreased (see the section on Stocks).

7.221 In conclusion, there are several explanations for this fall in profits. We assess that this is unlikely to be a continuing trend, as if Severstal's current sales continue, profitability is likely to revert back to levels seen before the POI.

7.222 We have therefore determined that profit levels will not be a factor that increases the likelihood of future dumping to the UK of the goods subject to review by Severstal.

Attractiveness of the UK market

7.223 UK Steel estimate that UK producers account for 30-50% of the WTP market in the UK. They state that any dumped imports would reduce this market share significantly.

7.224 The submission from CTU states that any safeguard or continuation of anti-dumping duties by the EU would increase the attractiveness of the UK market. This is accepted, as Severstal's access to the EU market may depend upon the applicability of anti-dumping duties, which have been maintained.

7.225 BSS, a downstream contributor, has stated that UK manufactured products are known to offer superior quality and lead times for the like goods. This may mean that foreign exporters may need to offer discounts or price incentives in order to compete with UK industry. However, BSS also told us that ultimately if the sector accepts lower priced imports, stockists such as themselves will need to amend their purchasing choices to compete[66].

7.226 In order to assess the attractiveness of the UK market to Severstal, we have calculated a likely Severstal UK landed price which we have compared to UK prices.

7.227 We have calculated this likely Severstal UK landed price based on the average sales price in Severstal's domestic market, plus transport costs. We have compared this with UK sales prices to assess if Severstal would be able to sell their goods at an undumped price that is likely to gain a UK market share.

7.228 Transport costs were submitted by both UK Steel and the Russian Ministries. These are assessed in detail above, as part of the Russian dumping likelihood assessment. We also had verified sales data from Severstal, which included a breakdown of domestic transport costs.

7.229 We used Severstal's verified sales data to calculate domestic transport costs. We then applied these domestic transport costs to the distance by rail from Severstal's main manufacturing facilities to the port of St Petersburg. This is the most likely route and method of transport that exports to the UK would take, as it is the most direct and does not involve transit through other customs areas.

7.230 The most reliable international shipping costs are the figures submitted by the Russian Ministries[67].

7.231 The indicative UK landed price for like goods produced by Severstal was calculated by taking the average sales price and adding both domestic transport costs based on Severstal's own figures, and international transport costs based on the submission by the Russian Ministries.

7.232 We calculated Severstal's likely UK landed price by adding these transport costs to the average domestic sales price. We then compared this to three different UK sales prices. These were:

- the average sales price of the cooperating UK manufacturer across all PCNs.

- the average sales price from the cooperating UK manufacturer of the PCNs that are also produced by Severstal.
- the CIF UK import price from third countries that is likely to gain a market share based on HMRC data[68].

7.233 As a result of these comparisons, we have concluded that Severstal could potentially gain a share of the UK market without dumping. However, this conclusion is based on indicative prices only, and it has been treated with caution in the context of the overall dumping likelihood assessment.

7.234 Severstal have themselves stated that the UK market is not attractive to them, although they have acknowledged that were the measures to be removed, they may make some sporadic, non-regular sales[69].

7.235 Severstal are established in, and have easier access to, a number of other markets and are producing near to capacity[70] (see the section on Production capacity and production levels). Furthermore, Russian producers of like goods, including Severstal, have not exported to the UK in significant quantities, even before the introduction of EU trade remedy measures[71]. Severstal are also affiliated to WTP producers outside of Russia which are not subject to the current measures[72]. They already have the ability to manufacture WTP in those countries and access the UK market without the application of an anti-dumping duty.

7.236 As a result of this analysis, we have concluded that it is likely that Severstal could gain a market share without dumping, in the absence of the current measures. However, it is unlikely that the UK market would be a priority for Severstal. Both of these factors reduce the likelihood of Severstal dumping, were the current measures removed.

Technical specifications

7.237 Technical specifications are not assessed as being a significant barrier that may hinder potential future exports of the goods subject to review. This is because Severstal already produce to EU standards and have affiliated manufacturing facilities in a range of third countries. This demonstrates their ability to produce WTP to a wide range of standards.

Previous circumvention or absorption

7.238 There is no evidence that Severstal have circumvented or absorbed the current measures.

Conclusion and findings (Severstal)

7.239 There are several relevant factors to consider when assessing whether future dumping of the goods subject to review is likely to occur.

7.240 Severstal has significant levels of unused capacity. Whilst it is unlikely that all of this production capacity would be used to manufacture like goods, Severstal does have the ability to produce increase volumes of WTP should the market incentive arise. Domestic production and consumption levels of like goods in Russia appeared to

decline from 2018 to the POI, which could create an incentive to look for new markets. Severstal experienced declining profits from domestic sales of like goods during this period. Severstal are also able to produce to different technical specifications, including to EU/UK standards, which would allow them entry to such markets.

7.241 However, there is greater evidence that Severstal have limited incentive to dump.

7.242 We do not think that the decline in domestic production or consumption is likely to continue. The Russian government has plans to invest into large-scale infrastructure projects and pursue modernisation plans to revamp the country's highways, regional airports, railways, seaports, and other transport infrastructure within the next five years. These plans are likely to benefit Severstal as it is established on the domestic market. We therefore assess that Severstal's declining profits are unlikely to continue.

7.243 Severstal also have limited levels of stock, despite the EU measures being in place for an extended time period. This demonstrates that Severstal do not rely on access to EU or UK markets, and their business appears to be sustained by their domestic market and through exports to geographically close countries.

7.244 We have also assessed the undumped price that Severstal could sell to the UK market at. This comparison demonstrated that Severstal could gain a market share in the UK without dumping. Whilst Severstal may choose to dump in order to gain a larger market share, to do so would limit their profits, we have not identified any dumping by Severstal to third country markets during the POI or IP. Severstal also have affiliated companies who could export to the UK without the application of an anti-dumping duty.

7.245 While some factors do suggest that Severstal could dump to the UK in the future, we have determined that they are unlikely to have the incentive to do so. For this reason, we have concluded that dumping from Severstal is unlikely to occur, were the measures to no longer apply.

Injury considerations

Injury likelihood analysis

8.1 We are required under regulation 99A(1)(b) of the Regulations to consider whether injury to the UK industry in the relevant goods would occur if the anti-dumping amount were no longer applied (injury likelihood assessment).

The current state of the UK industry

8.2 Domestic producers make up 30-50% of the UK market. TSUK is the largest domestic producer of like goods (and the only domestic producer to submit a questionnaire response). There is one other domestic producer, Liberty Steel UK.

8.3 During the POI, the UK steel industry experienced a 0.6% decline in production compared to the previous year[73]. Demand for steel products in the UK also decreased by 5.5%[74].

8.4 For TSUK, production output of the like goods fell by 11% during the POI, with demand for the like goods falling by 3.2%. TSUK's fall in demand mirrors the experience of the UK steel market overall, but TSUK experienced a greater decline in output during the same period.

8.5 Using the data supplied by TSUK in their questionnaire response the following injury factors have been analysed.

Actual and potential decline in sales

8.6 The table below covers the volume and value of TSUK's sales during the IP.

Table 13: TSUK domestic sales of the like goods, 2016-2019

	2016	2017	2018	POI
Domestic sales by volume Index (2016 = 100)	100	96	90	87
Domestic sales by value Index (2016 = 100)	100	115	116	108

Source: TSUK, annex 12, non-confidential submission

8.7 The value of TSUK's sales of like goods rose between 2016-2017. This remained stable into 2018 with a decline during the POI. Despite minor fluctuations, the volume of the like goods sold over the IP and POI has steadily declined each year. The combination of these two indexed figures demonstrates that sales prices have generally increased throughout the IP.

8.8 TSUK have claimed that turnover would reduce, and they would struggle to meet their growth targets if the anti-dumping amount were no longer applied. We have assessed that further competition within the import market could result in lower volumes of like goods being sold by the UK industry. This may then cause a decline

in sales value. However, we also acknowledge that any future imports from the countries concerned in this review may also take market share from the imported like goods rather than from UK industry.

8.9 Although BSS told us that UK products are perceived to be of better quality and have shorter lead times, they say that there is a limit to the premium customers will pay for this. Therefore, TSUK sales prices must remain competitive.

8.10 Having considered the above factor we have determined that, if the anti-dumping amount were no longer applied, imports of the goods subject to review are likely to gain market share. We have no reason to doubt that this market share would be gained from both domestic industry and other imports. Even if the consequent reduction of sales of like goods experienced by domestic industry is small, it is still likely to have an impact and it is more likely than not that injury would occur in relation to this factor.

Actual and potential decline in profits

8.11 The table below presents TSUK's net operating profit (after tax) during the IP.

Table 14: Index of TSUK profits, 2016-2019

	2016	2017	2018	POI
Total profit before tax for whole company Index (2016 = -100)	-100	-61	-143	-122

Source: TSUK, annex 12, non-confidential submission

8.12 Over the IP, TSUK have experienced negative profits. The decline in profits slowed in 2017 but increased significantly in 2018 and the POI. TSUK have stated that they are not able to achieve higher prices in the market due to competition from imports from other countries not subject to measures.

8.13 The information submitted to us by TSUK demonstrates that without an increase in the volume of like goods sold, TSUK are unlikely to be able to reduce their production costs in the short term to make a positive profit. There are efficiency savings that TSUK could make which may make them more competitive but are only possible in a longer time frame.

8.14 Therefore, we assess that if the anti-dumping measures were no longer applied, it is likely that competition from imports would increase TSUK's negative profits.

Actual and potential decline in output

8.15 The table below presents the output in volume and value of the like goods produced by TSUK during the IP.

Table 15: index of TSUK output, 2016-2019

	2016	2017	2018	POI
Output by volume Index (2016 = 100)	100	97	92	82
Output by value Index (2016 = 100)	100	112	117	104

Source: TSUK, annex 12, non-confidential submission

8.16 The output by volume has steadily decreased over the IP. Output by value has steadily increased over the IP until the POI, when it declined to levels similar to 2016.

8.17 WTP are generally made to order, therefore if demand falls so will output. TSUK have stated that if the anti-dumping amount were no longer applied, it is likely that output would continue to decline as sales would decrease.

8.18 As discussed above, it is also possible that, in the absence of the anti-dumping measures, imports from the countries concerned would gain market share from other imported goods as well as UK-produced goods.

8.19 We have determined that, if the current anti-dumping measures were removed, injury would be more likely to occur in terms of a reduction in output.

Actual and potential decline in market share

Table 16: index of TSUK's UK market share for like goods, 2016-2019

	2016	2017	2018	POI
Market share (volume) Index (2016 = 100)	100	104	100	93

Source: TSUK, annex 12, non-confidential submission

8.20 As mentioned above, the two domestic producers have a market share of 30-50%. TSUK is the larger of the two producers. Over the IP, the market share held by TSUK, calculated by volume, has been fairly stable.

8.21 If the measures no longer applied, imports from the countries concerned could take market share from other importers – however, we have assessed that they would also be likely to take market share from UK industry. This makes it more likely that injury would occur in relation to this factor.

Actual and potential decline in productivity

8.22 The table below presents the average output, in volume, of the like goods by employee (Full Time Equivalent) at TSUK during the IP.

Table 17: index of TSUK productivity, 2016-2019

	2016	2017	2018	POI
Average output in volume per FTE employee for like goods Index (2016 = 100)	100	101	90	82

Source: TSUK, annex 12, non-confidential submission

8.23 Productivity in volume of the like goods per employee declined over the whole IP.

8.24 As TSUK generally make to order, productivity is linked to sales and output of the like goods. As indicated above, we have determined that if the measure were no longer to be applied this is likely to result in a reduction in output/loss of market share which would therefore have the effect of reducing productivity.

8.25 Therefore, we have determined that, were the measures to no longer apply, productivity is likely to continue to decline which increases the likelihood that injury would occur in relation to this factor.

Actual and potential decline in utilisation of capacity

8.26 The table below presents the production capacity utilisation of TSUK for the like goods during the IP.

Table 18: Index of TSUK utilisation of capacity, 2016-2019

	2016	2017	2018	POI
Production capacity for like goods Index (2016 = 100)	100	93	79	72
Production capacity utilisation for like goods Index (2016 = 100)	100	92	86	80

Source: TSUK, annex 12, non-confidential submission

8.27 Production capacity and capacity utilisation for like goods at TSUK declined over the IP. TSUK have stated that:

"… *extra volumes at dumped prices would have dramatic consequences on already low capacity utilisation rates and a difficult profit situation.*" [75]

8.28 WTP are generally made to order. If sales volumes do not increase, output cannot increase either, lowering capacity utilisation for the like goods. Low capacity and low

capacity utilisation can have other causes such as other goods being produced on the same machinery and/or machine down time.

8.29 However, we have concluded that if the anti-dumping amount were no longer applied, the likely decline in sales volumes and outputs discussed above would be a significant contributor to a continuing fall in production capacity and capacity utilisation. This increases the likelihood that injury would occur in relation to this factor.

Actual and negative effects on employment

Table 19: Index of TSUK employment, 2016-2019

	2016	2017	2018	POI
Total number of employees (FTE) Index (2016 = 100)	100	96	102	100
Number of employees for like goods (FTE) Index (2016 = 100)	100	95	102	100

Source: TSUK, annex 12, non-confidential submission

8.30 The number of employees allocated to the like goods has remained stable over the IP. The slight decline in 2017 was unrelated to imports of the goods subject to review. However, if volume of sales, output, and production capacity utilisation continue to decline, as indicated above, a tipping point would be reached where TSUK would need to reduce the number of employees working on the like goods. We do not have information available to us to assess when this tipping point might happen, or to estimate the impact in terms of total number of staff losses.

8.31 Therefore, while we have assessed that employee numbers could reduce, we do not have sufficient information to determine if injury would be more likely to occur in relation to this factor were the measures to no longer apply.

Actual and potential negative effects on ability to raise capital or investments

8.32 TSUK have stated that:

"…repealing existing import measures… will make the environment around which investment decisions are made far more risky than would otherwise be the case. This may result in the postponement or cancellation of investment plans that would otherwise improve the competitive position of the company…"[76]

8.33 However, given the assessment of TSUK's current performance that we have conducted based on the data above, they may have limited investment options even if measures remained in place.

8.34 Therefore, in the absence of anti-dumping measures, it is difficult to conclude with sufficient certainty whether injury would be more likely to occur in relation to this factor were the measures to no longer apply.

Actual and potential negative decline in return on investment

8.35 We do not have information to make any sufficiently reliable conclusions in relation to this injury factor.

Actual and potential negative effects on cash flow

8.36 TSUK had negative cash flow over the IP. Whilst some improvement was made in 2018, there was a decline in cash flow in the POI. We are unable to make any sufficiently reliable conclusions in relation to this injury factor. This is because a range of factors can affect cash flow, and it is not possible to say how these factors would interact were the measures to no longer apply.

Actual and potential negative effects on inventories

Table 20: Index of TSUK inventories, 2016-2019

	2016	2017	2018	POI
Stocks at year end, total volume Index (2016 = 100)	100	104	147	156
Stocks at year end, total value Index (2016 = 100)	100	120	186	197

Source: TSUK, annex 12, non-confidential submission

8.37 Both the value and volume of stocks held by TSUK have been increasing over the IP. This increase in stocks has not been caused by the goods subject to review, as there have been no significant imports of them during the IP. We have therefore determined that this factor is not relevant when assessing the likelihood of injury occurring.

Actual and potential negative effects on wages

Table 21: Index of TSUK wages, 2016-2019

	2016	2017	2018	POI
Median wage for FTE engaged in activities related to the like goods Index (2016 = 100)	100	102	100	103

Source: TSUK, annex 12, non-confidential submission

8.38 The median wage for TSUK employees allocated to the like goods is consistent with the IP.

8.39 However, if volume of sales, output, and production capacity utilisation continue to decline, as indicated above, a tipping point would be reached where TSUK would need to reduce the wages of employees working on the like goods. We do not have

information available to us to assess when this tipping point might happen, or to estimate the impact in terms of wages.

8.40 Therefore, whilst we have assessed that employee wages could reduce, we do not have sufficient information to determine whether injury would be more likely to occur in relation to this factor were the measures to no longer apply.

Conclusion on the current state of the UK industry

8.41 The data we have assessed from TSUK demonstrates that the current state of UK industry is fragile.

8.42 Over the course of the IP, in relation to the like goods, TSUK have experienced:

- decline in the volume of sales;
- sustained negative profits;
- declining production capacity utilisation; and
- a stable domestic market share;

8.43 These trends have not been caused by the imports of the goods subject to review. However, these trends indicate that injury would occur to UK industry if the measures were no longer applied. This injury is likely to include a decline in domestic sales. A decline in sales is likely to affect output volumes, capacity utilisation and profits.

Other causes of injury (non-attribution)

8.44 We have established that UK producers of the like goods are currently experiencing injury that is not caused by the goods subject to review. The factors that are contributing to this injury are assessed as:

TSUK export sales

Table 22: Index of TSUK export sales of the like goods, 2016-2019

	2016	2017	2018	POI
Export sales by volume Index (2016 = 100)	100	93	82	64
Export sales by value Index (2016 = 100)	100	114	110	88

Source: TSUK, annex 12, non-confidential submission

8.45 The value of TSUK's export sales of like goods rose between 2016-2017. This remained generally stable into 2018, with a decline during the POI. The volume of the exported like goods sold over the IP and POI has steadily declined each year. The combination of these two indexed figures demonstrates that sales values have generally increased throughout the IP.

8.46 This decline in export sales over the injury of like goods has not been caused by imports of the goods subject to review. However, were the measures to no longer apply, it is likely that the decline would continue at the current rate or accelerate.

Imports of the like goods from countries other than Belarus, China and Russia

8.47 HMRC 8-digit CN code data records insignificant volumes of imports of the goods subject to review to the UK. Most imports under the relevant CN codes are from third countries (see Chart 1 above). CCOIC stated that other countries' imports, including those from Turkey and the UAE, are causing injury to the UK industry through undercutting.

8.48 UK Steel have submitted that the market share of imports of like goods from third countries is 40-60%. They have further stated that imports from third countries are being sold at prices that undercut the UK domestic prices. HMRC 8-digit CN code data does corroborate these claims, in that it shows that goods from these countries have been sold at prices lower than the UK domestic market over the IP.

8.49 8-digit CN code data covers a broader range of goods than the scope of this review, so it is not possible to tell if these low prices are of the like goods. However, it is likely that a proportion of these imports do consist of like goods. We have therefore determined that the imports of like goods from third countries are likely to be affecting TSUK's domestic prices through price depression and suppression.

8.50 As the UK industry is already competing with high volumes of lower-priced imports, they cannot increase their prices without losing market share. Therefore, were the measures no longer to apply, injury would be likely to occur as a result of increased competition. We cannot be sure about the extent of this increased injury, as imports from the countries subject to this review would compete both with imports from third countries and with UK-manufactured like goods.

Reduction in demand

8.51 Demand for steel in the UK reduced during the POI. According to UK Steel, demand fell by 5.5%[77] during this period.

8.52 This reduction in demand is consistent with the trends visible in the indexed tables above (in particular Table 15 output by volume and value). The impact of this fall in demand has been to increase competition, including between UK producers of like goods and imports of like goods from third countries.

8.53 The construction industry is the main sector that uses WTP. Data from the Office for National Statistics (ONS) suggests that, whilst activities in the construction sector were severely limited by the COVID-19 pandemic in February and March 2020, recovery is currently occurring and likely to continue[78]. Late 2020 recorded some growth in construction above the pre-pandemic figure – particularly in new infrastructure work which has experienced 3.3% growth when compared to February 2020.

8.54 WTP producers in the UK do therefore have opportunities for growth if new infrastructure projects increase the demand for like goods.

8.55 Even before the COVID-19 pandemic, the general trend was that steel demand was declining globally. However, growth in the construction sector post-pandemic economy may offer short to medium term opportunities for UK producers of the like goods to increase their sales. The specifics of these projects are not known, and it is difficult to say if the anti-dumping amount were no longer applied, whether injury would occur.

8.56 If the anti-dumping amount were no longer applied to the goods subject to review, there would probably be increased competition on the market, with decreasing demand. It is likely that UK producers would have to reduce their prices in order to remain competitive in such a market. Given our assessment of the above injury factors, this is unlikely to be a sustainable strategy.

COVID-19 – Global pandemic

8.57 A UK Steel survey in April 2020, during the COVID-19 pandemic, indicated that there was a 45% average reduction in orders compared with the same period in 2019[79].

8.58 However, it is possible that demand may increase in 2021 and 2022. Following the pandemic, some projects and investments that have been put on hold will move forward and governments across the world (including the UK) may provide support to the economy to boost recovery. This is supported by World Steel forecasts which predict a global growth in steel demand of 4.1% in 2021 (compared with minus 2.4% in 2020)[80] .

8.59 Whilst COVID-19 may have caused some uncertainty in the market, it has also created opportunities to identify new customers or suppliers and shorten supply chains.

EU Exit

8.60 UK Steel attribute some of the fall in domestic demand to uncertainty over the UK's departure from the EU. Research of secondary sources also suggest that there has been a slowdown in investment in construction due to uncertainty over EU Exit[81].

8.61 During the first quarter of 2019, this uncertainty caused a period of stockpiling in the UK, with stocks later released as the original deadline of 29 March 2019 was not achieved. During the POI, UK industry was facing uncertainty over the exact terms of any EU Exit deal.

8.62 Before any EU Exit deal was made it was unknown if the EU safeguarding measures would apply to UK producers that export to the EU. As HMRC data indicates, the EU is the main export destination for UK produced like goods. Uncertainty over access to this market may therefore have caused some injury.

High cost of production

8.63 Community UK state that the UK WTP industry is not able to compete with imports due to high costs of production, particularly high energy costs when compared to other countries. No data was submitted to corroborate this claim. UK Steel's publication 'Key Statistics Guide July 2019'[82] does show that the UK energy prices

are higher than those in Germany, and potentially almost double that of France. However, we also have evidence that producers in some other countries pay more for energy that UK producers.

8.64 There is conflicting information available that relates to this factor. We cannot therefore conclude with sufficient certainty whether this is another cause of injury.

Conclusion on other factors affecting injury

8.65 There are a number of factors, unrelated to the goods subject to review that have caused injury to the UK industry during the period in which the measures have been in place. We have assessed that this is likely to continue in the short to medium term.

8.66 TSUK have declining export sales, which is likely to make them more dependent on domestic sales. Imports from countries not subject to measures appear to be increasing competition and limiting the prices achievable on the UK market. UK producers have been able to maintain a share of their domestic market despite declining profits. However, were the measures to no longer apply it is likely that imports from countries currently subject to measures would further increase competition and limit prices. This could be expected to give rise to further injury over and above that already being suffered by UK producers.

8.67 EU Exit and COVID-19 have contributed to uncertainty in the market. We cannot say with certainty, for the purposes of this review, what the long-term impact will be on the UK WTP industry.

8.68 Based on the above analysis we have determined that UK industry has suffered injury from causes other than the goods subject to review. However, were the anti-dumping measures no longer applied, it is likely that there would be further injury.

Undercutting/underselling of UK industry

8.69 During the POI, there have been insignificant volumes of imports into the UK of the goods subject to review. Therefore, we are unable to calculate an import price by PCN and have not been able to carry out detailed undercutting/underselling calculations.

8.70 However, we have calculated some indicative UK CIF landed sales prices for the three exporting countries and Severstal. These were compared to UK market prices in order to assess whether undercutting/underselling would likely occur. These calculations are explained in the relevant dumping likelihood sections.

8.71 The calculation for Belarus, Russia and Severstal indicated that potential undercutting would occur, should the current anti-dumping measures be removed.

8.72 Due to limited data we concluded that the indicative undercutting/underselling calculation we conducted for China was not sufficiently reliable. This is because the export price available to us (submitted by UK Steel) for China was based on a 6-digit HS code and therefore we cannot assess its relevance to the goods subject to review.

8.73 We also assessed the Chinese normal value, submitted by UK Steel, as unreliable for the purposes of an undercutting/underselling calculation.

8.74 Based on this analysis we have concluded, were the measures to no longer apply, potential undercutting/underselling would occur from producers in Belarus and Russia as well as Severstal. We are unable to draw a sufficiently reliable conclusion in relation to Chinese producers.

Conclusion and findings (injury)

8.75 Based on our analysis, we have concluded that the current state of the UK WTP industry is fragile and has suffered injury. This is demonstrated by a decline in sales volumes, sustained negative profits and declining production and capacity utilisation.

8.76 Injury has occurred in the absence of imports of the goods subject to review. We have assessed that other factors have caused this injury. These other factors include uncertainty over EU Exit, reduced demand due to COVID-19 and imports of like goods from third countries.

8.77 We have concluded, were the measure to no longer apply, the market would be more attractive to producers from the countries subject to this review. This, in turn, will increase competition from lower priced imports, which will undercut domestic prices causing a reduction of sales and/or profitability leading to injury.

Economic Interest Test

9.1 We must be satisfied, in accordance with regulation 100A(2)(a) of the Regulations, that any application of an anti-dumping amount meets the EIT. This test is presumed to be met unless we are satisfied that the application of the remedy is not in the economic interest of the UK.

9.2 The aim of the EIT is to determine whether our intended preliminary decision to vary the measure and apply an anti-dumping amount on goods subject to review, excluding the CN 7306 30 72 (TARIC code 7306 30 72 80) which classifies non threaded or threadable WTP plated or coated with zinc, imported from Belarus and China, is in the wider economic interest of the UK.

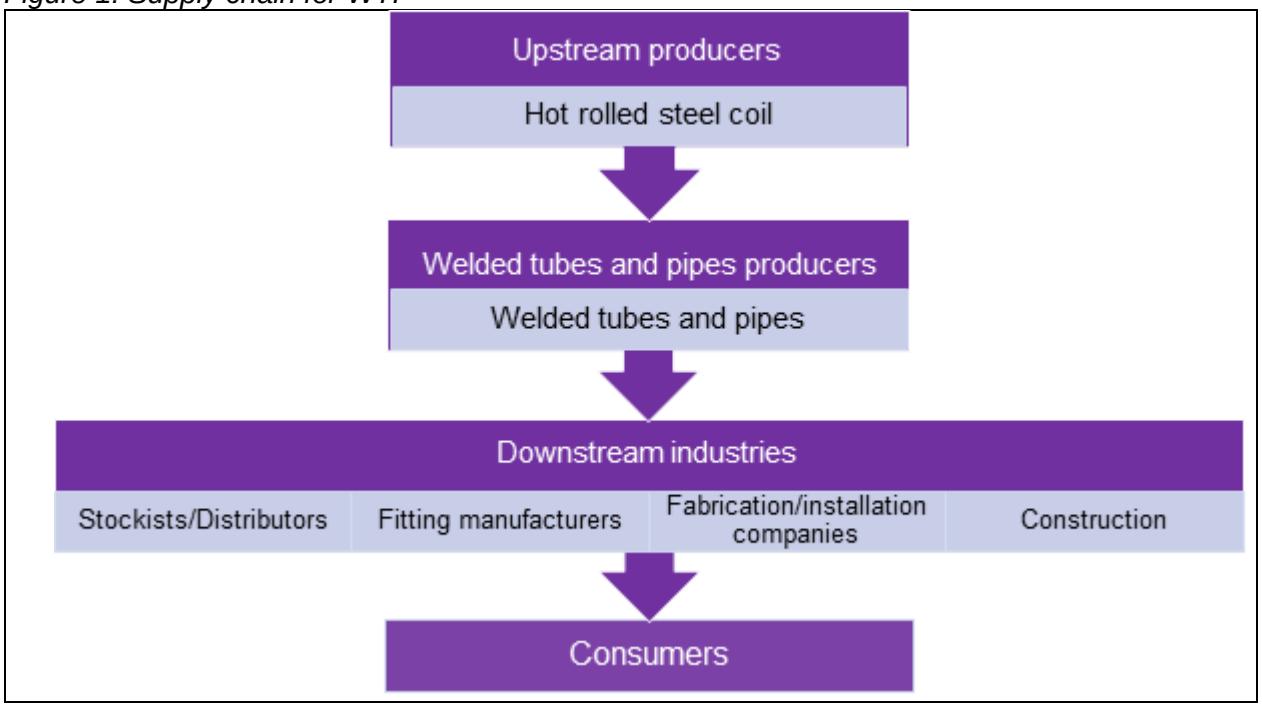
9.3 In accordance with Schedule 4, Paragraph 25 of the Taxation (Cross-Border Trade) Act 2018, the EIT is met in relation to the application of an anti-dumping remedy or anti-subsidy remedy if the application of the remedy is in the economic interest of the United Kingdom.

9.4 In line with Schedule 4 of the Act, we have taken account of the following in conducting the EIT:

- the injury caused by the dumping of the goods to a UK industry in the goods and the benefits to that UK industry in removing that injury,
- the economic significance of affected industries and consumers in the UK,
- the likely impact on affected industries and consumers in the UK,
- the likely impact on particular geographic areas, or particular groups, in the UK,
- the likely consequences for the competitive environment, and for the structure of markets for goods, in the UK, and
- such other matters as TRID considers relevant.

Supply chain overview

Figure 1: Supply chain for WTP



Source: Questionnaires

9.5 The main input for WTP is HRC. In the UK, this is produced by TSUK in Port Talbot and by Liberty Steel in Newport. Other important inputs include electricity, gas, paint and galvanizing material, with most of them sourced from UK suppliers.

9.6 There are two known UK producers of the like goods: TSUK in Corby is the main UK producer, and Liberty Steel in Tredegar is the other.

9.7 The majority of WTP sales by the UK producers are made through distributors who may decide to sell a specific designed product for a sub-sector or products for a range of end uses. This makes it difficult to provide a precise breakdown of the uses and application of the like goods. The distribution companies sell them together with a range of other products, such as fittings and flanges. Occasionally these distributors will undertake further processing of the material before it is sold to the end user. The construction industry is the main sector that uses WTP.

9.8 TSUK also sell the like goods directly to a small number of specialist end users, such as fitting manufacturers, who are capable of purchasing larger volumes of material.

9.9 The like goods are mainly used by fabrication and installation companies in a number of different end-use applications. They are primarily used in conveyance applications such as heating, ventilation, air conditioning and fire defence.

9.10 TSUK stated that value adding mainly takes place after the tube has been welded from strip, when it is heated, stretch-reduced, tested, bevelled, painted, threaded and bundled. The equipment needed for these treatments is expensive and technically advanced. This is a capital intensive procedure which TSUK says produces the

highest quality, but also most expensive, end product. The actual welding of the tube is only a small part of the total process.

9.11 The downstream industry stated that although there are some perceived differences in the quality of products and level of service, UK produced goods and imports are broadly interchangeable and compete directly against each other.

9.12 Four UK parties submitted questionnaire responses which are relevant to the EIT:

- TSUK, UK producer (also a producer of HRC input material);
- UK Steel, industry body representing the steel industry in the UK;
- BSS Group, contributor/downstream industry; and
- CTU, contributor/trade union representing steelworkers in the UK.

9.13 We have complemented these questionnaire responses with background research and collated additional information. We have also conducted research relating to parties that have not participated in this review, including importers and other downstream industries.

9.14 The sections that follow assess each of the factors of the EIT in turn.

Injury caused by dumping and benefits to UK industry in removing injury

9.15 As previously discussed in the necessary or sufficient consideration section, we have determined it is not appropriate to recalculate the anti-dumping amount for Belarus and China without access to transactional sales data, which we do not have. On this basis, we did not reassess the injury margin, and due to a lack of imports of the goods subject to review, have concluded there is not currently injury to the UK industry caused by the goods subject to review. We have assessed the likelihood of injury occurring if the measures were revoked (injury likelihood assessment), and this will therefore form the basis of the analysis here.

9.16 The injury likelihood assessment concluded that there would be further injury to UK industry, were the measures to no longer apply. This is due to the vulnerability of the UK industry, injury already suffered from other causes, and the likelihood of future undercutting.

9.17 The expected benefits to UK producers from varying the measures are explored under the impacts on affected industries and consumers.

9.18 Only one UK producer, TSUK, provided a questionnaire response, but we also received limited information on another UK producer, Liberty Steel, and from the trade association, UK Steel. The injury likelihood assessment considers both UK producers. There is insufficient information to compare likely levels of injury between the two, but we believe both would experience injury if the measures subject to review were revoked.

Economic significance of affected industries and consumers in the UK

9.19 This section sets out the relative size and significance of the affected relevant industries and consumers.

9.20 From the available evidence, five UK groups have been identified as potentially being affected by the measure:

- UK producers of WTP;
- upstream industry, comprising of HRC producers;
- importers of WTP;
- downstream industries, including stockists and distributors; and
- consumers.

Upstream industry

9.21 TSUK and Liberty Steel are upstream producers as they produce HRC, which is the main input material for WTP. Both known UK producers of HRC are associated parties of the UK producers of WTP and no additional questionnaire responses have been received separately. UK Steel have submitted a response with evidence related to both producers. Based on the UK Steel's response, they employ 4,180 people in total[83].

9.22 TSUK's Port Talbot facility consists of integrated iron and steel works, which has a total annual capacity of approximately 5 million tonnes per annum from two steel converters[84].

9.23 The integrated steel works has several identifiable processes which are carried out sequentially across the installation in order to convert the raw iron ores and coal to semi-finished (slab) and finished steel products (i.e. HRC, cold rolled steel coil and other).

9.24 Liberty Steel Newport is a manufacturer and supplier of HRC for the domestic and export markets, with a capacity of 1 million tonnes per annum[85]. The HRC that is manufactured there is used in a variety of industrial applications including, but not limited to, construction, automotive, pipes and tubes, structural hollow sections, highway, yellow goods, materials-handling and power.

9.25 HRC is produced using iron ore but this is used in many other steel product supply chains, so the potential impact on these businesses which are further upstream is much less than the potential impact on HRC producers. Therefore, we have not assessed further upstream industries in detail. Similarly, we have not assessed upstream industries producing other inputs (electricity, gas, paint and galvanizing material) either, because these inputs are also used in many other supply chains and they are less likely to be affected.

UK producers of welded tubes and pipes

9.26 There are two known UK producers: TSUK and Liberty Steel. TSUK have submitted a questionnaire response, Liberty Steel have not. UK Steel have submitted a response with evidence related to both producers. Based on the UK Steel's response, they employ 615 people in total[86].

9.27 TSUK produces steel tubes which are created in a variety of forms and have many different applications, including construction, engineering, lifting and excavating and energy infrastructure market sectors. They manufacture over 250,000 tonnes of strip steel and thin-wall welded steel products each year[87].

9.28 Liberty Steel Tubes Tredegar specialises in the production of ERW mechanical steel tubes and sections, cold formed structural hollow sections and tubes for low-pressure applications. The plant's two mills manufacture a range of sizes and qualities and provide customers with a product specific to their requirements. The business supplies a number of industries, such as construction, mining, agriculture, marine, materials handling, heating and cooling, fabrication, street furniture and leisure equipment manufacture.

9.29 Based on the evidence we have, both UK producers have experienced negative profits over the IP. The decline in profits slowed in 2017 but increased significantly in 2018 and POI. Liberty Steel Tredegar experienced a loss of £2 million in the POI[88].

9.30 CTU have submitted a questionnaire response providing information on impact on the workers of UK producers they represent. Their response details the economic significance of the UK producers, particularly the impact they have by providing jobs which offers relatively higher salaries compared to the average for the areas where they are located, and which also support further jobs in the supply chain and local communities.

Importers of welded tubes and pipes

9.31 No UK importers registered or otherwise made themselves known during the investigation.

9.32 Using HMRC import data we were able to identify several companies that have imported goods under the three broader 8-digit commodity codes (73063041, 73063049, 73063077).

9.33 Whilst these commodity codes are not at the detailed 10-digit level specified in the NOI, this is the best source of data available to identify relevant UK importers. UK importers of these 8-digit codes will include those that import goods at the 10-digit level as specified in the NOI, but also those that import different goods which have the common first 8-digit classification.

9.34 In 2019 there were over 50 companies that imported goods into the UK under these 8-digit codes. It is not possible to tell how many (or indeed if any) of these companies imported the goods subject to review/like goods due to the discrepancies between 8 and 10-digit commodity codes explained above. It is also not possible to

determine the volume of goods which these companies imported, only that they have been importers.

9.35 We contacted these importers informing them about the investigation and inviting them to register on the TRS, however no importers responded to these requests.

9.36 Whilst we have the names of possible relevant importers, we do not have any data or information relating to the imports of these companies themselves. We have no information on the relative size or the significance of imports of WTP to these companies and are unable to do any further analysis in the absence of their cooperation and participation.

9.37 However, we have confirmed that some importers are also downstream industries identified by UK producers, so it is likely that they are supplied both by domestic and foreign suppliers.

Downstream industry

9.38 BSS are the only downstream industry to have submitted a questionnaire response. BSS are a distributor of heating and pipeline products and operate at 20 sites located across the UK. They supply welded pipes to their customers to be used for the conveyance of liquids or gases in various types of installation.

9.39 The questionnaire response from TSUK provides some details on the structure of downstream industries they supply, stating that a small number of specialist end users, such as fitting manufacturers, are capable of taking larger volumes of material.

9.40 We identified 42 other downstream businesses through questionnaire response data, with most of these being stockists and distributors. As they typically stock and distribute wide range of products and work with different suppliers, it was not possible to distinguish how significant WTP are for their business. Using data available from Companies House and the questionnaire response from BSS, we estimate that downstream industries employ at least 8,951 people[89] with a likely median wage between £26,500 and £34,500[90]. Aggregated profits for the top 9 downstream businesses of TSUK by sales volume is £237 million[91]. It should be noted that these figures on employment, wages and profit are likely to include all operations of these companies.

9.41 The total number of downstream businesses is likely to be significantly higher, because we were able to identify only those supplied by one UK producer.

Consumers

9.42 WTP are not a consumer product. They have a broad range of uses in which the final consumers come far down the supply chain.

9.43 First, the producers or importers sell WTP to the independent trading companies which stock them. Then these companies sell them together with a range of other products such as fittings and flanges to the fabrication and installation companies, which use them as material. Occasionally, these distributors will

undertake further processing of the material before it is issued to the end user. In addition to these distribution channels, some WTP are supplied to the specialist end users, such as fitting manufacturers. And at the end of this chain, WTP are integrated into the products and services in the construction and installation markets which final consumers use.

Table 23: Economic significance of affected businesses

	UK upstream industries	UK producers	Importers	Downstream industries
Number of questionnaire responses	1	1	0	1
Total number of known UK businesses	2	2	Up to 56[2)]	At least 43[3)]
Total employment (FTE)	4,180	618[4)]	No data	At least 8,951[5)]
Median wage (£)	36,000[6)]	36,000[6)]	No data	26,500 – 34,500[7)]
Profit (£ million)	No data	-2[8)]	No data	At least 237.3[9)]

Source: Questionnaire responses, HMRC UKTradeInfo, Companies House

Notes:

1) Figures provided for the POI, except some of the downstream industries data, which were for 2020
2) Number of importers identified at the broader 8-digit commodity codes level, which is likely to be higher than the number of importers that import the specific 10-digit commodity codes under investigation
3) Downstream businesses supplied by TSUK, may not capture all downstream businesses for WTP
4) UK Steel figures presented here for Liberty Steel and TSUK (Port Talbot) are not FTE
5) Estimate based on questionnaire responses and Companies House data, covering the nine largest downstream businesses supplied by TSUK (representing 77% of TSUK's total sales in 2019)
6) Median salary provided by UK Steel as an industry average.
7) Median wage for the BSS Group, but likely to reflect the industry average, as it represents the same type of industry. Refers to different locations across the country.
8) Profit figure for Liberty Steel Tredegar accessed from Companies House. TSUK profit not included as it is not possible to identify this solely in relation to WTP production, only for TSUK as a whole.
9) Aggregated profit figure for the Top 9 downstream businesses supplied by TSUK, comprising 77% of total sales volume in 2019 (two of them made losses in this period, £4.4m combined)

9.44 Evidence received in questionnaire responses highlights that the UK producer and upstream jobs are well paid. The mean salary in the UK steel industry is £36,000[92], higher than the national average and significantly higher than the regional average in both Wales and the East Midlands.

9.45 The ONS estimates that for every direct job in the steel sector a further 1.26 are supported indirectly in supply chains, as well as further jobs in local communities through the spending of steel workers and contractors[93].

9.46 Based on the evidence we have, it is likely that some downstream industries and importers could be small and medium enterprises, but we are unable to confirm their share within the total number of these businesses.

Likely impact on affected industries and consumers

9.47 This section will assess how prices and quantities of products along the supply chain may change in two possible scenarios: if the measure were varied as we intend to propose and if the measures were revoked. We will then assess how these changes in quantities and prices might impact the affected industries and consumers in both scenarios. It should be noted that in both of these possible scenarios the measures currently in place for Russia are revoked. Whilst this might give rise to some further competition from Russian imports which may reduce price or quantity for UK producers, we have no evidence to suggest this would happen to a significant extent, and this would occur under both scenarios.

9.48 We have not been able to quantify these impacts because of the limited amount of data and quantitative evidence available but have considered them qualitatively to the best of our ability. We have also considered the factors outlined in the Secretary of State's guidance[94] to the extent possible based on the evidence available.

Prices and quantities if the measures were varied as we intend to propose

If the existing measures were varied as we intend to propose, we expect that sales and prices of WTP, upstream and downstream products are unlikely to change significantly, as they have not changed significantly during the IP and we have no evidence that other changes in circumstances in the market are likely to occur in the short term.

9.49 Based on the evidence we have, there were both increases and decreases of prices and quantities during the COVID-19 pandemic and since the EU exit, with a relatively better performance of the UK steel industry compared to the EU steel industry. We have no evidence to suggest whether these changes may have longer term impacts.

Table 24: Expected impacts on prices and quantities of affected products if the measures were varied as we intend to propose

	Prices	Quantities
HRC	No significant change	No significant change
Welded tubes and pipes	No significant change	No significant change
Downstream products	No significant change	No significant change

Prices and quantities if the measures were revoked

9.50 Based on the evidence we have, overall consumption is likely to remain stable if the measures were revoked, because the overall demand for WTP in the UK market is unlikely to change in the short term. We do not expect demand to increase significantly as a result of reductions in prices. The main downstream user of WTP is the construction sector and the cost of WTP is likely to be a fairly minor component of their overall costs. Therefore, it is likely that any new suppliers (e.g. from Belarus or China) would have to take part of the market share currently held by existing suppliers.

9.51 As discussed in the dumping likelihood assessment, the available capacity in Belarus and China could be used to supply the UK market if the measures were revoked. As we expect the overall market demand to remain fairly stable, such imports would compete with the existing suppliers and lead to reduction of their current market share.

9.52 If exporters from Belarus and China started exporting to the UK at lower prices, it is likely to incentivise all other suppliers to reduce their prices to remain competitive. If UK producers become unable to compete in such circumstances, it is likely that the quantities they produce would reduce.

9.53 It is uncertain whether the lower priced imports from the countries with current measures applied would enter the market and at which price level. Considering the current level of duties at 38.1% on imports from Belarus and 90.6% on imports from China and findings on indicative prices in the dumping likelihood assessments, it is likely that these suppliers would be able to enter the UK market with very competitive prices.

9.54 If UK producers reduced their demand for HRC, their upstream suppliers would also likely reduce their quantities. If the price of WTP decreases, that would likely put some pressure on their suppliers to decrease their prices, although the magnitude of this is uncertain. Since HRC also has other uses apart from production of welded tubes and pipes, the impact on HRC suppliers may not be as pronounced as than on producers of WTP.

9.55 It is unclear whether producers of downstream products will pass on any cost decreases to their customers. If they have to pass on any changes in costs (e.g. because they face significant price competition), they would be no changes in their profits and the benefits would go to their customers in the form of lower prices of downstream products. Quantities are unlikely to change significantly since the overall consumption is unlikely to change significantly.

Table 25: Expected impacts on prices and quantities of affected products if the measures were revoked

	Prices	Quantities
HRC	No significant change or decrease, dependent on demand from WTP producers.	Reduction in sales if UK WTP producers reduce their sales or exit the market.
Welded tubes and pipes	Decrease in prices for imports from Belarus and China, likely followed by decreases in prices of imports from third countries and domestic products.	Overall consumption likely to remain stable, with an increase in market share of imports from countries with measures currently applied, which may lead to the reduced sales of the UK producers.
Downstream products	No significant change or decrease, depends on changes to WTP prices and the extent to which they are passed through.	No significant change, as overall consumption is unlikely to change significantly.

Likely impacts on affected industries and consumers

UK upstream industries

9.56 If the measures were varied as we intend to propose, it is likely that the upstream UK producers of HRC would not be impacted in the short term. In the long term, the investments of one UK producer which aim to improve their operational efficiency and reduce energy consumption may help them to increase sales, in which case the impact on at least one of HRC producers is likely to be positive.

9.57 If the measures were revoked and the UK producers' market share was reduced, it would likely have a negative impact on the UK upstream industries, as they are supplying the UK producers with HRC. It is unclear whether any such negative impacts may be significant, as they also make other products unrelated to the production of WTP.

UK producers

9.58 If the measures were varied as we intend to propose, it is likely that the UK producers would not be impacted in the short term, as the circumstances for them would not change. It is likely that a longer-term impact would be positive, considering one of the UK producer's planned investments and anticipated sales growth in the coming years if the measures were not revoked[95].

9.59 If the measures were revoked and exporters from the investigated countries started exporting to the UK that would likely have a negative impact on UK producers, which could be forced to reduce prices or reduce their sales. It is uncertain how significant

that impact may be, as the increased imports from these countries are likely to impact imports from third countries as well, possibly more than the UK producers.

Importers of welded tubes and pipes

9.60 If the measures were varied as we intend to propose, it is likely that importers would not be impacted as the circumstances for them would not change.

9.61 If the measures were revoked and imports from the countries with measures currently applied increased, it is likely to have a positive impact on some importers. However, if imports from third countries decreased, the overall impact on importers could be neutral or even negative for some. Those importers which are also downstream industries would likely benefit more from lower priced imports.

UK downstream industries

9.62 If the measure were revoked and full impact of the reduction in the import duty (between 38.1-90.6%) was passed through into costs for downstream producers, this could lead to an increase in downstream output and/or a reduction in prices of downstream products.

9.63 However, the impact is likely to be smaller and will depend on factors including the extent of pass-through, price elasticities, profit margins, the proportion of total downstream costs that are accounted for by WTP and the ease with which downstream producers are able to switch between alternative suppliers of WTP. We have not been able to obtain evidence that would allow us to assess these potential impacts in greater detail.

9.64 The only downstream respondent suggested that they would not be impacted significantly whether the measure is varied or revoked. We found no further information on possible impacts for downstream industries.

9.65 Based on the evidence we have, it is likely that a number of downstream businesses we identified were also importers and that side of their business is likely to be positively impacted if the measures were revoked. However, our understanding is that for at least some of them WTP are not a focus of their business and the overall impact is unlikely to be significant.

9.66 As we found that some of the downstream businesses identified were supplied both by the UK producers and overseas suppliers, it is likely that downstream industries are able to switch between different suppliers as needed.

Consumers

9.67 Consumers are not likely to be as significantly affected whether the measure is varied or revoked as other parties. We expect the impacts on consumers to be negligible as WTP form a very small part of the final consumer product that they are used to make (e.g. a building). We would not expect the prices of any consumer products made using WTP to be materially affected whether the measure is varied or revoked.

Table 26: Likely impacts of revoking the measure vs varying the measure as proposed

	Likely impact of revoking the measure	Likely impact of varying the measure as proposed
HRC producers	If demand from welded tubes and pipes producers declines, likely to have negative impact	No impact in the short term, possible positive impact in the long term if UK WTP producers increase sales following investment
Welded tubes and pipes producers	If the imports increase, likely to have negative impact	No likely impact in the short term, possible positive future impact if anticipated growth is achieved following planned investment
Downstream industries	Unlikely to be significant, with possible positive impact on those downstream industries which are also importers	No significant impact likely
Welded tubes and pipes importers	If the imports increase, likely to have positive impact	No significant impact likely
Consumers	Negligible	No significant impact likely

Likely impact on particular geographic areas, or particular groups in the UK

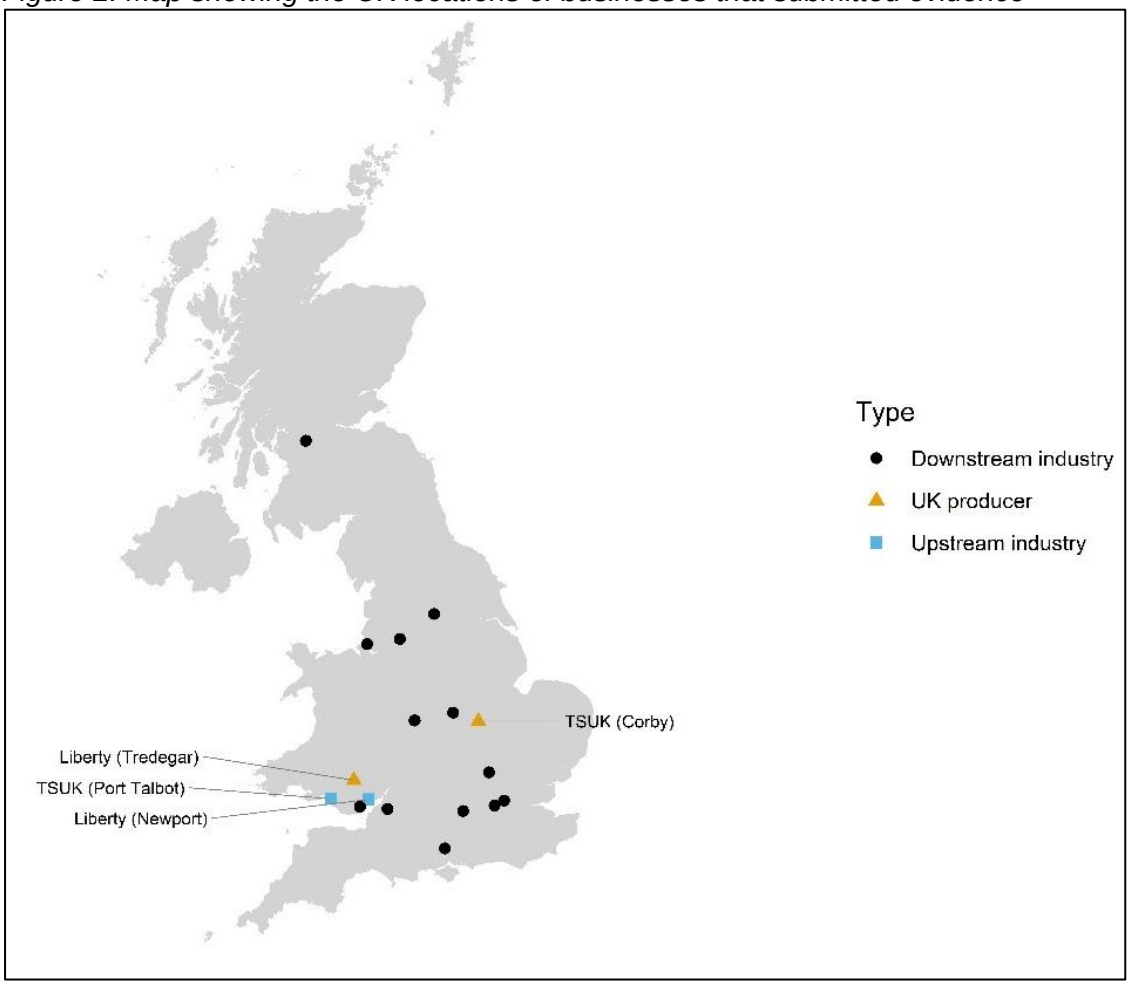
Likely impact on particular areas

9.68 We considered four particular geographic areas where UK producers and upstream industries have their production sites and a number of locations of downstream industries, as below:

- Corby, England (East Midlands), where TSUK produces WTP;
- Neath Port Talbot, Wales, where TSUK has its upstream production site;
- Tredegar, Wales, where Liberty Steel produces WTP;
- Newport, Wales, where Liberty Steel has its upstream industry production site;
- The BSS Group locations, across England, one in Wales and one in Scotland.

9.69 Figure 2 plots these locations.

Figure 2: Map showing the UK locations of businesses that submitted evidence



Source: Questionnaire responses
Note: Contains National Statistics data © Crown copyright and database right 2021, contains OS data © Crown copyright and database right 2021.

9.70 Note: Only the locations of one downstream industry (BSS Group) is plotted on the map. We are aware of 43 downstream businesses but do not have geographic data for these.

9.71 The responses we have received from interested parties indicated that revoking the measures could have a significant negative impact on some of these already economically disadvantaged areas, as several jobs, many of them highly skilled, could be lost. It was also claimed there could be a negative multiplier impact within the area, as each job in the steel industry supports other jobs, both in the supply chain and the wider local community.

Table 27: Contribution of affected industries to employment in their local authority districts

Industry	Location of industries (local authority districts)	Total employment relative to local authority district employment
Upstream industries	Neath Port Talbot	*6.3%
	Newport	*0.2%
UK producers	Corby	1.3%
	Tredegar	0.2%

Sources:

- *Employment of affected industries: Questionnaire responses*
- *Local authority employment data: ONS, Nomis, Annual Population Survey, Employment and unemployment (Oct 2019-Sep 2020)*[96]

Note: Data for jobs related to production of HRSC for UK upstream producers were not available and so we have used figures for whole sites from the UK Steel questionnaire.

9.72 Table 27 indicates the significance of affected industries for employment in the relevant local authority districts and potential impacts changes in their employment level may have on these areas.

9.73 It should be noted that not all the jobs in Port Talbot are related to the production of HRC inputs for UK producers of WTP, therefore it is unclear whether there would be any significant impact for Neath Port Talbot, even though the total employment relative to the local authority district is over the 6%. There is a lower proportion for Corby with 1.3% of employment directly impacted.

9.74 There would be a limited regional impact on Newport and Tredegar, as the total employment relative to the local authority district is small (less than 1%).

9.75 As we concluded that the impacts on downstream industries are unlikely to be significant, we have not considered the impacts on employment in their local authorities' districts.

Table 28: Labour Market Statistics for relevant Local Authorities

Local authority or region	Employed aged 16-64 (%)	Economic inactivity (%)	Jobs density	Gross weekly pay for full-time workers (£)	Gross annual pay for full-time workers (£)
Neath Port Talbot	71.0%	27.5%	0.64	566	29,453
Newport	76.8%	21.7%	0.91	550	28,605
Tredegar (Blaenau Gwent)	72.3%	24.7%	0.50	518	26,941
Wales	***73.3%***	***23.8%***	***0.77***	***538***	***27,966***
Corby	80.6%	17.5%	0.81	504	26,208
East Midlands	***76.2%***	***20.3%***	***0.81***	***552***	***28,704***
Great Britain	**75.7%**	**21.0%**	**0.87**	**587**	**30,508**

Source: ONS, Nomis, Official Labour Market Statistics 2020 (https://www.nomisweb.co.uk/)

Notes:

- *Economically inactive here means people who are neither in employment nor unemployed. This group includes, for example, all those who were looking after a home or retired.*
- *Jobs Density is the level of jobs per resident aged 16-64. For example, a job density of 1.0 would mean that there is one job for every resident aged 16-64.*

9.76 Table 28 details labour market statistics for the local authority districts of interest, with benchmarks included for wider regions and Great Britain as a whole. A range of indicators were considered when assessing the likely impacts on different geographic areas, including those across the income, employment, education and health domains. The indicators included in Table 28 were chosen as the most appropriate and relevant to assess economic activity and highlight regional differences in income and employment opportunity.

9.77 Neath Port Talbot and Tredegar both have lower levels of employment and lower jobs densities than the other areas and wider averages. The potential negative impact on employment in these areas from revoking the measures may be stronger as a result of this. The low job densities mean there are fewer jobs available in these areas so it is likely that, should people be made unemployed, they may find it difficult to get other employment because of this.

9.78 Looking at the two tables together, it is likely that the impact on Neath Port Talbot may be the most significant as there is potentially a higher proportion employed in affected industries, as well as the area having lower total employment rates and job densities. However, we do not know how many jobs in affected industries in Port Talbot relates to HRC production and it is therefore difficult to be more specific.

9.79 The impact on Tredegar may also be significant because of the low employment rates and job density, but the proportion of people directly affected by the measure is lower than for Port Talbot.

9.80 Newport and Corby may be less severely impacted, but there are still a number of people employed in these areas and wages in the steel sector are higher than the average wages in these regions.

Likely impact on particular groups

9.81 We considered the likely impact on particular groups including those with protected characteristics as defined by the Equality Act 2010.

9.82 No party provided any evidence with respect to potential impacts on any particular groups, either as workers or consumers. WTP have a broad range of applications and they are not sold directly to final consumers who are far down the supply chain, which makes it unlikely for them to be affected.

9.83 Therefore, there are no obvious impacts on protected or other groups which might result from the revocation or variation of the measures.

Likely consequences for the competitive environment, and for the structure of markets for goods, in the UK

9.84 The assessment of likely consequences for the competitive environment and structure of the UK market considers four areas:

- The impact on the number or range of suppliers
- The impact on the ability of suppliers to compete
- The impact on the incentives to compete vigorously
- The impact on the choices and information available to consumers.

Impact on the number or range of suppliers

9.85 There are many suppliers in the UK WTP market: two domestic suppliers (TSUK and Liberty Steel) and an unknown number of suppliers from other countries. Domestic suppliers and suppliers from other countries (grouped by country) each have market shares ranging from less than 1% to almost 30% of the total volume of WTP sales over the POI.

9.86 Based on the available evidence on market shares, the market can be considered concentrated, though UK producers have claimed that there is a fierce price-based competition between suppliers in the market which puts pressure on prices.

9.87 The market share of UK producers put together has been around 30-50% over the POI. There were more changes in the market share of imports from different countries, with imports from India and the EU decreasing over the same period and imports from UAE increasing. However, we have no data on the individual overseas suppliers.

9.88 As the current measures significantly raised the costs of suppliers from the countries with measures applied relative to other current suppliers, there were no confirmed imports from these countries.

9.89 If the measures were varied as we intend to propose, it is likely that the number and range of suppliers will not change significantly. If the measures were revoked the number and range of suppliers are likely to increase, with more suppliers from countries with measures currently applied becoming able to compete and enter the market. However, that could lead to some current suppliers leaving the market, making a longer-term impact on number and range of suppliers less certain.

9.90 Even if the overall number of suppliers remains the same, it may still represent an overall beneficial outcome for the market if the least efficient suppliers leave the market first. An exception to this could be a situation where new suppliers enter with a predatory intent to undercut others, drive them out and raise prices. However, we do not have any evidence that points to this.

The impact on the ability of suppliers to compete

9.91 We found no evidence to suggest that if the measures were varied as we intend to propose, it would impact the ability of current suppliers to compete compared to the current competitive environment. As the existing measures have effectively limited suppliers from Belarus and China to compete in the UK market, varying would continue to do so.

9.92 If the measure were revoked, it is likely that imports from the countries with measures currently applied would become more competitive, as they would not be limited to compete in the UK market anymore. If the lower priced imports from these countries enter the UK market, that may substantially influence the prices charged by current suppliers.

The impact on the incentives to compete vigorously

9.93 We found no evidence to suggest that if the measures were varied as we intend to propose, it would impact the incentives for suppliers to compete vigorously.

9.94 If the measures were revoked and imports from the countries with measures applied become more competitive with lower prices, it is likely to increase the incentive for all suppliers to compete vigorously.

The impact on the choices and information available to consumers

9.95 We found no evidence to suggest that if the measures were varied as we intend to propose, it would affect the choices or information available to consumers.

9.96 We found no evidence to suggest that revoking the measures could affect the choices or information available to consumers.

Such other matters as TRID considers relevant

9.97 As part of the EIT assessment, we can consider any other factors that may be relevant in concluding whether the proposed trade remedy measures are in the economic interest of the UK.

- CTU has argued that the ILO standards and possible workers' rights violations be considered because of their alleged impact on the production costs in the investigated countries. They claimed that both countries we are proposing to vary the measures for breached fundamental workers' rights by having no guarantee of their rights, referring to the ITUC Global Rights Index report. We considered that these arguments could be relevant for the dumping likelihood assessment as the lower labour costs could have been reflected in the indicative import prices, but do not consider them to be directly relevant for the EIT assessment.

- UK Steel has argued that, following the POI, the COVID-19 crisis has brought further uncertainty to the market. UK Steel conducted a survey of their members which showed there was a 45% reduction in demand for steel in April 2020. Given the ongoing nature of the pandemic, it is difficult to say, but it is possible there will be a period of recovery as projects are able to restart and there is more appetite for investment to boost economies. World Steel forecast global growth in steel demand of 4.1% in 2021 (compared with -2.4% in 2020)4. We have considered these arguments as part of our forward-looking assessment of the likelihood of injury to UK industry. The impacts of COVID-19 are likely to be felt regardless of whether the measure is varied as as we intend to propose or revoked. As such, we do not consider that it has any further implications for our EIT assessment.

9.98 We found no evidence of any other relevant factors for this investigation.

Form of measure

9.99 Within the EIT, we have also considered the most appropriate form of measure to recommend.

9.100 We found no evidence suggesting that a different form of measure than the variation we intend to propose would be more appropriate. The recommended form of measure remains an ad valorem duty with a duration of five years.

Conclusions

9.101 Following the likelihood of dumping and likelihood of injury assessments our intended preliminary decision is that the measures on imports of WTP from the Republic of Belarus and the People's Republic of China should be varied, remaining in place at the same level for the reduced scope of goods and extending the duration for five years. This assessment has tested whether this variation of the measures would be in the economic interests of the UK.

9.102 In the injury section, the investigation into whether injury to the relevant UK industry would occur if the anti-dumping amount were revoked found that it would be likely that UK producers would incur injury if the measure were to be revoked.

9.103 In the significance section, we found that the biggest individual employer in the supply chain for WTP was one of two upstream HRC producers (though not all of their jobs are directly related to welded tubes and pipes). There are large number of downstream industries and importers with more jobs in total, but we have only limited data on these businesses, and it is our understanding that WTP are not the sole focus of their business.

9.104 In the impacts section, we concluded that UK WTP producers and HRC producers were likely to benefit if the measures were varied as we intend to propose. Based on the evidence we have, we did not consider it to be likely that downstream industries, or consumers would be significantly affected whether the measures were varied or revoked. Importers may benefit if the measures were revoked, as imports from the countries with measures currently applied would be likely to increase and possibly overall imports, as well.

9.105 In the section assessing the impacts on geographic areas and particular groups, we did not find that there were likely to be any substantial impacts from varying the measure. If the measures were revoked and the lower priced imports from the countries with current measure applied increases, the areas of Neath Port Talbot and Corby could be affected due an increased risk of job losses.

9.106 In the competition section, we found that the market for WTP is relatively concentrated. If the measures were varied as we intend to propose, it is likely to have no significant impact on the competitive environment and structure of the UK market. If the measures were revoked, it is likely to increase the ability of suppliers from the countries with current measures applied to compete and if their lower priced imports enter the market it would likely incentivise all suppliers to compete more vigorously. It is uncertain whether this would affect the market shares of UK producers or suppliers from third countries more. We found no evidence of any other factors which were considered relevant for the EIT.

9.107 Having considered all of the evidence provided by each of the interested parties and contributors and all of the factors listed in the legislation, we have concluded that the EIT is met for the proposed variation of the measures.

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