Department for International Trade

Trade Remedies Investigations Directorate
☐ Confidential ☒ Non-Confidential

Contributor Anti-Dumping Questionnaire

Transition review of anti-dumping measures

Case TD0001: 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

Case reference number:	TD0001
Period of Investigation (POI):	1 January 2019 to 31 December 2019
Injury period:	1 January 2016 to 31 December 2019
Deadline for response:	27 April 2020
Contact details:	Maria Lopez, TD0001@traderemedies.gov.uk
Completed on behalf of:	UK Steel

When you have completed this form, indicate the **confidentiality** of this document by placing an X in the relevant box below:

X Non-Confidential

Your completed response must comprise of this questionnaire document. Please note that you will have to provide **two copies of your response**. The questionnaire document must be provided in a **Confidential** and a **Non-Confidential version.** All four files should be returned to the Trade Remedies Investigations Directorate (TRID) using the Trade Remedies Service (www.trade-remedies.service.gov.uk) by **27 April 2020.**

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The scope of this review

Goods subject to review

This review covers **welded tubes and pipes** of

- iron or non-alloy steel;
- circular cross-section; and
- 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 (UK).

These welded tubes and pipes 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 72 (TARIC code 7306 30 72 80)
- ex 7306 30 77 (TARIC code 7306 30 77 80)

These commodity codes are only given for information.

In this questionnaire, these goods will be referred to as **'the goods subject to review'**. Any reference to 'goods subject to review' in this questionnaire refers to the goods description above, regardless of the commodity code under which they are exported.

Like goods

Any reference to '**like goods'** in this questionnaire refers to goods produced in the UK or imported to the UK from a country other than **the Republic of Belarus, the People's Republic of China, or the Russian Federation** which are like the goods subject to review in all respects, or with characteristics closely resembling them.

Please follow the instructions for each question to provide the appropriate information regarding the like goods or goods subject to review.

Instructions

Introduction

The Trade Remedies Investigations Directorate (TRID) of the UK's Department for International Trade will be carrying out a transition review of each trade remedy measure active under the EU system that the United Kingdom (UK) has decided to transition after EU exit. This transition review will consider whether the existing anti-dumping measures for certain welded tubes and pipes of iron or non-alloy steel originating from the Republic of Belarus, the People's Republic of China, and the Russian Federation ('goods subject to review') are necessary or sufficient to offset dumping and whether there would be injury to the UK industry if these measures no longer applied.

We are seeking your cooperation as a contributor to inform our review of whether the current anti-dumping measures should be maintained, varied or revoked.
Please refer to our guidance on what are the differences between interested parties and contributors in the following website: https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#interested-parties.

Please provide all the information requested by **27 April 2020**. If you are unable to complete the questionnaire within the required time, please contact the Case Team ahead of the deadline using the contact details on the cover of this questionnaire. You should outline the length of extension required and the reasons why. We will notify you of our decision. If we are able to accommodate an extension, a note to explain this will be placed on the public file.

We may need to issue a deficiency notice if we determine that the information supplied in the questionnaire is incomplete or inadequate. We may also send a notice requesting clarification or supplementary information if necessary.

Each time you provide confidential information in the confidential version of your questionnaire, please provide a corresponding non-confidential summary (or a statement of reasons why you cannot provide this) in the non-confidential version of your questionnaire. If you do not submit a corresponding non-confidential summary or a statement of reasons where applicable, we may disregard the information you give us. The following section provides further information on what you need to do.

Please contact the Case Team if you have any questions about your response or if you have any difficulties in completing the questionnaire. For general information about trade remedies processes, please visit the following website: https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process.

TRID investigates cases under the provisions of Trade Remedies (Dumping and

Subsidisation) (EU Exit) Regulations 2019 as Amended by the Trade Remedies (Amendment) (EU Exit) Regulations 2019 and under the Taxation (Cross-border Trade) Act 2018.

Preparing confidential and non-confidential copies

You will need to submit one confidential version and one non-confidential version of your questionnaire by the due date. **Please ensure that each page of information you provide is clearly marked either "Confidential" or "Non-Confidential" in the header.** It is your responsibility to ensure that the non-confidential version does not contain any confidential information.

Please see https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#handling-confidential-information for further information on what can be considered confidential and how to prepare a non-confidential version of this questionnaire.

All information provided to TRID in confidence will be treated accordingly and only used for this investigation (except in limited circumstance as permitted by regulation 46 of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019) and will be stored in protected systems. The non-confidential version of your submission will be placed on the public file, which is available on www.trade-remedies.service.gov.uk/public/cases.

How to complete this questionnaire

Please read and follow all the instructions carefully. Your organisation is required to substantiate all claims with relevant data and information. You may be asked to attach supporting documents in appendices to supplement your responses.

Please also note the following points:

- Please refer to the case reference number, TD0001, in any correspondence with TRID.
- Do not leave any questions blank. If the question is not relevant to your organisation, please explain why.
- If the answer to a question is “zero”, “no”, “none” or "not applicable”, please write this rather than leaving the answer blank.
- If we ask for copies of additional documentation, please submit this information as appendices. Please ensure that these appendices are given a corresponding appendix reference in the title of the document and that these are referenced in the boxes provided.
- Any documents not in English or Welsh should be accompanied by an English or Welsh translation.
- Please provide all dates in the format DD/MM/YYYY (e.g. 23/05/2019).
- If you provide any figures, they should be reported net of tax.

SECTION A: General information

Identity and contact details

1. Please complete the table below, ensuring that the point of contact given has the authority to provide this information:

Name (point of contact):	CONFIDENTIAL
Address:	UK Steel, Broadway House, Tothill Street, London SW1H 9NQ
Telephone No:	CONFIDENTIAL
Email:	CONFIDENTIAL
Website:	https://www.makeuk.org/about/uk-steel
Legal name of organisation:	EEF Limited
Legal structure (e.g. professional association, corporation, partnership, sole trader, limited company):	Limited Company
Position in the organisation:	CONFIDENTIAL
Year of establishment:	1896
Other operating names:	Make UK

1. If you are representing a company, please also fill in the information below:

Company registration number:	N/A
Place of registration:	N/A

2. Please explain in the box below what is your interest in this review (e.g. you a consumer of an end product that is made using the like good and/or good subject to review).

UK Steel, a division of Make UK (legal name EEF Limited) is the trade association for the UK's steel industry representing the interests of the UK's steel producing companies, including those of the product forming the subject of this transition review: welded tubes and pipes of iron or non-alloy steel.

SECTION B: Information relevant to this review

For each question that follows, please provide any information you feel is relevant to this review, providing supporting evidence where appropriate. If you do not have such information, please state so in your answer:

1. **Please provide any information regarding the goods subject to review you might consider relevant to this transition review:**

   This product definition and PCN system proposed by TRID have been used in the EU welded tube cases. This product scope is tried and tested and it makes sense that the UK uses the same definition for this UK transition review.

2. **Please explain if you consider that the existing anti-dumping measures for the goods subject to review are necessary or sufficient to offset dumping.**

   The existing EU measures have successfully offset the dumping. Without being dumped at unfair prices, caused by, amongst other factors, global over-capacity and state intervention, imports from the three countries concerned would not have been sufficiently competitive in the market. This is why imports could no longer compete once the unfair pricing was offset.

   In the original investigation, the level of duties were set at the level of the injury margin for most of the imports (except for one Russian company which was set at the level of dumping). The fact that there have been no, or insignificant, imports since the measure was adopted indicates that the measures have been sufficient to remove the injury caused by dumping. However, as set out below, the position of the UK industry is extremely fragile and it remains vulnerable to any shocks in the future. Therefore, the measures are critically necessary to ensure that likely dumping continues to be offset.

   It is important to stress that the UK industry for these products provides high quality manufacturing jobs in two locations in the UK. The product is produced in Corby, Northamptonshire [Tata Steel - 550 jobs] and Tredegar, Gwent, South Wales [Liberty Steel - 65 jobs]. Further, the primary raw material for the production of these products is hot rolled coil steel (HRC – also referred to as hot-rolled-flat) which is sourced from Tata Steel's steel plant in Port Talbot, South Wales [circa 4,000 jobs] in the case of Corby, and Liberty Steel's plant in Newport, South Wales [circa 180 jobs].

   In summary, the measures should be maintained for the following reasons:

   - **Likelihood of reoccurrence of dumping**: Although imports from all three countries are now at insignificant levels due to the effectiveness of the anti-dumping measures in place, there is a high likelihood that dumping from all 3 sources would occur/recur if the measures were to expire.
   - **Spare capacity:** Exporters in all three countries have significant spare capacity as well as potential capacity that could be used to increase production of the product for export to the UK. This is particularly the case in China and Russia.

- **Low export prices:** Export prices from all three countries are currently low and the UK market is highly attractive for exporters in these countries.
- **Likely continuation of EU measures:** The European Commission is currently conducting an expiry review of its own anti-dumping measures on these products, which is likely to lead to their extension. Should the UK choose not to continue its own measures whilst the EU kept its in place, this would significantly increase the likelihood of dumping as the UK would become the only part of, what will effectively remain, a single/regional European steel market without an anti-dumping measure in place on these products
- **Challenging steel market conditions:** The UK industry remains in a fragile situation due to a number of difficulties in global steel markets. Expiry of this critical anti-dumping duty would create a high risk of likely recurrence of injury from dumped imports. This would threaten the very viability of the UK production of this product. Briefly the core challenges are as follows:
    - Steel markets outside of China were in recession in 2019, including the UK which saw demand fall by 5.5% last year. Falling demand led to falling steel prices which were exacerbated by rising raw material costs.
    - Overcapacity in global steel production continues to be a significant issue with as much as 400 million tonnes of spare capacity in existence, the vast majority in China.
    - Global trade tensions and action, most notably US Section 232 tariffs, have disrupted steel trade flows. This has reduced UK exports but also diverted trade away from the US towards more open markets like the UK and EU – even after safeguard measures were introduced.
    - Chronic political uncertainty surround Brexit has produced a particularly challenging trading environment for UK producers. EU order books have been hit and significant additional resources have been diverted into planning for no-deal scenarios.
    - COVID-19: The COVID-19 crisis has had a devastating effect on the UK steel industry and the sectors they feed into in manufacturing and construction. UK Steel survey's conducted at the peak of the crisis showed a 45% reduction in demand for steel.

See answer to Question 4 for expansion on these points.

3. Please provide any information which you think could assist the assessment of the likelihood of dumping occurring if the existing anti-dumping measures for the goods subject to review no longer applied.

3.1 Status of UK transition reviews and transitioned measures:

On 24 January 2020, the EU initiated an expiry review in relation to the existing EU measures on welded tubes and pipes from Belarus, China and Russia (OJ C24 241.2020). This was based on a request lodged on 25 October 2019 by European Steel Tubes Association (ESTA)

At the time of initiation, the UK was still a member of the EU. Currently the UK is no longer a member of the EU but is in a transition period where the current EU measures still apply to the UK.

When the implementation period ends, and the UK has an independent trade policy, the transitioned EU measures will become UK measures. In terms of new investigations from that point, the UK and EU will adopt separate measures going forward. However, for the transitioned measures, although they will become UK measures, they will have a different status to any brand new UK measures. This is an unusual situation that has not arisen before. The WTO framework does not explicitly envisage what needs to happen when a customs union member exits that union.

One firm principle that provides a useful starting point for analysing the status of transitioned measures is that the existing EU measures are the UK's as well as the EU's. The current EU measure is a common measure on behalf of the 28 members of the EU customs union including the UK. When the UK has an independent trade policy, the EU measure will be split into a continuing EU27 measure and a continuing UK measure. This means that the transitioned measures will not be conventional UK measures.

The DIT guidance to TRID states that the 'transition review is comparable to an expiry review'. This is broadly correct. Unlike an expiry review, however, the review will not be reviewing the EU28 measure that was originally adopted. Rather, it will be reviewing the split off UK measure. This is a unique situation. The review will consider the UK part of the original EU28 measure, now split into two parts. At the same time, the investigation has to be seen in the context of the link to the original EU28 measure.

Given the above, the application for an EU expiry review of the measures ("the EU application") was made on behalf of the EU industry at the time which includes the UK. This means that some of the information in the EU application is relevant to the UK investigation. This submission, therefore, includes relevant information from the EU application, updated to be UK-specific where relevant.

3.2 Status of UK Steel Submission:

As stated above, the DIT view that a transition review is comparable to an expiry review is broadly correct but there are differences. One difference is that, unlike an expiry review, a transition review has no equivalent of the EU application. The reason for this is that the UK has committed to conduct a transition review of all transitioned measures. The original DIT call for evidence assessed whether 'the EU's existing trade remedy measures matter to UK businesses. This was done through a straightforward application from UK businesses with the condition that the application was supported by a sufficient proportion of producers of those products and that the market share of the UK industry was above a certain level.

The difference in process matters for the transition review because, where there is insufficient cooperation from exporting parties, the petition in an expiry review can form an important part of the 'facts available'. Thus, the UK Steel submission is a proxy for what would have been in a UK application for an expiry review.

3.3 Preliminary remark relating to data on export prices

Given the absence of specific price information on export prices from these three countries (due to negligible or no imports during the period of investigation), UK Steel has used export prices calculated from trade statistics as the best information available. Data has been obtained principally from the International Steel Statistics Bureau's trade data base. Where nothing else is available, the relevant CN code used is HS6 7306 30. This HS6 code does covers products that are not within the scope of the current UK transition review, especially so called "precision tubes" (falling under 7306 3011 and 7306 3019) as well as tubes similar to the product concerned except for dimensions that are above outside diameter 168.3mm (7306 3080).

Nevertheless, the product concerned, which is a commodity largely traded around the world, represents the main part of the volume of this HS6 code 7306 30. Furthermore, prices for other products, outside of the scope of the product definition are almost always higher than for the product in consideration (precision tubes have usually technical requirements far more accurate than the product concerned). Thus, the 6 digit heading is likely to be a reasonable estimate of the export price for the product concerned, with a bias towards the export price being higher than it actually is based only on the specific product concerned.

Data concerning UK imports and exports has been provided to an 8 digit code level – 730630.41, 730630.49, 730630.72, and 730630.77. Furthermore, where more granular market information/prices is available this has also been used – for example Metals Expert data for export prices from in Russia.

3.4 Likelihood of dumping – Belarus:

3.4.1 Applicability of Regulation 14 to Belarus:

As Belarus is not a WTO member the provisions of Article 14(1)(a) apply. Belarus has not yet established itself as a market economy, and therefore it should be treated as a non-market economy. The EU Industry application submitted ESTA has used Ukraine as an analogue country for the purposes of calculating a Belarus normal value. This is a reasonable approach for the following reasons:

- Data is available from the same source, Metal Expert, as for Russia and Belarus.
- Ukraine is a WTO member and considered to be market economy for anti-dumping purposes. Further, it is not subject to current EU28 measures on welded tubes.
- 'Mogilev Metallurgical Works', the largest producer of welded pipes in Belarus, argued in its submission to the 2014 EU expiry review that Ukraine or Russia should be used as an analogue country due to the similarities in the markets and manufacturing processes. See Annex A5.
- Russia has not been used because it applies customs duties to imports of tubes (in the range of 5% to 10%) and is also part of this investigation.

UK Steel has, therefore, used information on Ukraine domestic prices to establish the normal value for Belarus.

3.4.2 Dumping Calculation for Belarus:

As explained above, Ukraine is used as an analogue country to establish a normal value. The Ukraine domestic price is taken from the 2019 edition of Metal Expert (Annex D – not included in non-confidential version).

Belarus exports to Russia are used to calculate the likely export price as there were no exports of the product in question to the UK during the period of investigation (see Annex F). Belarus export statistics are not available so this data has been obtained by taking data on imports from Belarus into other countries. Russia is by far the biggest market for Belarus exports accounting for an average of 94% of Belarussian exports of this product over the period 2017 to 2019. See Annex A6 for full data set.

Table 1 – Exports of Welded Tubes (730630) into all markets from Belarus 2017 to 2019

	Imports in all markets from Belarus (tonnes)	Russian imports from Belarus	Belarus exports to Russia as % of total
2017	14,632	14,102	96%
2018	8,067	7,761	96%
2019	5,182	4,651	90%

Source: International Steel Statistic Bureau Trade Database. Annex A6

The expected dumping margin from Belarus is shown in table 2.

Table 2 - Belarus Dumping Calculation

Per tonne	2019
Normal Value (EXW) (A)	£472.00
Export price to Russia (CIF) (B)	£448.05
Export price to Russia (ex-works) (C)	£432.38
Dumping margin (A-C)	£39.62
Dumping margin as % of CIF export price (A-C/B*100)	8.84%

Source: UK Steel calculations. The detailed basis for the Belarus dumping calculation has been provided with the confidential version as Annex A.

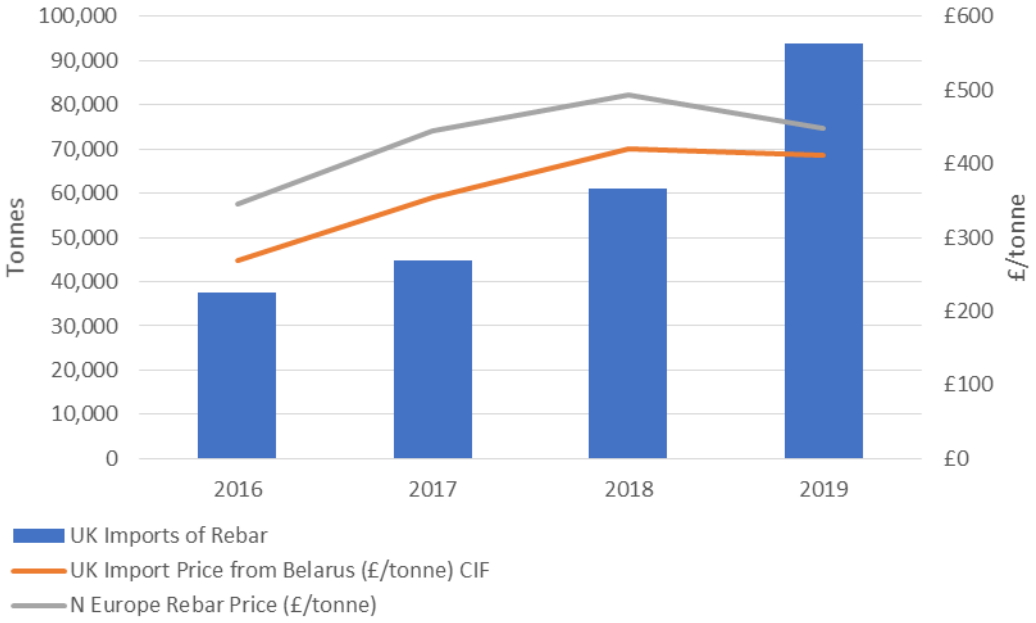
The best information available to UK Steel, presented here, indicates that likely Belarus export prices would be dumped should the UK transitioned measures be removed. This is particularly likely to be the case should the EU retain its own measures which it is almost certain to do. As stated above, the UK and EU will effectively remain a single market with regards to steel even after the UK exits the Customs Union at the end of 2020. Should the majority of the market remain shielded by anti-dumping measures on Belarus is it extremely likely that exporters in this country will look to exploit a new opening in the market and start to export at dumped prices once again.

Although in a different steel market segment, this can quite clearly be seen to be happening with regard to steel reinforcing bar (rebar). There are two anti-dumping measures in place at an EU level currently:

- AD619 – This covers UK standard rebar imports from China which effectively means it only applies to the UK and Irish market. (Provisional – measures introduced January 2016, definitive measures in July 2016)
- AD633 – This covers non UK standard rebar imports from Belarus which effectively means it applies to non-UK and Irish markets across the EU.

With Belarus exporters no longer able to export their typical rebar products into the EU at below market rates, they have increasingly turned their attention to the UK market where they can still export rebar products provided the specific UK standards. Since provisional measures came in at the end of December 2016, UK imports of rebar from Belarus have increased 150%, selling at an average of 13% below the prevailing market rate from 2017-2019. It is considered highly likely this situation would be replicated for welded tubes should the UK remove measures whilst the EU retained its own.

Chart 1 - UK Imports of Rebar – 2016 to 2019



Source – ISSB Trade Database, Kallanish Steel prices and UK Steel Calculations. See Annex A4 for further details

3.5 Likelihood of dumping – China:

3.5.1 UK Law on UK law on calculating dumping in the case of China:

As consistently found in other countries' anti-dumping investigations (e.g. Australia, Canada, US, European Union), Chinese steel markets are affected by significant distortions. All prices and costs are not substantially determined by market forces and should not be used in the calculation of normal value. Some of the extensive evidence on this is summarised in section 3.5.2. In the pre-sampling submission, UK Steel made a claim that Regulation 14 should apply in the case of China.

UK Steel strongly argues that regulation 14(1)(b) still applies to China and requests that China is treated in accordance with this provision. It is clear that subparagraph 15(a)(ii) of the Chinese WTO accession protocol expired in December 2016. However, it is also clear that paragraph 15 did not expire and remains in effect. For example, paragraph 15(a) authorises the use of other methodologies unless producers can show that there are market economy conditions.

Leaked press reports on the confidential interim panel report in the case of EU – Price Comparison Methodologies (DS516) suggest that a WTO panel was going to confirm that the above argument is correct. China has prevented this from being published by its request to suspend the proceedings but the UK would certainly be within its rights to use regulation 14(1)(b) of the UK dumping and subsidy regulations. This provides extra flexibility in addition to that provided by regulation 13(1) (particular market situation). The UK should reject all Chinese prices and costs unless any of the exporters can provide evidence that they operate in market economy conditions.

In light of developments in case DS516 (China has withdrawn the case in order to prevent he panel publishing its conclusions), it is now clearly implicit that the flexibility in normal value methodology provided in China's WTO protocol of accession has not expired and remains valid. The UK should use this extra flexibility to reject all Chinese costs and prices where there is evidence of significant state distortions.

Regulation 14(1)(b) explicitly covers the situation where members of the WTO have specific provisions in their membership terms regarding the determinations of normal value. These provisions must have meaning in UK law and cannot just be ignored. UK Steel strongly argues that Regulation 14(1)(b) is applicable to China in this investigation and TRID should determine that this provision applies and that TRID should calculate normal value accordingly.

If TRID decides that it will not use Regulation 14(1)(b) against China, a position that UK Steel will continue to vigorously challenge, UK Steel requests in the alternative that TRID determines that a particular market situation exists (Regulation 7 (2)(b)) in China and that prices are artificially low, reflecting 'non-commercial factors' such that it is a proper comparison is not permitted.

In either case (either referring to regulation 14(1)(b) or 7(2)(b)) , we argue strongly that the normal value for China needs to be calculated according to regulation 8, and no Chinese costs should be used due to widespread market distortions. UK Steel proposes that normal value is constructed for China on the basis of cost of production plus SGA and profit in accordance with Regulation 8(1)(a). Further, there is clear evidence that the requirement of Regulation 13 (adjustments) are met in relation to China, namely that the Chinese costs of production "*do not reasonably reflect….administrative, selling or general costs or profits in a market If those costs and profits were substantially determined by market forces*."

Even if TRID does not use Regulation 14(1)(b), the extent of government intervention means that no Chinese costs reflect amounts in a market substantially determined by market forces.

3.5.2 Government intervention in China:

The European Commission has prepared as specific report on Chinese state distortions[1]. Some of the main conclusions are as follows:

- State owned economy considered 'leading force of the national economy'
- Structures of state and CCP intertwined at every level
- Interventionist economic policy in pursuance of goals/political agenda set by CCP rather than prevailing economic conditions in free market.
- Complex system of industrial planning
- Financial system of China dominated by state-owned commercial banks
- Regulatory environment - public procedure rules regularly used in pursuit of policy goals. Significant control and influence over destination and magnitude of state and private investment.
- State presence in firms - CCP organisation established in every company.
- Hot-rolled flat steel (HRF) producers owned by state - in anti-dumping investigation of HRF from China, Commission established that 3 of 4 sampled groups of exporting producers were state owned enterprise (SOE)
- Elaborate system of planning.
- Steel industry, including production of HRF, regarded as key industry by Chinese government.
- Chinese bankruptcy system inadequate.
- Shortcomings of property rights. All land owned by Chinese state.
- Wage costs distorted. China not ratified essential ILO conventions.
- Chinese financial system characterised by strong position state owned banks.
- Various legal provisions refers to need to respect normal banking behaviour and prudential rules such as examining creditworthiness of borrower but overwhelming evidence that the provisions play only a secondary role in application of the various legal instruments.
- Risk assessment influence by firms strategic important to the Chinese government.

Australia has imposed anti-dumping duties from Hollow structural sections (HSS) from China (Final Report 379, May 2017). This is not the product concerned but it is closely related to it so the same distortions apply. Also, HRF is a common input to both products so that that distortions to HRF markets are directly relevant.

Relevant conclusions from the Australian Anti-Dumping Commission's findings include:

- The Commission concluded that the Government of China (GOC) materially influenced conditions within the Chinese HRF and HSS markets during the inquiry period. The GOC was able to exert this influence through its directives and oversight, subsidy programs, taxation arrangements and the significant number of SOEs. (page 96)
    - Structural nature of imbalances between capacity, production and consumption within the Chinese market

[1] Commission staff working document on significant distortions in the economy of the PRC for the purposes of trade defence investigations (20.12.17)

- GOC's involvement within and influence over the steel industry is primary cause of structural imbalances both within broader steel industry and HRC and HSS markets.
- Between 2010 and 2015 Chinese SOEs accounted for around 40% of total Chinese steel production and for 8 of the 10 largest Chinese steel producers.
- Industry planning guidelines and directives.
- Direct and indirect financial support
- Taxation arrangements

- The Commission also concludes that because of the significance of this influence over the Chinese HRC and HSS market, the domestic price for Chinese HSS was substantially different to what it would have been in the absence of these interventions. Based on this analysis, the Commission has determined that during the inquiry period the domestic price for Chinese HSS was influenced by the GOC to a degree which makes domestic sales of HSS unsuitable for use in determining normal values (page 96).

Also relevant here is a report by the US-China Economic and Security Review Commission[2]. The Commission's review of China's current economic conditions—compared against the U.S. statutory test for determining whether an economy can be classified as a market economy—reveals China is not currently a market economy and is not on the path to become one in the near future. In its 2016 Report to Congress on China's WTO Compliance, the Office of the U.S. Trade Representative found the Chinese government maintains extensive controls over foreign investment, which, in tandem with industrial policies, restrict the ability of foreign investors to participate in key sectors of the economy or demand major concessions as a price of admission. The GOC maintains-and is even strengthening- its control of the means of production through central and provisional state-owned enterprises, and the state exerts extensive control over resource allocation. Furthermore, a review of China's economic policy reveals that currency is not fully convertible, with the 13th Five-Year Plan outlining goals to increase the RMB's convertibility by 2020. In addition, human rights and labour organizations around the world, including China Labour Bulletin, the AFL-CIO, and Amnesty international, note Chinese workers have no freedom of association and no system for collective bargaining exists between employers and employees in China.

3.5.3 Adjustments required to costs in constructing normal value for China:

As noted above, this application argues that either through the use of Regulation 14(2)(b) or Regulation 7(2)(b) the normal value for China should be constructed. In line with Regulation 13 (3) adjustments should be made to the costs of production as those in China are not substantially determined by market forces. In this regard the following should be noted:

The principle cost of production for the welded tube product in question are:

- Hot-rolled-flat steel
- Energy
- Labour

[2] US-China Economic and Security Review Commission – Evaluation of China's non-market economy status – Issue Brief – April 18 2017.

Collectively these make up approximately 85% of the costs of production when examined in a UK context. There is ample evidence that all three of these costs in China are not "substantially determined by market forces and provide the following evidence to this effect.

Hot-rolled-flat steel:

As noted above, the EU Commission's report "*ON SIGNIFICANT DISTORTIONS IN THE ECONOMY OF THE PEOPLE'S REPUBLIC OF CHINA FOR THE PURPOSES OF TRADE DEFENCEINVESTIGATIONS*" published in December 2017 sets out clearly the numerous and widespread interventions by the Government of China (GOC) in the Chinese Steel industry. In more detail the report states:

- *The Government of China has consistently used a wide array of State support measures to promote the steel industry…These measures have a distortive effect on the market…*
- *The Commission has recently established that the Government of China provided numerous forms of state support, some of which were found to be of a permanent and structural nature in the steel sector.*
- In the EU Commission investigation into *Hot rolled flat products from China* it was established that most of these state support schemes "*are permanent by nature, such as land use rights, tax breaks and grant programmes. Moreover, the credits received were a constant feature of Chinese industrial policy to support its steel industry. The Commission concluded that these subsidies were of structural nature.*
- These state interventions are noted to include:
    - Preferential policy loans, credit lines, preferential interest rates, other financing, and guarantees;
    - Grant Programmes;
    - Direct Tax Exemption and Reduction programmes;
    - Indirect Tax and Import Tariff Programmes;
    - Government provision of goods and services for less than adequate remuneration
    - ('LTAR'), including: inputs, land use rights, water and electricity;
    - Equity programs, including: debt for equity swaps, equity infusions and unpaid dividends

Numerous other investigating authorities have reached similar conclusions.

Australia:

The Australian authorities have concluded/been satisfied on numerous occasions of the existence of a 'particular market situation' in relation to certain Chinese steel products and the need to make adjustments to prices of these when constructing a normal value. These include:

June 2012 (Dumping Investigation No. 177)[3]

- hot rolled coil steel;
- hot rolled narrow strip steel;

[3] Australian Customs and Border Protection Service, Certain Hollow Structural Sections Exported from the people's Republic of China, the Public of Korea, Malaysia, Taiwan and the Kingdom of Thailand, Report to the Minister No. 177 (7 June 2012) (REP 177): p166

- hollow structural sections of steel (steel pipe and tube);
- and upstream products and materials (namely coke and coking coal)

April 2013 (Dumping Investigation No. 190)[4]

- (galvanised and aluminium) coated steel;
- hot rolled coil steel; and
- upstream products and materials (namely, steel scrap, iron ore, coke and coking coal)

September 2013 (Dumping Investigation No. 198)[5]

- hot rolled plate steel;
- slab steel;
- hot rolled coil steel; and
- upstream products and materials (namely, steel scrap, iron ore, coke and coking coal)

March 2014 (Dumping investigation No. 221)[6]

- hot rolled plate steel;
- slab steel;
- hot rolled coil steel; and
- upstream products and materials (namely, steel scrap, iron ore, coke and coking coal)

April 2019 (Dumping Investigation No. 441)[7]

- Hot rolled coil steel
- upstream products and materials (namely, steel scrap, iron ore, coke and coking coal)

Canada:

Numerous anti-dumping and anti-subsidy investigations carried out by Canadian Border Services Agency (CBSA) have identified widespread and significant state distortions in the Chinese steel industry/market. Most recently, the CBSA's 'Statement of Reasons' in its investigation into dumping of corrosion resistant steel sheet from China[8] (for which the primary raw material is hot-rolled coil), examined a wide range of Chinese Government plans, strategies and policies as part of its 'Section 20 Inquiry'[9], that demonstrate the significant

[4] Australian Customs and Border Protection Service (CBPS), Dumping of Zinc Coated (Galvanised) Steel and Aluminium Zinc Coated Steel Exported from The People's Republic of China, the Republic of Korea, and Taiwan, Report to the Minister No. 190 (April 2013) (REP 190): p167

[5] Australian CBPS, Dumping of Hot Rolled Plate Steel Exported from The Peoples Republic of China, Japan, The Republic of Korea, and Taiwan and Subsidisation of Hot Rolled Plate Steel Exported from People's Republic of China, Report to the Minister No. 198 (September 2013) (REP 198): P112-113

[6] Australian Anti-Dumping Commission (ADC), Dumping of Wind Towers Exported from the People's Republic of China and the Republic of Korea, Final Minister No. 221 (21 March 2014) (REP 221) p30-31

[7] Australian ADC, Alleged Dumping of Steel Pallet Racking Exported from the People's Republic of China and Malaysia, Final Report 441 (April 2019) (REP 441)

[8] CBSA (February 2019) Statement of reasons concerning the final determination with respect to the dumping of certain corrosion resistant steel sheet from China, separate customs territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea.

[9] Section 20 is a provision of the Canadian Special Import Measures Act (SIMA) that may be applied to determine normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of the prescribed country under paragraph 20(1)(a) of SIMA, it is applied where, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that domestic prices are not substantially the same as they would be in a competitive market. In other words, a Section 20 investigation examines the same factors and circumstances as the UK regulations require for the establishment of a particular market situation, and on the justification of price adjustments when constructing normal value.

interventions the Chinese Government has in 'flat rolled steel industry' (which includes hot-rolled coil), ultimately distorting domestic prices. These include:

- **13th Five Year Plan.** The CBSA concludes that "*The analysis of the 13th Five-Year Plan….indicate that the GOC plays a key role in the control and administration of the steel industry, which includes the flat-rolled steel industry sector".*
- **Iron and Steel Industry Adjustment and Upgrade Plan** (2016-2020). The CBSA concluded that "*In analysing the Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)….indications are that the GOC continued its level of control in the administration of the flat-rolled steel industry sector"*
- **Iron and Steel Restructuring Policy** (2015). The CBSA quotes directly from this plan: "*There should be continuous innovation in the means of governmental administration; ongoing and respective oversight and services should be continuously strengthened; and the role of the government should be more effectively realised. Relevant laws and regulations should be better implemented in the industry to basically build a fair and competitive market environment."* This last sentence is particularly important, indicating as it does that the GOC does not believe the steel industry currently operates in a "fair and competitive market environment"
- **National Steel Policy** (2005). The CBSA highlights the key aims of the Chinese National Steel Policy which include: structural adjustment of the Chinese steel industry, industry consolidation, and government supervision and management of the steel industry
- **Steel Revitalisation/Rescue Plan** (2009). The CBSA sites the core objective as: strict control of total steel production and elimination of inefficient production, maintain stable imports of iron ore resources and rectify the market order, maintain the stability of the domestic market and the export environment, develop domestic and overseas resources and guarantee the safety of the industry, and optimise the layout of industry and overall arrangements of its development.
- **12th Five Year Development Plan for the Steel Industry** (2011-2015). The CBSA lists the objective of this plan as: Increased mergers and acquisitions to create large more efficiency steel companies (target top ten steel companies to account for 70% of production by 2020), government restrictions on capacity expansion, and government directed relocation of steel companies.

Elsewhere in the report, as part of the Section 20 investigation, the CBSA concludes:

- The GOC's extensive ownership and control of the majority of large Chinese steel producers means that these companies likely produce and market steel according to GOC objectives instead of market conditions.
- The GOC influences the price of hot rolled steel (the primary input in the Canadian investigation and this UK investigation on welded tubes).
- The GOC maintains export controls on raw materials used in the production of steel – these include a 15% export tax imposed in 2017 on steel billet and slab, which creates an excess in supply in China and therefore lowers prices for producers of finished steel products (including hot-rolled coil) below what would exist in a competitive market without such government controls.
- That there is substantial evidence of subsidisation of steel production in China, including that of flat-rolled products. This naturally reduces production costs of downstream users of flat-rolled products.

Given the substantial body of evidence from various investigating authorities of distortions in the Chinese Steel market, with direct relevance to hot-rolled coil steel, UK Steel argues that when constructing the normal value for welded tubes in China adjustments must be made with regards the price of the input of hot-rolled-coil steel.

Energy Prices:

The EU Commission's report into distortions in the Chinese economy provides significant detail of the various interventions national, regional, and local governments make into the energy market. In summarising, the report notes the following key findings:

- Energy prices are still not-market based and are largely controlled by the state. *"The prices for electricity and natural gas are regulated by the Chinese National Development Reform Commission and according to the Chinese government set on the basis of a procedure that includes cost investigation, expert appraisal, public hearings, and final price determination and publication*." In other words, energy prices in China are clearly not "*substantially determined by market forces*"[10]
- 50% of the generation capacity is state owned as well as the whole transmission grid.
- Price differentiation exists to the extent of favouring particular industries
- The Chinese state has in the past provided significant subsidies for the production of coal which in turn led to massive expansion of coal generating power stations – this in turn has led to an oversupply of electricity and therefore lower prices than would have existed in the absence of these coal subsidies

Given these significant distortions in the Chinese energy market, UK Steel argues that when constructing the normal value for welded tubes in China, adjustments must be made with regards to price of energy inputs. For further details on the energy market distortions in China please see the EU Commission report pages 217 to 234.

Labour Costs:

The EU Commission's report into distortions in the Chinese economy provides the following key points with regards to Chinese Government interventions into labour markets, which limit the extent to which market forces are able to determine wages:

- The Commission report states that "*Market based wages should be understood as wages freely bargained between the workers and management in an undistorted economic environment."* And goes on to conclude that "*Chinese workers have no possibility to freely choose or establish a trade union in which they want to organise themselves, because there is only one legally recognized trade union, the ACFTU. Furthermore, although collective bargaining of wages exists, it is not well developed.*" Moreover, the report notes that the close integration of the ACFTU and the Chinese State, along with the Chinese State's role in many companies (particularly state owned enterprise) means the union effectively has limited independence to effectively act in the interest of workers to achieve wage settlements.

- Whilst significant reforms have been made since the 1980's, the *hukou system* (household registration) still places significant restrictions on the ability of Chinese citizens to move and find employment – this is particularly the case in terms of rural

[10] As required under Regulation 13(3) of the Trade Remedies Act when determining whether adjustments should be made to production costs.

workers moving to the largest cities. The system actively prevents many would be migrant workers from gaining access to education for children, healthcare, welfare and affordable accommodation – this works to discourage and reduce labour mobility and ultimately distort wages.

- Previous trade remedies investigations have confirmed the existence of distortions in the labour market, examples of which include: lack of independence of companies from the state, GOC intervening in decisions of companies in relation to hiring and dismissals, labour contracts signed by Chinese workers with no reference to hours or remuneration.

Given these notable distortions in the Chinese labour market, UK Steel argues that when constructing the normal value for welded tubes in China, adjustments must be made with regards to price of labour inputs. For further details on labour market distortions please refer to the EU Commission report pages 327 to 343.

Conclusions on Adjustments required:

In light of the evidence supplied above of distortions in China with regards to the primary production costs elements of the product in question (accounting for approximately 85% of total production costs), UK Steel submits that in constructing the normal value for welded tubes from China, adjustments should be made to all costs inputs with the effect that the normal value is entirely constructed using cost inputs from an appropriate third country.

3.5.4 Dumping Calculation for China:

Imports of the product in question to the UK were insignificant during the investigation period (647 tonnes out of total imports of 88,789 <1%)[11] and as such export prices from China to other markets should be used as a means of comparison to the normal value.

Choice of Export Market:

Global trade remedy actions, and the existence of MFN tariffs in many countries still, mean that China has a limited presence on many of its traditional export markets. Data from the International Steel Statistics Bureau Trade Data Base shows imports of products classified under 7306.30 into all markets from China were approximately 495,000 tonnes during 2019 with the top five export markets as follows:

Table 3 – Imports of Chinese Welded Tubes into key markets 2019

Export Market	2019 tonnes of 7306.30 imported from China
Philippines	93,069
Hong Kong	80,939
Peru	31,524
Chile	21,499
Indonesia	21,043

[11] ISSB Trade Data Base – UK Imports of products under codes: 7306.30.41, 7306.30.49, 7306.30.72, 7306.30.77.

Source: ISSB Trade Data Base. Annex B, provided with the confidential version, provides further data on Chinese exports in tab 5.

The most significant export market for Chinese exports of the product concerned in 2019 was Philippines. The second market was Hong Kong. Export prices to Hong Kong have not used to calculate estimated dumping margins because there is no certainty of where those products would end up or whether the products are even shipped to Hong Kong or whether this is a transaction through a trading company. The third export market was Peru but export volumes were one third of those to Philippines. Therefore, Chinese exports to Philippines were used to establish Chinese export prices.

Note that reliable Chinese export data is not available to UK Steel. The data was therefore gathered from other countries' import statistics. Thus, the export price used in the calculation below was initially calculated at the Philippines CIF level and adjusted back to the China ex-works level.

Choice of third country cost inputs for construction of normal value in China:

UK Steel has constructed the normal value based on UK producers' cost of production breakdown with the substitution of Mexican cost input values. Mexico was chosen as an appropriate third country for the following reasons:

- Mexico is regarded by the World Bank as a country with a similar level of economic development as China. It is classified as "upper-middle income" countries on a gross national income ("GNI") basis with a level of development comparable to that of China. That category of countries includes countries with GNI per capita between USD 3,996 and USD 12,375 in 2018, the year with the latest trade data available. It is therefore clear that Mexico is comparable to China in terms of economic development with China having GNI per capita of USD 9,470 in 2018 and Mexico having GNI per capita of USD 9,180.[12]
- The US Department of Commerce has identified Mexico as one of six possible 'surrogate' countries that have a similar level of economic development to China. (See Annex B.6).
- The EU has previously used Mexico as a surrogate/analogue country in its 2016/17 investigation into seamless steel tubes.[13]
- The Mexican welded steel tube industry production capacity is assessed around 2 million tonnes per year, the production is estimated around 1 million tonnes, including at least 100 000 tonnes of the product in question.
- There is significant production of the product in question in Mexico as demonstrated by the large number of domestic welded tube producers. This was confirmed by recent publications by the US Department of Commerce, which listed 34 local welded tube producers requesting an administrative review[14] of the anti-dumping order applicable to imports of Certain Circular Welded Non-Alloy Steel Pipes and Tubes from Mexico. Product scope of this US measures aligns closely with the product definition of the product in question.
- Data from Mexico was publically available for use. This includes steel import price data (to establish the price of hot-rolled coil), energy data, labour costs

[12] https://databank.worldbank.org/data/download/GNIPC.pdf
[13] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1977&from=EN
[14] https://www.govinfo.gov/content/pkg/FR-2019-09-17/pdf/2019-20085.pdf

data, and overheads costs from the 2018 Annual report of Ternium Group, a Mexican producer of the product in question.

Dumping Calculation:

Table 4 - China dumping calculation

2019	£/tonne
Normal Value (EXW) (A)	£842.59
Export price to Philippines (CIF) (B)	£567.59
Export price to Philippines (ex-works) (C)	£529.07
Dumping margin (A-C)	£313.52
Dumping margin as % of export price (A-C/C*100)	55%

The detailed basis for the Chinese dumping calculation is provided as part of the confidential version of this submission as Annex B.

The best information available to UK Steel indicates that likely China export prices would be dumped should the UK transitioned measures be removed. However, as stated in its response to the pre-sampling questionnaire, UK Steel does not believe there to be sufficient reliable data to recalculate the dumping margin. This is in line with the Trade Remedies Investigation's Directorate's own guidance on the procedure for transition reviews which details an obvious example of when it may not be possible to accurately recalculate margins: *"The existing measure may...have reduced or eliminated dumping and injury and there may be insufficient data available to calculate a dumping, countervailing or injury amount."* (Also see answer to question 6.)

3.5.5 Tariffs and dumping measures elsewhere on exports of the like product from China:

In addition to the evidence provided above as part of the dumping calculation, it should also be noted that a number of other countries have anti-dumping measures in place regarding exports of the product in question from China. Furthermore, with the exception of most developed countries (EU, EEA, UK, US, Canada, Japan, Rep. Korea)) the vast majority of other countries have retained MFN tariffs on steel goods, including welded tubes, which has at least partially guarded against dumping. Even countries such as Australia and New Zealand have retained tariffs at low levels around 5%) on steel tube products.

This is noted both because the existence of dumping measures elsewhere provides further evidence of widespread dumping by Chinese exporters (and the likelihood that dumping would occur again in the UK if measures were removed), but also because of the limited tariff free markets available currently for Chinese exporters (and therefore the attractiveness of the UK market if measures were to be removed). Countries/regions with measures in place include:

EU - Welded tubes and pipes of iron or non-alloy steel[15]
Canada – Carbon Steel Welded Pipe[16]
USA – Circular Welded-Carbon Quality Steel Pipe[17] and Section 232 (blanket 25% tariffs)

3.6 Likelihood of dumping – Russia

[15] https://trade.ec.europa.eu/tdi/case_history.cfm?id=2435&init=449
[16] https://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev/cswp1-eng.html
[17] https://www.usitc.gov/publications/701_731/pub4901.pdf

3.6.1 Particular Market Situation

In making this submission, UK Steel has not assessed the existence 'particular market situation' with regards to the production of welded tubes in Russia, and has simply used the domestic selling price in Russia for the normal value and the dumping calculation. However it should be noted that in the last EU expiry review (regulation 2015/101)[18], the European Commission included an adjustment for Russian gas prices in cost of production after determining that domestic gas prices were highly regulated and were just 30% of the export prices of gas from Russia. It is recommended that the UK authority investigate this potential distortion in Russian markets and the possible need to make an adjustment to the Russian normal value as well.

3.6.2 Dumping calculation for Russia:

Russian domestic and export prices are taken from the 2019 edition of Metal Expert CIS data (Annex D provided with the confidential version). As with Belarus there were no exports of the product in question to the UK market during the period of investigation and as such export prices to key Russian export markets have instead been used to compare the normal value with.

Table 5 - Russia Dumping Calculation

2019 Data	£/tonne
Normal Value (EXW) (A)	£443.89
Export (DAP) (B)	£434.40
Export price (EXW) (C)	349.86
Dumping margin (A-C)	£94.03
Dumping margin as % of export price (A-C/B*100)	21.65%

The detailed basis for the calculation is provided with the confidential version of this submission as Annex C.

It should be noted that data from Metals Expert has been used here for both the normal value and the export price. This differs from the calculations for China and Belarus where no such detailed market information was available for exports and as such import data to other markets was used as the best information available. The Metal Expert data used here is established, objective market data providing both Russian domestic and export price information. This guarantees that the data is comparable and the most reliable data available. It is the view of UK Steel that this market data provides the best means of assessing likely dumping margins.

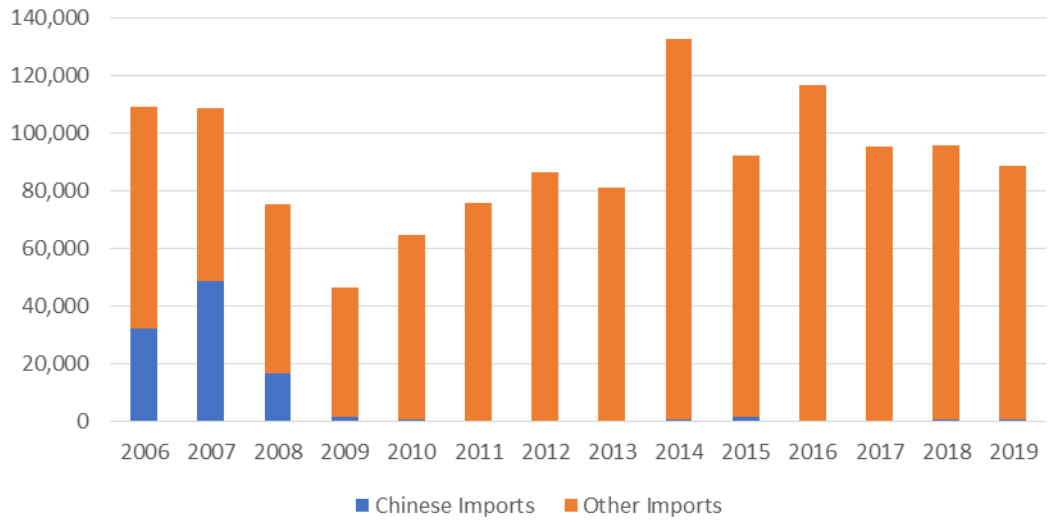
[18] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_020_R_0004&from=EN
See paragraphs 69 and 70

4. Please provide any relevant information if you consider that there would be injury to the UK industry if the existing anti-dumping measures for the goods subject to review no longer applied.

4.1 Imports:

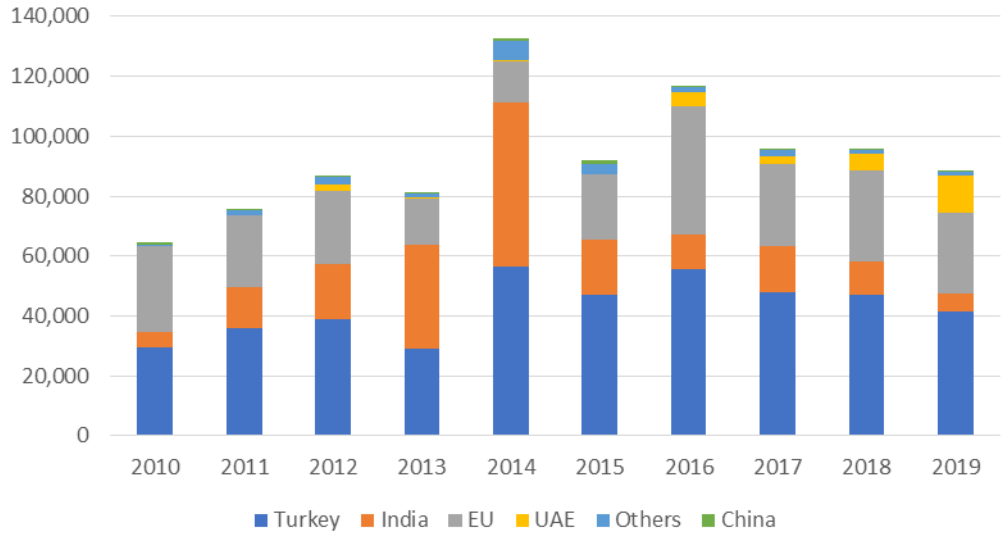
4.1.1 Import trends:

Chart 2 – UK Imports of Chinese Welded Tubes vs Other Sources 2006 to 2019



Source – ISSB Trade Database[19]

Chart 3 – Imports of Welded Tubes into UK – 2010 to 2019



Source – ISSB Trade Database[20]

[19] Data supplied at 8-digit level 730630.41, 730630.49, 730630.72, 730630.77
[20] Data supplied at 8-digit level 730630.41, 730630.49, 730630.72, 730630.77

EU anti-dumping measures on the product in question were first implemented against Turkey, Thailand and the Ukraine in 2003. During the expiry/administrative review 2007/2008, measures vs Turkey were terminated. In parallel, a new case was filed vs China, Russia and Belarus. AD measures on these new countries were implemented at the end of 2008 were efficient as imports originating in China almost completely disappeared (imports from Russia and Belarus had not been a feature of the UK market prior to the measures). As demonstrated in the Charts 2 and 3, since the introduction of the current EU measures, imports of Chinese welded tubes into the UK have reduced from a peak of 48,501 tonnes in 2007 to negligible amounts by 2009, where they have remained.

During this time, imports from Turkey, India and, more recently, the UAE have grown significantly and entirely taken the market share once taken by China, although Indian imports have reduced significantly in line with a reduction in market size since 2014. Importantly there is evidence that import of products from Turkey and the UAE is being done at prices that undercut UK market rates, thereby causing injury to domestic producers.

Table 6 - 2019 Price for Welded Tubes[21]

	UK Domestic Price[22]	Import Price	Price Undercutting	Undercutting %
Turkey	confidential	£ 592.06	confidential	5-15%
UAE	confidential	£592.82	confidential	7-17%

Source: ISSB trade data base and UK producers' submission to this review.

Imports from Turkey have been to some extent capped at 2015-2017 levels by the EU steel safeguards introduced in 2018, and will have been effected by the fall on steel demand since across the EU in 2019, and subsequently massively exacerbated by the impacts of COVID-19 in 2020.

4.1.2 Likely development of imports - spare capacity

The UK market is between 100,000 and 150,000 tonnes per annum – estimated on the basis of UK domestic sales and imports. It is dwarfed by the production capacities in each of the three countries subject to this review. (See Annex F, provided with the confidential version of this submission, for estimates of UK market share 2017-2019)

Belarus: (production and capacity figures removed for confidentiality)

For Belarus, production in 2018 was between 50,000 and 100,000 tonnes, the most recent full year available, whilst data up to November 2019 showed production had reduced by 26% (Metal Expert). Production capacity in 2018 was likely greater than 180,000 to 260,000 tonnes explicitly detailed by Metal Expert. This estimated 180,000 to 260,000 tonnes of capacity is based on producers that Metal Expert identifies as only producing the product concerned – however, some of Molodechno's production capacity which can produce a wider range of tube products is dedicated to producing the welded tube product in question and as such we can

[21] Domestic prices removed in table below as these are the selling prices in the POI for the one UK producer that participated in this review – such information is confidential. Subsequently the undercutting amount (£) has been redacted as this could be used, in conjunction with the import price, to determine the UK producers selling price, as could the undercutting percentage.

[22] UK average domestic price is taken data supplied as part of UK producers' submission

conclude that overall Belarussian capacity for this product is greater than the 180,000 to 260,000 tonnes stipulated below.

Table 7 - Belarus Production Capacity 2018

Production Site	Capacity (000's tonnes)	Pipe Size (mm)
Mogilev Metallurgical Works	100 to 150	10 to 127
Molodechno Tube Rolling Plant	15 to 20	20-114
Ametist Metal Group	15 to 20	12 to 51
Saru-Arka	50 to 70	10 to 76
Sub-total (all product concerned)	**180 to 260**	
Molodechno Metal-Structures Plant	100 to 150	25-220
Total (including non-product concerned)	**280 to 410**	

See Annexes D and E provided as part of confidential submission for further details.

Even taking a conservative estimate of capacity at 180,000 to 260,000 tonnes (i.e. not including any production capacity from Molodechno), capacity utilisation is 20-35%. This leaves spare capacity in the region of 200,000, notably greater than the size of the UK market.

China:

World Steel Association figures show that production of welded tubes in China has grown from 27.1m tonnes in 2008 to 69.7m tonnes in 2015[23], the latest year available.

Table 8 - China production of welded tubes (million tonnes)

Year	Production
2008	27.1
2009	31.4
2010	32.6
2011	39.9
2012	47.1
2013	53.6
2014	57.6
2015	69.7

Annex E, provided as part of the confidential version, provides further detail on capacity

[23] https://www.worldsteel.org/en/dam/jcr:e5a8eda5-4b46-4892-856b-00908b5ab492/SSY_2018.pdf page 50.

Total production capacity in China is not known. However, the US DOC's final report and recommendations in the Section 232 investigation of steel imports concludes that China has the largest installed capability globally. It also notes that Chinese excess capacity is estimated at more than 300 million tonnes and that China alone is able to produce as much steel as the rest of the world combined. Although this refers to the steel sector generally, it is reasonable to assume that some of this massive spare capacity relates to welded tubes. Given the relatively small size of the UK market, a small amount of excess capacity relative to Chinese market would significantly disrupt the UK market. As noted above in section 3.5.5, with many countries having either trade remedies measures in place, or MFN tariffs – if the UK were to remove these measures it would become one of the few open markets globally and would easily become overwhelmed by the dumping of just a small fraction of annual Chinese output of this product.

Russia:

Metal Expert figures show that production of pipe and sections in 2018 was between 4 and 6 million tonnes. This is not all related to the product concerned but is highly significant compared to the size of the UK market.

Total capacity for welded and seamless pipes in Russia is calculated by Metal Expert at 15 to 20 million tonnes with at least 4 to 7 million tonnes of capacity allocated to the product concerned. A further 3 to 5 million tonnes of capacity is allocated to both product concerned and larger welded tubes. So the actual capacity is significantly higher than 4 to 7m tonnes.

Data from Fastmarkets Metal Bulletin for 2019 (Annex E.1) shows that total Russian welded pipe capacity is at least 11 to 13m tonnes. This includes non-product concerned but is consistent with the Metal Expert data which suggests that Russian capacity for the product concerned is greater than 4 to 7m tonnes. Although the precise capacity utilisation cannot be calculated for the product concerned, it is clear that spare capacity is in the millions and significant dwarfs the UK market of 100,000-150,000 tonnes. More detail on the production and capacity figures above is provided as part of the confidential submission as Annex E.

4.1.3 Likely attractiveness of UK market/price undercutting:

As there are no imports from the three countries, there are no prices to calculate current price undercutting. The dumping calculations above have used published market data for Russia and unit values from trade data for Belarus and China. In order to calculate accurate expected price undercutting in the UK market, it would be necessary to estimate these prices at the UK border. However, this analysis is sufficient to indicate that prices from all three countries are significantly below UK prices and that the UK would be an attractive market for exports from these three countries.

Table 9 - Estimated Price Undercutting[24]

	UK Price	Domestic	Import Price	Price Undercutting	%
Belarus	£	Confidential	£ 448.05	£ Confidential	30-50%

[24] Domestic prices removed in table 9 as these are the selling prices in the POI for the one UK producer that participated in this review – such information is confidential. Subsequently the undercutting amount (£) has been redacted as this could be used, in conjunction with the import price, to determine the UK producers selling price, as could the undercutting percentage.

China	£	Confidential	£	569.18	£ Confidential	10-25%
Russia	£	Confidential	£	434.40	£ Confidential	40-60%

Import prices are taken from the dumping calculation sheets (Annexes A, B and C provided with confidential version). They are CIF/DAP prices. UK average domestic price is taken from data supplied in UK producer response.

It should also be noted that UK domestic prices are currently depressed due to undercutting (possibly dumping) from other countries and difficult market conditions. The price undercutting under-estimates the amount of injury that would be caused by these imports. Using a non-injurious price the injury margins would be higher. However, this estimate price undercutting is indicative of the fact that the UK would be an attractive market for these 3 countries.

For comparison, the EU application estimates price undercutting for the IP as below, finding similar undercutting levels to our own estimates for the UK market.

Table 10 – Price undercutting at EU level – EU industry application

Exporting Country	CIF EU border (€/tonne)	Intra EU domestic (€/tonne)	% undercutting
Belarus	476	915	47.98%
China	796	915	13.01%
Russia	486	915	46.89%

Source: ESTA submission to EU expiry review of AD on welded tubes from Belarus, China and Russia

4.2 Situation of UK industry:

The submission of the domestic producer of the product in question provides detailed evidence of injury currently being experienced across a range of indicators. This injury is being caused by a array of factors that are combining to create a particularly challenging environmental for UK producers at the current time; this will be significantly exacerbated with further injury being caused, if measures were to removed. In brief these factors are as follows:

- **Price undercutting from imports:** As detailed above, high levels of imports from Turkey and the UAE at prices below the UK domestic selling price are acting damped UK prices and cause injury to UK industry. (See section 4.1.1)
- **Falling Demand:** Steel markets outside of China were in a recession in 2019 shrinking by 1.5% to 776 million tonnes. Much of this fall was driven by a huge 5% reduction in EU consumption, forcing EU producers to temporarily reduce steelmaking capacity by 8 million tonnes. UK steel demand followed a similar trajectory (-5.5%), weighed down further by Brexit uncertainty which pushed the whole of the UK manufacturing sector into a recession in the latter half of the year. Falling demand in the EU has naturally led to downward pressure on prices. These contractions in steel demand and prices have been compounded by rising raw material costs, squeezing steel makers' margins even further.
- **Overcapacity:** The issue of overcapacity in global steel production is an enduring one and the root cause of dumping of products in many cases. Despite some modest reductions in the overall levels of overcapacity from the peak of over 400 million tonnes in 2016, global capacity utilisation figures (before COVID-19) remain around 70-75% sitting well below the 80-85% levels seen in the late 2010s. Well over two thirds of this overcapacity sits in China and despite vague assurances that measures would be taken to redress the situation, China

broke new records in 2019 with output of 996.3 million tonnes (an increase of 8.3% on 2018 and accounting for 53.3% of global production). Even in 2020, with global steel markets in disarray, Chinese Steel production continues to increase – reaching a record monthly production of 92.3 million tonnes in May.

- **Global Trade Tensions:** Driven by the US steel sector's frustrations with the lack of practical action on global overcapacity and the US Administrations scepticism towards supranational decision making, the US introduced a blanket 25% tariff on all steel imports in March 2018. Since then, UK steel exports to the US have plummeted by almost 30%. At the same time as falling UK exports, other exporting countries hit by the tariffs have looked for alternative markets, making the EU a prime target as a large open market. Despite demand falling by 5% in 2019, imports have remained broadly even, forcing EU and UK producers to reduce output by as much as 6%. It is to the EU Commission's credit that it acted decisively to introduce safeguarding measures across the board, but with the tariff free quotas increasing year on year and demand continuing to contract they are not as effective as hoped for.
- **Brexit:** On top of these more global challenges, the UK steel sector is having to prepare for the UK's departure from the EU Customs Union and Single Market at the end of the year and the disruption of its trading relationship with its largest market. Over the course of the 18 months, the sector has had to deal with the looming prospect of a no-deal Brexit (and now of not reaching an FTA with the EU) and the imposition of the EU's safeguarding measures against UK exports without the provision of necessary tariff rate quotas. The passing of the Withdrawal Agreement has unfortunately done little to improve the situation, and the chronic uncertainty has already undermined EU customer confidence and hit order books.
- **COVID-19:** The COVID-19 crisis has had a devastating effect on the UK steel industry and the sectors they feed into in manufacturing and construction. UK Steel survey's conducted at the peak of the crisis showed a 45% reduction in demand for steel. Whilst there have been some modest signs of recovery from June onwards market indicators point to significant overall contraction of steel demand in 2020, following on from the 5.5% drop experienced in 2019. With overall demand not expected to full recover for a year or more and with most other steel markets around the globe experiencing similar trends, exporters, including in those subject to these measures, will be looking to open markets such as the UK to offload excess production/stockpiles.

Table 11 - Reduction in orders of UK steel companies

Consuming Sector	Reduction in orders (April '20 vs April 19)
Construction (UK)	55%
UK Automotive (UK)	70%
UK Engineering (UK)	35%
Other sectors (UK)	35%
Exports (all sectors)	35%
Total	**45%**

Source: UK Steel survey of members April 2020

5. Please provide any information you might consider relevant regarding the economic effects on the UK of the existing anti-dumping measures for the goods subject to review.

5.1 Overview:

As detailed in the previous section, UK industry is suffering significant levels of injury at the current time from a range of national, regional and global challenges. UK producers currently have a market share of around 30-50% that would quickly be reduced should measure be removed and dumping were to resume. At their peak imports of Chinese welded tubes were 48,500 tonnes, around 25-40% of the market – with this share of the market now taken by Turkey and the UAE, it is evident that dumped imports at this level would reduce UK domestic industry market share significantly.

With capacity utilisation within the sector already at less than optimal levels, and being reduced further this year as a result of COVID-19, UK Steel is firmly of the view that should measures be allowed to lapse injury levels would increase further quite likely resulting in the loss of jobs and placing the long term viability of UK industry in jeopardy.

5.2 Employment and Pay

The product in question is produced at two locations in the UK – Corby and Tredegar. The primary raw material for the production of welded tubes in these locations, hot-rolled coil steel, is sourced exclusively from production at Port Talbot and Newport, respectively.

Table 12 – Employment at UK welded tube production sites and supplying HRC sites

Site Location	Employment	Company	Region
Corby	550	Tata Steel	East Midlands
Tredegar	68	Liberty Steel	Wales
Port Talbot	4,000	Tata Steel	Wales
Newport	180	Liberty Steel	Wales

Source: UK Steel (2018) Sites and Statistics Book[25]

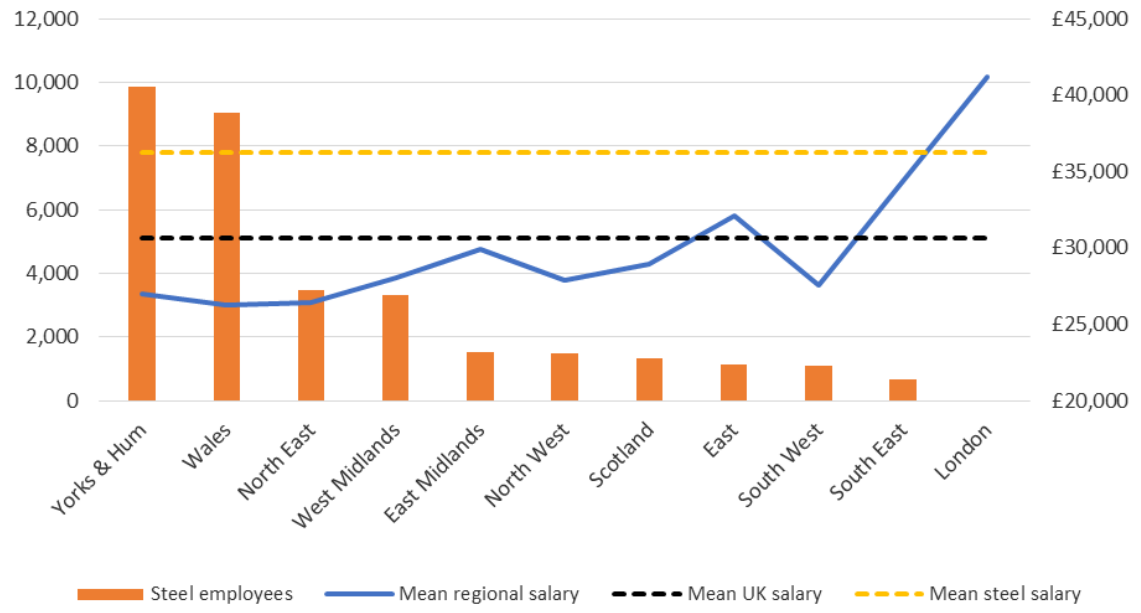
Crucially these jobs are high skilled, well paid jobs. The mean salary in the UK steel industry is £36,000 – 18% higher than the national average, 36% higher than the regional average in Wales and 21% higher than in the east Midlands. Moreover it is estimated that for every direct job in the steel sector a further 1.26 are supported indirectly in supply chains (type 1 multiplier)[26], as well as further jobs in local communities through the spending steel workers

[25] https://www.makeuk.org/-/media/Files/UK-Steel/UK-Steel-Booklet-2018.pdf

[26] https://www.ons.gov.uk/economy/nationalaccounts/supplyandusetables/adhocs/009746typeiukemploymentmultipliersandeffectsreferenceyear2015

and contractors. Please see UK producer submission for more detailed information on pay and employment.

Chart 4 – UK Steel Employment and Pay



Source: ONS Various and UK Steel Analysis

5.3 Impact on upstream industry

Hot-rolled coil, the primary raw material for welded tube, is produced at Port Talbot (Tata Steel) and Newport (Liberty Steel). UK producers of HRC have experienced negative profitability in recent difficult market conditions and would be adversely affected by a decision to repeal the existing antidumping measures. The continuation of existing antidumping measures will help maintain fair market conditions for such upstream suppliers, helping to ensure that hot rolled coil sourcing by tube manufacturers remains within the UK with all the benefits to the UK economy this brings.

As noted in previous sections, a decision to repeal existing antidumping measures is likely to increase the risk of dumped imports, thereby forcing tube producers to cut product costs in order to compete and survive in this market. Ultimately, the UK industry will be forced to further cut production and close lines which will have a clearly detrimental effect on upstream suppliers at Port Talbot and Newport.

5.4 Impact on end-users/consumers

As stated in the UK producers' submission to the review, for end-users and consumers, the continuation of antidumping measures will help to ensure they have a long-term and reliable

source of local supply. The measures in place have had very little impact on costs for end-user industries: the product concerned generally represents a very low proportion of the total cost of the applications it is used for. There is no evidence that the measures have resulted in any reduction in demand or impact on employment in these end-user industries. As noted above, there is also no risk to supplies from the continuation of measures as sufficient capacity exits both in the UK, EU and in other third countries. No significant positive effect would be generated by the termination of the measures as the capacity of the producers already on the market largely exceeds demand, furthermore any price reduction in the final products at consumer level would be negligible.

5.5 Industry recovery from COVID-19:

The COVID-19 crisis should also be considered as one of the "such other matters" that the TRA may consider relevant when considering whether the maintenance of a transitioned measures is in the UK economic interest. All of the transitioned EU duties are measures where unfair trade has already been found based on dumped or subsidised imports causing injury. The fragile state of UK industry following the COVID-19 crisis has made the likely recurrence of dumping or subsidy even more likely to cause injury than would have been the case in the absence of coronavirus as cash and profits are very significantly reduced. Moreover, with demand levels having plummeted as a result of COVID-19 – competition in all markets is fierce which will naturally increase the appetite for, and the prevalence of dumping and producers look to offload their excess production in 'tactical sales'.

Of course, injury caused by COVID-19 must not be attributed to the imports for the purpose of causality analysis. However, the economic recovery of UK industry from the COVID-19 crisis is a factor that could be taken into account in the economic interest test which is not a WTO requirement.

6. Please provide any other information you consider relevant to this review:

6. 1 TRID's discretion on recalculation in transition reviews:

6.1.1. When should recalculation of margins take place?

UK Steel submits that TRID should only even consider recalculating dumping and injury margins in two clear circumstances:

a) There are imports of the product and there is full cooperation of interested parties so that critical updated data for calculations exists.
b) There has been a clear change in circumstances

Imports, cooperation and data - Where there are no imports, there are no transactions which accurately record export prices. Imports of the product in question from those exporting countries in question have been reduced to negligible levels (less than 1% of imports during the investigation period) and there is therefore insufficient data available to calculate a dumping or injury amount reliable enough to be the basis of any duty.

This means that recalculation is not possible. This is precisely why WTO rules permit a 'likelihood' analysis. This analysis, by definition, is based on less precise information than is required to calculate a dumping/subsidy margin. As UK Steel has done in its analysis of likely recurrence of dumping and injury above, unit values from trade data can be used to indicate what the export price might be if exports to the UK were to restart following the lapsing of the

measure. Use of such proxies for export price may be adequate for the purpose of likelihood analysis but will never be sufficiently reliable to calculate an accurate level of dumping. Without actual transactions, there is a high risk of distortion in basing any calculation of dumping/injury margins on secondary information.

Change of circumstances – In practice, it will only be necessary to change the level of measures if there has been a change in circumstances. Unless interested parties provide sufficient evidence that there is a change of circumstances, it is unnecessary for TRID to consider whether recalculation is necessary.

6.1.2 TRID discretion:

Regulation 98(8) states that a transition review may include "*the consideration of whether…it is appropriate to recalculate the anti-dumping amount or countervailing amount*"

TRID, therefore, has considerable discretion in considering the appropriateness of recalculation.

It can be noted that there are two decisions to be taken here:

- First, the TRA does not have to consider whether it is appropriate to recalculate the level of duty. The law states that the TRA may consider whether it is appropriate to recalculate. It is possible for the TRA to decide not to consider whether it is appropriate to recalculate.
- Second, once TRA has decided to consider whether it is appropriate to recalculate, it must apply an appropriateness test.

The inclusion of the word 'may' must have meaning. If the law said that "the TRA should consider whether it is appropriate to recalculate", only the second decision would apply above. It can also be noted that the word 'may' also applies to the possibility to reassess the dumping, subsidy or injury margins as set out in regulations 98(8)(b), (c), and (d). This applies a further level of discretion. TRID could decide that it is appropriate to recalculate the level of duty but, even in this case, it is not obliged to reassess the relevant margins.

The key factor in making the first decision on whether TRID should consider if it is necessary to consider the appropriateness of a recalculation of the duty level should be whether there is evidence of a change in circumstances. The best source of information as to whether there has been a change of circumstances will be the interested parties themselves. If there is evidence that the dumping/subsidy has either increased or decreased, the relevant interested parties will have an incentive to provide the appropriate evidence to TRID.

The second decision is to consider whether, and to what extent, the duty level should be amended. This would involve a consideration of a) whether the changed circumstances make recalculation appropriate b) whether there is reliable and representative data from exporters in order to be able to recalculate. Unless the changed circumstances would have an impact on the calculations on the basis of reliable and representative data from exporters, TRID should determine that the level of duty should be maintained (assuming that the determination showed likely recurrence of dumping/subsidy and injury).

In conclusion, UK Steel submits that no recalculation is appropriate in this transition review and that, given the clear likely recurrence of dumping and injury if the measures are removed, the measures should be maintained at the current levels.

6.2 Injury elimination level:

As argued above, UK Steel submits that the conditions to consider recalculation of dumping and injury margins do not exist.

If TRID rejects this argument and does decide to recalculate, (a position that UK Steel would vigorously challenge) then UK Steel would submit that the non-injurious rate of profit should be set at a level that will allow UK industry to successfully continue manufacturing the product in the UK taking into account investment needs and regulatory costs. This can be discussed during the investigation if there is to an injury elimination calculation. However, UK Steel would submit that the absolute minimum non-injurious profit should be at least the 5% level used in the previous EU expiry review. This should be higher according to precise circumstances but this should be an absolute minimum.

SECTION C: Next steps and declaration

Next steps

Once you have completed all parts of the questionnaire the declaration on the following page should be signed by an authorised official.

Please submit this questionnaire and any other additional submissions you consider relevant for this transition review through the Trade Remedies Service (www.trade-remedies.service.gov.uk) by **27 April 2020**.

A confidential and non-confidential version of the questionnaire must be submitted. You can find guidance on how to complete confidential and non-confidential versions at https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#handling-confidential-information.

Declaration

By signing this declaration, you agree that all information supplied in this questionnaire is complete and correct to the best of your knowledge and belief and understand that the information submitted may be subject to verification by TRID.

Organisation's name: UK Steel (part of Make UK, the Manufacturers Organisation – legally registered as EEF Limited)
Company registration number (if applicable): 05950172

10.08.2020	
Date	Signature of authorised official
N/A	CONFIDENTIAL
Organisation's Stamp	Name and title of authorised official