UK STEEL
Powered by MAKE UK

February 2022

TD0010 – HFP Rebar from the People's Republic of China

UK Steel response to CISA submissions on the public file

This paper responds to the follow-up submission by the China Iron and Steel Association (CISA) dated 3 December, 2021 and published on the TRA public file on 18 February, 2022.

1. Expiry of EU measures (point 3.1)

The CISA submission argues that the termination of measures on HFP rebar in the EU upon expiry in July 2021 indicates that the same outcome is warranted in a UK context and lessens the risk of trade diversion. This argument is seriously flawed as it fails to recognise the UK specific nature of the measures and the products it covers. HFP rebar is to all intents and purposes a UK only product, effectively being a tariff code classification of rebar produced to the British Standard BS4449. It stands to reason that the EU no longer sees a need to retain the measures given that the product is not used or sold in the EU, with the small exception of the Republic of Ireland.

As the data presented in the UK Steel submission shows, over 90% of Chinese rebar imports into the EU over 2013-2015 were directed to the UK. Therefore, the TRA should under no circumstance view the EU's removal of its measures as an indication of lack of a likely reoccurrence of dumping in the UK if measures were to be removed.

The EU did not initiate an expiry review because since the UK's departure from the EU there is effectively no market for this HFP rebar in the EU and therefore no opportunity for dumping. If anything, this further highlights the fact that this has been and remains a UK issue. It certainly does not diminish the case for the UK maintaining the measure and indeed it remains of great significance for the UK sector.

2. Negligible imports of rebar from China to the UK (point 3.2)

UK imports of rebar from China are negligible since 2016 when the EU anti-dumping duty was imposed. Far from this being justification for dropping the measure, as the CISA submission suggests, it simply demonstrates that the measure has been effective. As noted above, the vast majority of HFP rebar imports into the EU, were in fact directed to the UK, with huge surges in imports over 2012-2015, rising from nothing in 2012 to 48,000 in 2013, to 255,000 in 2014 and 365,000 in 2015.

As demonstrated in the UK Steel submission, China was dumping in the UK market before 2016 and continues to do so in other export markets as evidenced by trade investigation authorities in several countries, including Australia, Canada, USA, Pakistan, and Egypt. Back in 2016 the EU Commission found dumping margins of 48.1%-62.1% for Chinese exporters of HFP rebar to the EU[1].

Historical trends also show that China is able to increase its exports to the UK very quickly and by a huge amount relative to the size of the UK market. To this extent, it can be expected that UK imports

[1] COMMISSION IMPLEMENTING REGULATION (EU) 2016/ 1246 - of 28 July 2016 - imposing a definitive anti-dumping duty on imports of high fatigue performance steel concrete reinforcement bars originating in the People's Republic of China (europa.eu)

from China are highly likely to significantly increase if the current UK measures are removed and this is highly likely to be at dumped prices, considering activity in other export markets, high spare capacity and limited export markets as a result of trade defence measures in third countries.

3. Cancellation of China's VAT rebates (point 3.3)

The CISA submission points to China's cancellation of export tax rebates on some steel products as an indicator that China will be more focused on the domestic market and will have less of an incentive to export, therefore reducing the threat of injury to the UK. This however is no guarantee that Chinese exporters will not dump.

First of all, these VAT rebates of 13% that have been removed are lower than the anti-dumping duty of 18.4-22.5% therefore the removal of this tax incentive does not match the effect of the anti-dumping measure. Furthermore, in some cases in the past, Chinese steel producers developed inventive ways to continue claiming rebates, including fraudulently miscategorising their products, or adding small amounts of alloying elements to classify them as alloy steels[2].

That aside, the cancellation of China's VAT rebates alone says nothing about a strategy to reduce domestic steel production or exports. Such government policy is easily reversible, with export tax rebates being provided again in the future. Furthermore, the presence and removal of such tax incentives with the purpose of influencing trade flows is clear evidence of government intervention in the Chinese steel market. It is evidence, in addition to that provided in the UK Steel submission, that prices and costs are distorted and reflect non-commercial factors, so that a particular market situation evidently applies. CISA rejects these points made by UK Steel in relation to other investigations, but provides no further evidence to support this.

4. Double protection because of safeguard measures (point 3.4)

The CISA submission contends that the safeguard measures in place covering rebar make anti-dumping duties redundant. This view is palpably incorrect.

Safeguards and anti-dumping duties are different measures, designed to address different issues. Safeguards will protect from surges in imports and trade diversion but cannot guarantee that imports are coming at non-dumped prices. WTO rules and the UK trade remedies framework allow for both types of measure to apply simultaneously for this reason. For products that are subject to both measures, only one of the two duties applies at any one time; the stated AD duty applies until the quota is exhausted, after which time both apply but the AD rate is adjusted to ensure that the maximum charged is either 25% or the stated AD duty level, whichever is the higher.

Safeguard measures act to limit imports above a certain level, and therefore will have some impact on the volumes of dumping. However, dumping is perfectly possible within the volumes allowed by a TRQ. Indeed, UK Steel already has concerns of manipulative market behaviour by exporters of other products, for example certain steel tubes and merchant bar/light sections which it will continue to monitor.

Other than the general point around the difference between the two measures, currently China is exempt from the safeguards on rebar, as the CISA submission notes, as it is considered a developing country whose exports to the UK fall below the 3% threshold. But the reason for this is precisely because anti-dumping measures have been in place on this product. If the anti-dumping duty was dropped, there would be no safeguarding mechanism in place at least for a period of time until the developing country exemption was reassessed. Even when developing country imports are reviewed it would take at least a year after the removal of the anti-dumping duty before there is enough data showing increased imports from China. In that period, China could export unlimited quantities without any restriction in place and

[2] https://www.reuters.com/article/uk-usa-trade-china-steel-factbox-idUKKBN1KF0DY

by the time its exempt status was reassessed, its exports could cause considerable damage to the UK market. And even when a quota was given to China, this would likely be based on 2015-2017 imports resulting in a quota of around 125,000 tonnes a year, as a result of high 2015 imports before the duty was in place. This is equivalent to nearly a third of UK domestic production and could be hugely damaging.

Additionally, the safeguard measures will only be in place until June 2024 providing no protection at all after this point. An extension of the anti-dumping measure would provide critical protection for at least two years beyond this point.

Finally, there are considerable differences in product coverage of this anti-dumping measure and those relating to rebar in the safeguard measure. The safeguard measure only covers tariff codes 7214 20 00 and 7214 99 10, whereas the anti-dumping duty covers a much wider range of tariff codes particularly under the 722830 heading. Therefore, the removal of the anti-dumping duty would leave several of these tariff codes exposed and would further open the risk of injurious dumping into the UK should it rely exclusively on safeguard measures for protection.

5. Distortions in the Chinese market (point 4.2)

The points here are addressed extensively in the UK Steel submission, but just to note that CISA's statement that UK Steel has not provided any rebar-specific evidence of distortions and has only relied on the European Commission document is incorrect. UK Steel has referenced findings by investigating authorities in Australia, Canada and the US which are either specific to the Chinese rebar market or the wire rod market (which directly applies to the rebar market given that the two products share production lines and can be interchangeable from a production point of view – therefore conclusions regarding the Chinese wire rod industry are directly applicable to the Chinese rebar industry).

The CISA submission also tries to make the claims that official Government documents such as the Five-Year Plans do not give an indication of the Government's industrial policy intentions/plans. This is palpably false and there is a range of academic literature demonstrating this.[3] Equally the CISA attempt to compare Chinese Five Year Plans with a report from the BEIS Select Committee on the steel industry is further evidence to the ridiculousness of the argument made here. The fact that the Select Committee has made similar recommendations regarding the steel sector before[4] that have most definitely not been followed by the Government demonstrate this point well.

6. Causality (point 5)

The UK Steel industry faces a number of competitive challenges and has suffered the economic effects of the pandemic as noted by the CISA submission. However, the presence of other injurious factors does not mean that Chinese imports at dumped prices have not been a major cause of injury in the past and could not be so once again. Far from it, the fact that the UK steel sector faces additional challenges means that it is even more likely that any injury suffered will have severe consequences. The fact that the UK steel sector has suffered from other causes of injury does not negate the huge spare capacity in China and the clear risk of trade diversion and dumping as a result of trade measures in other countries, limiting exporting options for Chinese rebar producers. The only reason why Chinese exports to the UK have reduced in recent years is due to the presence of anti-dumping measures. Dumping is likely to resume should the measure be removed and particularly given the situation of the UK industry; this would cause material injury.

---

[3] https://www.sciencedirect.com/science/article/abs/pii/S1755309117300199#:~:text=Five%2Dyear%20plans%20have%20exerted,%2C%20that%20is%2C%20industrial%20policies.

[4] https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/663/663.pdf

7. Economic interest (point 6)

The CISA submission argues that the measure is not in the economic interest of steel consumers in the UK and that it complicates the economic recovery from the pandemic given global supply chain disruptions.

First, there have been no submissions and no registrations of interest to the case by end-users, therefore there is no evidence of injury to downstream consumers caused by the AD measure even though it has been in place for five years now. In the absence of this, or any representation in this review from UK consumers, one can only reasonably conclude that no notable injury has been caused by the AD duties.

In contrast, the surge in imports ahead of the measure being introduced, caused significant injury to the UK rebar producer, with knock on effects on the UK economy (including UK based fabricators, steel service centres and the construction and manufacturing sector) far greater than any posited harm caused to downstream consumers/traders.

Critically, the likely injury caused by the removal of these AD duties, and the resumption of dumping must be viewed not only in terms of direct loss in steel company GVA and jobs, but also damaging the domestic supply chain. Downstream businesses would be far worse off if they depended solely on imports and had no domestic supply chain which could respond to shorter lead time requirements and would not be impacted by trade flow restrictions, Brexit and Covid-19 being prime examples of this. Domestic production is essential for supply chain resilience and a domestic supply chain multiplies the economic value to the UK, supporting additional jobs in logistics, warehousing and processing. It is therefore in the economic interest of end-users but also of the UK as a whole to maintain and support domestic production of steel.