

Trade Remedies Authority  
North Gate House  
21-23 Valpy Street  
Reading  
RG1 1AF

29 April 2022

**VIA ELECTRONIC FILING**

**CONFIDENTIAL**

Dear sir/madam

**Case TD0011: Certain cold rolled flat steel products exported from the People’s Republic of China and the Russian Federation**

On behalf of Tata Steel UK Ltd (**Tata**), we submit comments with respect to the Statement of Essential Facts (**SEF**) in the transition review of the anti-dumping measures in “Case TD0011: Certain cold rolled flat steel products exported from the People’s Republic of China and the Russian Federation.”

**I. The conclusions of the Trade Remedies Authority (the TRA) in the SEF are correct and well founded**

The TRA in the SEF correctly assessed that, on the balance of probabilities, dumping from Russia (including Severstal) and China was likely to re-occur and cause injury to the domestic industry were the measures to be revoked. The TRA also found that the economic interest test had been met.<sup>1</sup> As such, the TRA recommend varying the measure so that it applies to the goods subject to review until 5 August 2026 at the existing rates. Tata agrees with these conclusions which are well founded.

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<sup>1</sup> TRA, Statement of Essential Facts (Case TD0011): Transition review of an anti-dumping measure applying to certain cold rolled flat steel products originating in the People’s Republic of China and Russian Federation, at paras 21 to 23

## **II. The invasion of Ukraine by the Russian Federation only strengthens the findings in the SEF – namely there is a likelihood that dumping would resume were the measures to be removed which would injure the domestic injury**

The TRA stated that the: “assessments set out in this SEF were completed prior to the imposition of our most recent sanctions against Russia, using the data available at that time. Our findings do not include consideration of how the Russian invasion of Ukraine and associated sanctions could affect future imports as the situation is still unfolding and the overall impact upon this product is unclear.”<sup>2</sup> As such, the TRA “invited [interested parties and contributors] to make contributions in response to this SEF... including in relation to the Russian invasion of Ukraine.”<sup>3</sup>

At the time of submission, the invasion has lasted around two months and the economic data about the impact of the invasion is still scarce. That said, the data we do have suggest that the invasion has increased the likelihood of dumping and injury (should the measure be revoked)

### **A. The Russian domestic market for steel (including cold rolled steel) has collapsed – this increases the likelihood of dumping and injury should the measure be revoked**

The World Bank has conducted an assessment of the invasion by Russia of Ukraine on various economies including Russia’s. The report states: “Before the invasion of Ukraine and the ensuing sanctions, Russia’s economy was recovering well. Growth in 2021 reached 4.7 per cent, following a 2.7 percent decline in 2020”.<sup>4</sup> However, the invasion has profoundly changed Russia’s growth forecasts: “Due to its invasion of Ukraine, Russia faces the largest coordinated economic sanctions ever imposed on a country. Russia’s economy will be hit very hard, with a deep recession looming in 2022. GDP is expected to contract by 11.2 percent, with little recovery in the ensuing two years”.<sup>5</sup> The report is careful to state that this contraction of gross domestic product is “largely due to a contraction in domestic demand”.<sup>6</sup> As such Russia faces a huge contraction of general domestic demand this year and stagnation of demand for the following two years.<sup>7</sup> The pronounced negative shock to general demand will make itself felt across all sectors of the economy including demand for cold rolled steel.

More specific analysis has been conducted on the steel sector. Russia’s steel maker association, Russkaya Stal, had forecast that steel demand would rise by 2 to 3% in 2022.<sup>8</sup> However, since the invasion the association has significantly downgraded its forecasts: “Russia’s steel demand

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<sup>2</sup> *Id.*, at para 5

<sup>3</sup> *Id.*, at para 5

<sup>4</sup> World Bank Group, War in the Region – Europe and Central Asia Economic Update – Office of the Chief Economist, Spring 2022, at page 91, see <https://www.worldbank.org/en/region/eca/publication/europe-and-central-asia-economic-update>

<sup>5</sup> *Id.*, at page 91

<sup>6</sup> *Id.*, at page 92

<sup>7</sup> The International Monetary Fund (IMF) forecast that Russia’s GDP will shrink by negative 8.2% in 2022 and negative 2.3% in 2023: IMF, World Economic Outlook, April 2022, see <https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022>

<sup>8</sup> S&P Global, Commodity Insights, Russian Steel Demand May Slump 30% in 2022: Steelmakers Association, 29 March 2022, see <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/metals/032922-russian-steel-demand-may-slump-30-in-2022-steelmakers-association>

may slump 30%, or 13 million mt, year on year in 2022”.<sup>9</sup> The association specifically draws attention to the decline of automotive production in Russia which is a heavy user of cold rolled steel:<sup>10</sup> “Ferrous metals producers in Russia are facing a significant decrease in domestic demand for their products, which, among other things, is owed to production stoppages within the automotive industry -- eight of 14 Russian car plants have been idled, and the cumulative decline in car production may reach 50% this year”.<sup>11</sup>

The guidance on the likelihood of the resumption of dumping states that: “Factors including low demand and low prices may indicate that it is more likely that overseas exporters would continue or resume dumping if measures were removed”.<sup>12</sup> Given the negative demand shock which will see demand for cold rolled steel severely contract, the likelihood of continued dumping has been significantly increased since the invasion (which would in turn increase the likelihood of injury given the UK industry is still vulnerable to injury).<sup>13</sup>

**B. The Russian export markets for steel (including cold rolled steel) has collapsed – this increases the likelihood of dumping and injury should the measure be revoked**

Many major markets for cold rolled steel have been closed to Russian exports by the use of sanctions and other trade instruments. The European Union has sanctioned the import of various steel imports – including cold rolled steel.<sup>14</sup> The European Union has also announced it intends to withdraw Russia’s Most Favoured Nation (MFN) status which could pave the way for higher tariffs on steel goods such as cold rolled products.<sup>15</sup> The US has taken similar measures by removing Russia’s MFN status.<sup>16</sup> This will mean that Russian cold rolled steel imports will be

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<sup>9</sup> *Id.*; the World Steel Association forecasts a contraction of steel demand in ‘Russia & other CIS + Ukraine’, World Steel Association, Short Range Economic Outlook, April 2022, see <https://worldsteel.org/steel-by-topic/statistics/short-range-outlook/>

<sup>10</sup> Tata Steel Europe, Cold-Rolled Steel, see <https://www.tatasteeleurope.com/automotive/products/cold-rolled>

<sup>11</sup> S&P Global, Commodity Insights, Russian Steel Demand May Slump 30% in 2022: Steelmakers Association, 29 March 2022

<sup>12</sup> Department for International Trade, Guidance, see <https://www.gov.uk/guidance/trade-remedies-investigations-directorate-trid-dumping-and-subsidisation-investigations-guidance/transition-reviews-anti-dumping-and-countervailing-measures>

<sup>13</sup> TRA, Statement of Essential Facts (Case TD0011): Transition review of an anti-dumping measure applying to certain cold rolled flat steel products originating in the People’s Republic of China and Russian Federation, at para 218

<sup>14</sup> COUNCIL REGULATION (EU) 2022/428 of 15 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, see <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R0428&from=EN>

<sup>15</sup> European Commission, Statement by Executive Vice-President Dombrovskis on EU Decision to Stop Treating Russia as a Most-Favoured-Nation at the WTO, see [https://ec.europa.eu/commission/commissioners/2019-2024/dombrovskis/announcements/statement-executive-vice-president-dombrovskis-eu-decision-0\\_en](https://ec.europa.eu/commission/commissioners/2019-2024/dombrovskis/announcements/statement-executive-vice-president-dombrovskis-eu-decision-0_en)

<sup>16</sup> The US Congress has passed legislation which removes Russia’s Most Favoured Nation treatment. The House first passed legislation on March 16, 2022 (H.R. 7108), with the Senate moving to pass equivalent legislation on April 7, 2022 (S.A. 5020) (both bills are titled the “Suspending Normal Trade Relations with Russia and Belarus Act”)

subject to “column 2” tariff rates of the Harmonized Tariff Schedule of the United States which are significantly higher than the “column 1” MFN rates.<sup>17</sup>

The EU and the US are not alone in their actions. The G7 issued a joint statement on the 11 March 2022 in which the group expressed their intention to remove Russia’s MFN treatment – which would again potentially pave the way for higher tariffs on steel including cold rolled steel in Japan and Canada<sup>18</sup>. This is compounded by the fact that the global steel demand is generally likely to grow slowly in 2022 (0.4%) meaning that export markets will be stagnant for all countries, including Russia.<sup>19</sup>

The guidance on the likelihood of the resumption of dumping states that the TRA should consider: “Any other factors that may be relevant in determining the likelihood that dumping will continue or occur if measures were removed”.<sup>20</sup> Given that Russian exports of cold rolled steel have already been (or are potentially about to be) locked out of major markets, the likelihood of dumping in the UK should the measure be revoked has significantly increased. This is because Russian exporters will take advantage of the revocation of the order to get rid of excess supply which they cannot sell at all (or as easily) elsewhere in the world. The likelihood of continued dumping has thus been significantly increased since the invasion (which would in turn increase the likelihood of injury given the UK industry is still vulnerable to injury).<sup>21</sup>

**C. The UK’s non-MFN tariff rates and sanctions on imports of steel from Russia do not offset dumping from Russia as their purpose is different, namely to advance UK national security and foreign policy objectives**

On 25 March 2022, the UK deprived Russia of its MFN status and imposed a 35% tariff on steel products from Russia, including cold rolled steel.<sup>22</sup> As the announcement by the Department for International Trade (DIT) and HM Treasury made clear, these additional tariffs were designed to advance the UK’s national security interests and foreign policy objectives to “cause maximum harm to Putin’s war machine while minimising the impact on UK businesses”, with the Secretary of State for DIT adding that: “The UK stands shoulder to shoulder with our international partners in our determination to punish Putin for his barbaric actions in Ukraine, and we will continue our work to starve his regime of the funds that enable him to carry them

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<sup>17</sup> For all relevant CRS products at the four-digit level, the column 1 tariff is 0, whereas a significant non-zero tariff is imposed for column 2 tariffs. For products under HS 7209, the column 2 tariff is 0.4¢/kg + 20% or 20%, for HS7211 it is 20%, 25% or 0.4¢/kg + 20%, for HS 7225 it is 28% or 29% and for HS 7226 it is 28%, 33%, 34%, 37%, 0.4¢/kg + 29% and 0.4¢/kg + 28%, see **Exhibit 1**

<sup>18</sup> Prime Minister’s Office, 10 Downing Street, G7 Leaders’ Statement on Ukraine: 11 March 2022, see <https://www.gov.uk/government/news/g7-leaders-statement-on-ukraine-11-march-2022>

<sup>19</sup> World Steel Association, Short Range Economic Outlook, April 2022, see <https://worldsteel.org/steel-by-topic/statistics/short-range-outlook/>

<sup>20</sup> Department for International Trade, Guidance, see <https://www.gov.uk/guidance/trade-remedies-investigations-directorate-trid-dumping-and-subsidisation-investigations-guidance/transition-reviews-anti-dumping-and-countervailing-measures>

<sup>21</sup> TRA, Statement of Essential Facts (Case TD0011): Transition review of an anti-dumping measure applying to certain cold rolled flat steel products originating in the People’s Republic of China and Russian Federation, at para 218

<sup>22</sup> Customs (Additional Duty) (Russia and Belarus) Regulations 2022, see <https://www.gov.uk/government/publications/reference-documents-for-customs-additional-duty-russia-and-belarus-regulations-2022>

out”.<sup>23</sup> This is in contrast to the transitioned anti-dumping order on cold-rolled steel whose purpose is to remedy the dumping of goods in the UK – that is, ensure that goods entering the UK are being imported at non-dumped prices.

The non-MFN 35% tariff on steel and the antidumping order on cold rolled steel thus serve two different and distinct purposes. To treat the non-MFN rate as an offset to the dumping measure would be to undermine the purpose of the non-MFN tariffs – as it would dilute any punitive consequences to import and thus undermine the national security and foreign policy objectives of the non-MFN tariffs.

The same argument can be made with respect to UK sanctions on steel which prevent import of CRS products.<sup>24</sup> The purpose of the sanctions is again to advance the national security interests and the foreign policy objectives of the UK. Regulation 4 of the Russia (Sanctions) (EU Exit) Regulations 2019, on the purpose of the sanctions, states they are made ‘for the purposes of encouraging Russia to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine’. This was echoed by the Foreign, Commonwealth and Development Office in a statement on the iron and steel sanctions specifically: “As a leading voice calling for international action, the UK’s fifth package of measures will cut off key sectors of the Russian economy... action against key Russian strategic industries and state-owned enterprises... [includes] a ban on imports of iron and steel products, a key source of revenue.”<sup>25</sup> This again contrasts with the purpose of the transitioned anti-dumping order on cold-rolled steel whose purpose is to remedy the dumping of goods in the UK.

The sanctions against Russian steel and the anti-dumping order on CRS thus serve two different purposes. Because of this, it is thus necessary to keep both the anti-dumping order alongside the sanctions on steel to ensure both objectives of met. For example, in cases where licences are obtained to allow import or where the sanction is ended, it is important that the dumping order be preserved so that any imports of CRS that do enter the UK continue to enter at un-dumped prices (by applying the anti-dumping tariff to those goods).

### **III. Conclusion**

Given that the market for Russian cold-rolled steel producers has collapsed at home and abroad, there is an immense pressure for Russian exporters to find markets for their goods and dump their excess supply. This will significantly increase the likelihood of dumping and injury should the measure be revoked as excess supply in Russia will be directed and dumped in markets which make it easier to export to. It is thus absolutely imperative that the measure be continued for five years on the goods subject to review at the existing rate.

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<sup>23</sup> Department for International Trade and HM Treasury, UK announces new economic sanctions against Russia, see <https://www.gov.uk/government/news/uk-announces-new-economic-sanctions-against-russia>

<sup>24</sup> Regulations 46DD, Schedule 46C and Schedule 3B, The Russia (Sanctions) (EU Exit) Regulations 2019 (as amended)

<sup>25</sup> Foreign, Commonwealth & Development Office, UK imposes sweeping new sanctions to starve Putin's war machine, see <https://www.gov.uk/government/news/uk-imposes-sweeping-new-sanctions-to-starve-putins-war-machine>

Furthermore, the anti-dumping orders on cold rolled steel and the non-MFN rates and sanctions on steel serve two different purposes: the former remedies dumping and the latter is done to advance national security and foreign policy objectives. As such, the non-MFN tariff rates and sanctions should not be regarded as an offset to the anti-dumping order, but be maintained alongside the anti-dumping order so that both the national security and foreign policy objectives can be achieved as well as the remediation of dumping.

Tata reserves the right to make further submissions.

Respectfully submitted,

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