**RECONSIDERATION WITH REGARD TO THE TRANSITION REVIEW OF THE SAFEGUARD ON CERTAIN STEEL PRODUCTS**

**COMMENTS ON BEHALF OF**

**THE HYUNDAI STEEL COMPANY**

**7 OCTOBER 2021**

# INTRODUCTION

1. This submission presents the comments of the Hyundai Steel Company [“Hyundai Steel”] with respect to the notice of initiation reconsidering transition review of the safeguard on certain steel products of September 7th, 2021.
2. Hyundai Steel respectfully submits the following comments and requests the TRA to consider the opinions of the Korean steel industry in accordance with the TRA’s initiative to maintain the traditional trade flows and optimize the interest of the relevant industries, including both steel and steel-using sectors.

# No Flood of Imports Due to Overcapacity and US Section 232

1. Korea and the United Kingdom [“UK”] have been maintaining mutually cooperative relations to address issues regarding global overcapacity and trade protectionism. Moreover, the bilateral relations have been further enhanced since the UK-Korea FTA, which went into effect in January 2021.
2. UK Steel Association and steel producers in the UK argue that overcapacities and the US Section 232 measures would cause further trade diversion and a “flood” of imports, if the safeguard measures are not extended.
3. Hyundai Steel disagrees with the presented arguments. UK Steel Association claims that global steel capacities would be increased and therefore threaten the EU market. First, the claim that global steel production capacities are increasing is at the very least an inadequate simplification. In fact, steel production capacities in most countries and regions have remained stable or even decreased between 2018 and 2020. The China, the only country that has seen an increase during that period, has also recently been declining. UK does not have to address this very country-specific issue with globally applicable safeguard measures. Second, the possible negative effects of overcapacities seem to be mostly limited to certain product categories from certain countries. By casting the wide net of safeguard measures, the UK accepts considerable collateral damage for product categories that are not injuring the UK steel industry or UK economy, but, on the contrary, represent a crucial addition to the product variety and supplier choice on the UK market. Moreover, sensitive value chains for cross-border operations in the UK are being disturbed and impeded in their business development.
4. UK steel producers are worried that steel products exported to the United States will lose their sales channels and exports to the UK will increase as US Section 232 measures.
5. Hyundai Steel submits that the estimated increases in production capacity must be understood within their broader context. According to the US Chamber of Commerce, after the imposition of the Section 232 tariffs, steel companies were, in fact, laying off workers and curtailing investments by the end of 2019.[[1]](#footnote-1) Rather than a future threat to the EU, the drop in US capacity utilisation in 2020 should be understood as a consequence of the negative economic effects of protectionist tariffs. Economic experts are quasi-unanimous in the finding that the cost of these tariffs has been passed on entirely to US importers and consumers. Economic research further suggests that foreign steel exporters of substantially lowered their prices when exporting into the US market.[[2]](#footnote-2) The Section 232 tariffs have not had the desired effect of strengthening the US Steel industry; rather, according to a leading expert, they have cascaded out of control.[[3]](#footnote-3).
6. It is difficult to predict the action of the new Biden Administration on these Section 232 tariffs because of the complex political considerations. It is, however, at this stage relatively clear that the Biden Administration will not tighten measures. Given the strong positions taken by, for instance, the US Chamber of Commerce, it is reasonable to expect that the tariffs on steel imports in the US will be gradually phased out.[[4]](#footnote-4)
7. Furthermore, the negative effects of these Section 232 tariffs on the US economy may provide a useful example for the UK’s own cost-benefit analysis when considering extending safeguards.

# OTHER RELEVANT ASPECT

1. The current UK safeguard measures have already caused significant trade tension. Moreover, several countries started seeking compensation for the adverse effects of the safeguard measures as Korea already has done. [[5]](#footnote-5)
2. Due to Covid-19 lockdown measures across the world in the first half of last year, a number of steel makers had to idle capacities to balance supply with sharply declined demand. Globally, the steel market is overheating to make up for unsatisfied production due to the impact of last year’s Covid-19 lockdown. Steel product prices are rising due to supply not meeting demand. The downstream industry is suffering greatly from the implementation of the safeguard measures.
3. UK-Korea FTA should be taken into account. Hyundai Steel recalls that the EU-Korea FTA encouraged Korean steel and automotive producers to integrate large parts of their supply chains into the domestic European industry, including long-term supply contracts and just-in-time delivery for highly specialized steel. By unilaterally limiting the exports of steel from Korea by way of the present tariff quotas, the EU has distorted the trade balance that forms the basis for the EU-Korea FTA and, more importantly, disrupted the complex integrated supply chains.

# CONCLUSIONS

1. In sum, Hyundai Steel is opposed to the continuing of the UK steel safeguard measures as a whole and requests the TRA to be terminated the UK steel safeguard measures as soon as possible.

1. US Chamber of Commerce, *What’s Next for the Sec. 232 Tariffs on Steel and Aluminium*.

   Available at: < <https://www.uschamber.com/issue-brief/what-s-next-the-sec-232-tariffs-steel-and-aluminum#:~:text=Introduced%20in%20two%20waves%E2%80%94in,Australia%20got%20a%20full%20exemption> > [↑](#footnote-ref-1)
2. Amiti, Mary, Stephen J. Redding, David E. Weinstein, *The Recent Consequences of Trade*

   *Wards and Trade Threats: Who’s Paying for the US Tariffs? A Longer-Term Perspective*, AEA

   Papers and Proceedings 2020, 110: pages 541-546. [↑](#footnote-ref-2)
3. Chad P. Bown, *Trump’s steel and aluminium tariffs are cascading out of control*, Feb. 4 2020,

   Peterson Institute for International Economics. Available at: < <https://www.piie.com/blogs/trade-and-investment-policy-watch/trumps-steel-and-aluminum-tariffs-are-cascading-out-control> > [↑](#footnote-ref-3)
4. US Chamber of Commerce, *What’s Next for the Sec. 232 Tariffs on Steel and Aluminium*.

   *Supra*, note 16. [↑](#footnote-ref-4)
5. Article 8.2 Agreement on Safeguards. [↑](#footnote-ref-5)