

**CBM Submission to Trade Remedies Authority
Reconsideration of Steel Safeguarding Measures, Case TF0006
Product Category 12
NON-CONFIDENTIAL**

Introduction

This is an update to the previous submissions made to the TRA by the Confederation of British Metalforming in May and October 2021.

Developments in Q4 2021

Throughout the second half of 2021, the CBM worked intensively with officers of the Department of International Trade to resolve the highly corrosive impact of Category 12 safeguarding measures on some of its member companies.

The CBM was obliged to accept that the safeguarding measures reimposed by the Secretary of State, in contradiction to the TRA recommendation, would not be rescinded. Nor would it be possible to achieve a substantive increase in the quota allocation.

To mitigate the impact of safeguarding, the CBM and UK Steel brought forward a proposal to segregate alloy steels under Category 12 into a separate product group, aimed at eliminating the skewing impact on quotas of high-volume imports of non-alloy product. CBM also urged the identification and removal of 7228 tariff coded product not actively manufactured in the United Kingdom.

From 1st January 2022, as a result of this work, twelve 7228 codes were terminated from Category 12. Remaining codes under Category 12 were segregated into 12A (alloy steels under 7228 codes) and 12B (non-alloy, under 7214 and 7216 codes).

The CBM is very grateful for the dedication of DIT officers and colleagues in BEIS and HMRC, in listening to, understanding, and ultimately responding to the urgent needs of our members. The CBM is also very appreciative of the pragmatic and supportive response from UK Steel.

As far as we can assess, the allocation of quota volumes to the new Category 12A has been calculated transparently and is consistent with the general approach to safeguarding quotas.

It must be clearly recognised that the exhaustion of Category 12 quotas during safeguarding quarters 1 and 2, massively impacted several CBM members. It remains a source of regret that it was not possible to bring into effect the mitigation measures for the second safeguarding quarter, from 1st October 2021.

That said, without the eventual introduction of the mitigation measures above, there is no question that CBM members would have needed to implement very serious financial measures to try to maintain business viability. For one company the situation was sufficiently critical that plans were already being made at the end of 2021 for radical downsizing of the business.

Another CBM member had already, under instructions from its holding company, begun transferring production from the UK to a plant in the European Union. It is hoped the introduction of the mitigation measures will permit the UK management to agree a stay of execution of this process.

Two other members were in advanced stages of discussion with US owners about transferring production from UK plants to sites in the EU, US and China. Again, UK management is now citing the changes to Category 12 as reason for their owners to hold off on these decisions.

It must also be recognised that Category 12 safeguarding in the second half of 2021 seriously undermined overseas customer confidence in British manufacturers. CBM members had no choice but to explain the jeopardy of quota exhaustion tariffs and the necessity of reflecting these costs in their customer contracts. CBM has received clear evidence from members that overseas customers, particularly in the EU, are actively seeking to source away from the UK as a direct consequence of Category 12 safeguarding. Even if quota now hold this crucial reduction on confidence, already eroded by other Brexit implications, will be extremely difficult to reverse for as long as safeguarding measures remain in place.

At the request of DIT, CBM encouraged its members to register as interested parties in the TRA's reconsideration process. We are away that several did so and have made detailed, confidential submissions, providing clear evidence of the impact of safeguarding on their businesses. The CBM urges the TRA to take this direct evidence into full account in the reconsideration process.

Mitigation not resolution

CBM sincerely *hopes* the changes to Category 12 will *mitigate* the immediate impact of safeguarding measures on British manufacturing companies reliant on these materials to respond to both domestic and export demand for their products.

However, only experience in the current and next quarter (safeguarding quarters 3 and 4) will determine whether CBM members will, again, incur damaging tariffs.

That jeopardy will continue to exercise a corrosive influence on their businesses for the duration of the safeguarding measures.

From the outset CBM was clear that, while recognising the need for UK steel manufacturers to be afforded protection from unfair competition, safeguarding is the bluntest instrument in the trade remedy armoury. CBM predicted that it would have profound and highly counterproductive effects on British downstream metal manufacturers.

The CBM expressed serious concerns that the rigidity of the steel safeguarding measures would present a supply environment in which CBM members were unable to exercise essential flexibility to respond to UK market demand and growth requirements, at a time of considerable supply and demand market turmoil.

The CBM argued that the continuation of the steel safeguarding measures in the current global and domestic environment, would represent a major inhibition to the growth of some of its members and to UK economic growth and global competitiveness at a crucial juncture in its development, having exited the European Union.

The excruciatingly painful experiences of CBM members throughout the second half of 2021, vindicate those concerns and shine a stark spotlight on the damage inflicted on British manufacturers and their ability to contribute to British economic growth at this critical phase in the country's history.

TRA Recommendation and the Secretary of State's Decisions

The CBM also expressed shock and deep disappointment that the Secretary of State should, at the end of June 2021, disregard the thoroughly researched and considered recommendation of the TRA for the revocation of steel safeguarding measures on Category 12 products.

CBM noted the lack of procedural transparency and failure to provide adequate opportunities for all interested parties to present their views and respond to views of others.

CBM was also deeply concerned to be informed by the TRA that, because of the mechanism deployed to reimpose safeguarding measures, the Secretary of State's decision did not fall into the scope of the Reconsideration Regulation.

Category 12A safeguarding measures must not be extended

In June 2021 the TRA recommended the revocation of Category 12 safeguarding measures.

CBM is not able to comment on the codes now listed under Category 12B. However, the CBM has accumulated a deep insight into the products under Category 12A.

Consistent and reliable supply of these alloy steels is critical to British downstream manufacturers responding to both domestic and particularly export demand and continuing to contribute actively to the growth of the British economy.

Further extending the jeopardy of quota exhaustion tariffs will undermine CBM members and other British manufacturers. This outweighs any benefit of safeguarding to British steelmaking in this product area.

The CBM, therefore, urges the TRA to stand by its original position in relation to Category 12A and to emphatically recommend that safeguarding measures on Category 12A are NOT further extended, but expire at the end of June 2022.

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