

UK STEEL

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UK Steel Safeguards Meeting – 28.05.2021

UK Steel

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Agenda

1. Conceptual Points/Legal Interpretation
2. Increase in imports analysis
3. Product interconnectivity and injury analysis
4. Product specific analysis
5. UK Steel Members comments

Period of Investigation

- **49(4) states** *“the review must consider whether goods belonging to each specified category of steel products were, during the **same investigation period considered by the European Commission** in connection with the EU tariff rate quotas, imported into the United Kingdom in increased quantities..”*
- TRID has defined this as 2013-2017 but the Commission did not limit itself to this period stating in its definitive determination
“... the Union Industry... recovered partially in 2017. However, the Commission considered that the Union industry despite the temporary improvement, was still in a fragile situation and under the threat of serious injury if the increasing trend in imports continued with the ensuing price depression and profitability drop below sustainable levels”
- IF TRID were to follow the same approach the Commission took it would have taken into account not just 2013-2017 import trends but also the threat of an increase in imports. This threat was primarily related to trade diversion related to 232, but in the case of TRID's investigation must also consider subsequent responsive action from EU, China, Canada, Turkey, EEU amongst others.

Level of Analysis

- TRID has largely carried out the review on the basis of 19 individual product categories.
- UK Steel submits that it should have instead conducted this analysis at the global or the 'product family' level. This would have:
 - Followed the approach taken by the EU Commission
 - Ensured that TRID was creating explicit link between its findings on injury/threat of injury and those on increase/threat of increase in imports
 - Taken into account the interrelated nature of the products and in some cases the substitutability of products from one category to another
- The Commission was clear in its definitive determination:

"The acknowledgement that a global analysis is warranted given the strong interrelations between all product categories subject to the investigation also entails that the most appropriate way to perform the causation analysis is by aggregating the three product families that were distinguished in certain parts of the overall analysis"

Increase in imports analysis

1. Use of incomplete dataset

- TRID's assessment of an increase in imports has been based on incomplete HMRC import data that excludes sizable quantities of imports into the UK across all product categories.
- This is due to the fact that imports from the EU below a certain value threshold were not reported and reflected in standard HMRC trade data, however HMRC provides estimates for the volume of these imports.
- In 2013, 3% of imports was unaccounted for, this increased to 9% by 2017.

	2013	2014	2015	2016	2017
ISSB Data - Imports for all categories (Tonnes)	5,104,805	6,148,236	5,995,856	6,456,643	6,397,699
HMRC Data - Imports for all categories (Tonnes)	4,947,945	5,875,304	5,681,760	5,967,872	5,855,151
Difference (Tonnes)	156,860	272,932	314,096	488,771	542,548
Difference (%)	3%	5%	6%	8%	9%

Increase in Imports Analysis

As an example, data drawn from HMRC's data download facility displays the following for EU Imports for category 17:

Code	Nature of Trade Description	2013	2014	2015	2016	2017	2018
000	below threshold trade allocations	9,611	16,135	20,498	26,054	38,411	37,146
001	all transactions involving actual or intended change of Ownership	525,336	544,622	548,797	480,919	513,466	554,272
002	returned goods and replacement goods	0	7	0	0	0	36
003	free of charge transactions involving permanent change of ownership	0	0	0	0	0	0
004	goods for processing or repair	3,555	3,563	3,455	4,806	6,039	5,016
005	goods returned following process/repair	0	0	0	0	0	0
006	no code 006	0	0	0	0	0	0
007	joint defence projects or other joint inter-governmental programmes	0	0	0	0	0	0
008	Supply of building materials as part of general construction	1	0	0	0	0	159
009	Other	0	0	0	0	0	0
Grand Total		538,502	564,327	572,749	511,780	557,916	596,628

Increase in imports analysis

- UK Steel has submitted detailed methodology and below-threshold trade estimates per product category.

Product category	2013	2014	2015	2016	2017	2018
6. Tin Mill Products	1,657	4,062	4,206	6,358	4,698	6,589
12. Merchant Bars and Light Sections	27,436	44,461	39,221	64,424	77,211	57,110
16. Non Alloy and Other Alloy Wire Rod	12,563	12,816	18,908	47,725	32,254	21,911
17. Angles, Shapes and Sections	9,611	16,135	20,498	26,054	38,411	37,146

- If TRID does not consider the additional imports of steel reflected in more comprehensive HMRC data (sourced by UK Steel from ISSB), its analysis is fundamentally flawed, and it will not meet its legal requirement to properly consider whether steel products were imported into the UK in increased quantities.
- Using the full HMRC data set, four out of six categories revoked on the basis of no increase in imports (6, 12, 16 and 17) demonstrate a clear increase.

Comparison of HMRC and ISSB Data for UK imports

Category	Data source	2013	2014	2015	2016	2017	2013-17	2013-16
6. Tin Mill products	HMRC	134,863	132,801	152,787	156,808	132,223	-2%	16%
	ISSB	136,520	136,863	157,060	163,666	136,935	0%	20%
12. Non Alloy and Other Alloy Merchant Bars and Light Sections	HMRC	270,388	297,733	246,623	241,819	254,439	-6%	-11%
	ISSB	298,156	342,691	286,818	307,452	331,964	11%	3%
16. Non Alloy and Other Alloy Wire Rod	HMRC	266,646	280,919	232,297	253,364	256,876	-4%	-5%
	ISSB	279,209	293,745	251,494	301,600	289,190	4%	8%
17. Angles, Shapes and Sections of Iron or Non Alloy Steel	HMRC	583,508	634,254	609,174	597,596	581,558	0%	2%
	ISSB	593,119	650,390	630,012	624,086	619,995	5%	5%

Increase in imports analysis

There was no reason provided by TRID as to why this more comprehensive data set was not considered. TRID should have no reasonable concerns about setting a precedent through the use of this more complex, but more accurate data set for the following reasons:

- There are no other transition reviews required that place the use of intra-EU data at the centre of analysis making the difference between a positive and negative determination
- Whilst historical intra-EU data may be used in some transition reviews in relation to things like UK market share of exports from different origins, it will not make a fundamental difference to the outcome of reviews
- As of 2021 HMRC is collecting and reporting imports from the EU in precisely the same manner as imports from elsewhere. This will provide an accurate data set for use in any possible trade remedies investigations against the EU in the future.
- It is unlikely that there will be any trade remedies cases against the EU in the short term. In all likelihood by the time a case did arise, there would be sufficient HMRC data from the EU collected on a standard basis (i.e. with the inclusion of below threshold trade)

Increase in imports analysis

2. Consideration of wider trends

- Too narrow a definition of what constitutes an increase in imports
- For example Cat 6, there is a clear trend of increasing imports between 2013-2016 both in absolute and relative terms

3. Requirement for sudden and sharp increases

- Categories 6 and 12 demonstrate an increase in imports relative to production, yet TRID recommends revocation of the measures on grounds that the development in imports across the POI has remained stable throughout the period.

Regulation 49(4) simply requires a consideration of whether there has been an increase in imports, it does not stipulate the pace or trend that must be demonstrated. Regulation 50(4) provides considerable flexibility in this regard, simply stating that where the TRA concludes that goods were considered to have been imported into the UK at increased quantities, then measures are able to continue.

Product interconnectivity & injury analysis

- Revoking measures on individual product categories disregards the interconnectivity of steel products and the production economics of steel plants, ultimately undermining the effectiveness of the measures where retained.
- Factors demonstrating likely recurrence of imports and injury are sector wide, not product specific.
- Applying the measure unevenly will increase the likelihood of a surge in imports and injury for those categories that are not covered. This will have knock-on effects on the categories covered as well.
- TRID has therefore erred in recommending the revocation of measures on individual product categories on the basis of no likelihood of injury.

Product specific analysis

Tin Mill Products (6):	Quarto Plates (7):
<ul style="list-style-type: none">• Revocation based on no increase in imports• Absolute increase in imports 2013-2016 of 16%• Relative increase 2013-2017 and more significant up to 2016• Significant market size reduction during period• Injury and likely increase in imports analysis done at combined level would not be impacted by inclusion of Tin Mill	<ul style="list-style-type: none">• Revocation based on no threat of injury?• Absolute increase in imports of 11% even in basic HMRC data used by TRID• New data provided by UK Steel clearly shows UK production of product and key injury indicator of falling production• Injury and likely increase in imports analysis done at combined level would not be impacted by inclusion of Plate

Product specific analysis

Merchant Bars & Light Sections (12):	Wire Rod (16) & Angles, Shapes & Sections (17):
<ul style="list-style-type: none">• Revoked on basis of no increase in imports• Absolute increase in imports if using full data set (11%)• Relative increase in imports using HMRC data (6%)• Injury and likely increase in imports analysis done at combined level would not be impacted by inclusion of this category	<ul style="list-style-type: none">• Both revoked on basis of no increase in imports• Absolute increase in imports if full data set is used (4% and 5% respectively)• Injury and likely increase in imports analysis done at combined level would not be impacted by inclusion of these category

Product specific analysis

Large Welded Tubes (25A and 25B)

- Category 25A revoked on basis of no production in 2020? Reason unclear
- Category 25B revoked on basis of economic interest test.
- TRID analysis for 25A confirmed – decrease in employment, fall in production, decline in productivity, likelihood of increase in imports, sharp increase of imports relative to production.
- No grounds for 25B not meeting economic interest:
 - UK producers have a notable market share when considering 25A+B
 - New data provided by UK Steel clearly shows notable market share of domestic producers for category 25B
 - No clear consistent trend in trade pattern for 25B to show that quota would be exhausted and prices would be disproportionately impacted
- Additionally, UK Steel submits that 25A and 25B should be assessed as individual product category as done by EU. Significant increase in imports seen in 25 as a whole.

Product specific analysis

Non Alloy Wire (28):

- Revoked on basis that increase in imports wasn't sudden or sharp?
- Significant absolute increase in imports - 26% increase between 2013-2017 and a 32% increase up to 2016
- New data provided by UK Steel clearly shows significant UK production
- Injury indicators are industry wide – wire injury correlated to wire rod for which more granular data is available
- Dominated by SMEs - smaller producers should not be penalised for not submitting data at a time of dealing with Brexit and Covid related challenges