

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

Introduction

In May 2021 the Confederation of British Metalforming made a detailed submission to the then TRID regarding TF0006.

The CBM made it clear that it was not convinced that the steel safeguarding measures transitioned from the European Union would be effective in supporting UK steel manufacturing and might in fact, be counterproductive particularly to 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 believed 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.

We also noted that safeguarding quotas, through necessity, are based on historic data. Those data, and hence the quotas, could not accurately reflect current and future conditions in either the UK or global supply chain – especially in a period of demand growth and global steel industry turmoil.

These concerns were substantially heightened by clear evidence that British steelmakers were not, in fact, capable or willing to supply all the grades of steel products required by CBM members to sustain their production.

In its submissions, the CBM expressed specific concerns over reliable British supply of engineering steels under Category 12 and also Category 4A.

The CBM, therefore, urged TRID to determine that the steel safeguarding measures should NOT be reimposed following their expiry in June, at least for a period of one year, to provide a critical ‘window’ for British metalformers to exercise maximum flexibility in sourcing, so they could respond effectively to both domestic and export demand growth.

Subsequent events have graphically reinforced the CBM’s concerns and have inflicted significant injury on downstream British metal manufacturers with the real threat, unless decisive action is taken, of further, deeper and potentially catastrophic injury, including job losses, migration of manufacturing out of the UK, and company closures.

TRA Recommendation and the Secretary of State's Decisions

In June the TRA published its detailed recommendation to the Secretary of State, which included the recommendation that steel safeguarding measures should be revoked for nine product categories, including Category 12.

The CBM welcomed the TRA recommendation to revoke safeguarding measures on Category 12. It was, therefore, shocked and deeply disappointed that the Secretary of State should override this recommendation and reimpose safeguarding measures by public notice.

The Secretary of State said that she had made this decision based on 'new evidence' provided to her. That this new evidence was not made available to other interested parties is, in our view, contrary to WTO general principles requiring procedural transparency and the provision of 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.

As a result, the CBM urgently sought and obtained direct meetings with officials at both the Department of Business, Energy and Industrial Strategy and the Department of International Trade over its concerns about the reimposition of safeguarding on Category 12 products. These contacts specifically warned of the risk of the premature exhaustion of quotas and the serious impact on British manufacturers as a result.

Experience from Calendar Quarter 3, 2021

The majority of CBM members affected by Category 12 safeguarding import their materials from EU sources. Significantly, they had not previously experienced safeguarding measures on these imports prior to 1st January 2021, which were implemented as a result of the UK leaving the EU.

These imports fall under Quota 058016.

On 27th August 2021, Quota 058016 exhausted and 25% safeguarding tariffs were applied to CBM members imports.

The engineering steels required by CBM members fall primarily under tariff code heading 7228, although a few also fall under 7214 and 7216. The products imported under 7228 were and are not generally available from British steelmakers. Even where theoretical capability existed from Liberty Steel, CBM and its members obtained confirmation the company was consciously not producing these grades because of the financial predicament of its international holding company.

CBM submitted detailed evidence to the Department of International Trade, including direct statements by directors of six seriously affected member companies. The imposition of tariffs created the following serious issues:

- CBM members had to notify major export customers of additional price increases above and beyond those already being implemented because of global steel market conditions.

- These above market increases will almost certainly result in customers, already concerned over the viability of the UK as a reliable supply source, actively reviewing the supplier status of the CBM members involved, with a strong probability that business will be shifted away from the companies and the UK.
- Two members now face active board-level reviews by US owners of the future viability of manufacturing in the United Kingdom. In both instances the Groups involved already have manufacturing operations in mainland Europe and elsewhere in the World to which production can be transferred.
- Another CBM member immediately began transferring some production to a French sister facility, threatening employment at and the ultimate viability of its UK production plant.
- The tariffs incurred severely impacted company cash flow.
- Putting off receipt of imports in order to avoid incurring tariffs results in delays or constraints in meeting domestic and export customer orders.

This experience demonstrated, in the most painful manner, that the TRA was correct in recommending the revocation of safeguarding measures on Category 12.

Subsequently, more companies - some not members - have contacted the CBM to provide details of their deep concerns over the impact of safeguarding on their businesses. It has become clear that the detailed experiences CBM has been able to collate from its members represent the tip of an iceberg of an issue that is impacting many other British manufacturers.

Finding a Solution to Category 12

UK Steel and the CBM, therefore, worked together to develop a solution that would permit continued controls over imports of merchant and commercial bar while avoiding or at least ameliorating the impact of tariffs on engineering steels.

On 17 September UK Steel and the CBM submitted a joint proposal to DIT and BEIS, requesting the segmentation of the current Category 12. This called for the separation of engineering steels under tariff heading 7228 into a separate product category (12b). It additionally sought a similar the import of engineering steels under tariff codes 7214 and 7216.

This proposal was developed urgently in order that it could be implemented for Calendar Quarter 4 2021. Regrettably, this was not possible and there have been further subsequent delays, most recently due to ministerial changes.

CBM members now face the virtual certainty that Quota 058016 will exhaust again early in November.

The injury this will inflict on British metalforming manufacturers cannot be understated. It will result in heavy erosion of profitability, further serious cash flow implications, job losses, undermining or loss of export business and the ability to support UK customers; and ultimately the downscaling and potential closure of longstanding British manufacturing businesses.

The CBM and the directors of affected member companies have provided detailed confidential evidence to BEIS and DIT in a series of video meetings.

CBM requests the opportunity to meet with TRA representatives so they too may hear direct and in confidence from the directors of the companies affected.

Summary

The CBM continues to believe steel safeguarding measures represent a 'blunt instrument' and are not the answer to effectively protecting British steelmakers. Targeted and transparent trade remedies are urgently required instead.

The events since 1st July 2021 graphically demonstrate the perhaps unintended but unquestionably critical injury inflicted on downstream British metalforming businesses.

Continued reliance on safeguarding measures *will* result in irrevocable damage to British manufacturing at exactly the time when it needs to be at its most vibrant and energetic, particularly in supporting – directly or indirectly – British efforts to strengthen its global market penetration.

While not the exclusive area of concern, Category 12 represents the highest priority for resolution before the injury really is beyond repair.

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