



Safeguard questionnaire¹

Safeguard measure on certain steel products

Case: TF0006

Period of Investigation (POI):	01 January 2013 – 31 December 2017
Most Recent Period (MRP):	01 January 2018 – 30 June 2020
Deadline for response:	21 November 2020
Case Team Contact:	Imogen Yapp, Lead Investigator, TF0006@traderemedies.gov.uk
Completed on behalf of:	<i>The Ministry of Economic Development of the Russian Federation</i>
Party type (<u>select</u>):	<div><input type="checkbox"/> Contributor <input checked="" type="checkbox"/> Government of relevant foreign country or territory (<i>Interested Party</i>) <input type="checkbox"/> Trade or business association representing overseas exporters or UK importers of the good(s) subject to review (<i>Interested Party</i>) <input type="checkbox"/> Trade or business association representing UK producers of like goods or directly competitive goods (<i>Interested Party</i>)</div>

¹ Excluding the following interested parties: Overseas exporters or UK importers of the good(s) subject to review and UK producers of the like good(s) or directly competitive good(s). These interested parties will complete questionnaires tailored to their specific party status.



General information

Name:	<input type="text"/>
Address:	<input type="text"/>
Telephone No:	<input type="text"/>
Email:	<input type="text"/>
Website:	<input type="text"/>

Information about this review

1. Please provide any **information about the like or directly competitive goods and the goods subject to review** that you consider relevant.

The Russian side has no information to provide on the issue.

Appendix reference:-

2. Please comment on the **scope of the review**. If you consider that any product categories and/or custom codes should be added or removed, please explain the reasons why. Provide information about the UK production, UK demand and UK imports for these product categories and/or custom codes. Substantiate with evidence.

As we understand, the Department initiated the current review on its own initiative. The Russian side does not have information, which in the understanding of the Department constitutes sufficient evidence for initiation of this review. First, the Department did not provide evidence substantiating the need to conduct the review. Secondly, the Russian side does not agree that the abovementioned scope of the review is enough for due and valid determination of the necessity to apply the measure or not.

Application of the measure, which was introduced in the EU to protect its industry, on the UK territory after the end of transition period can be justified only if

1) full comprehensive analysis during which all requirements of the Agreement on Safeguards will be met;

2) as a result of such analysis the Department will establish:

a) existence of recent, significant, sharp and sudden increase in imports into the UK territory in accordance with Article 2 of the Agreement on Safeguards;

b) presence of material injury or a threat of such injury to the UK steel industry in accordance with Article 4 of the Agreement on Safeguards;

c) the causal link between the abovementioned imports and injury (or a threat of injury) to the UK steel industry in accordance with Article 4 of the Agreement on Safeguards.

Such a thorough analysis of the situation of the UK steel market has not been conducted yet. The measure was originally introduced after investigation of steel imports and its effects on the whole EU industry.



The determinations and conclusions made during EU procedures cannot be used during the current procedure both due to the fact that the situation in the UK have not been specifically analyzed and due to the violations of the WTO rules made by the European Commission during the original procedure.

We are concerned, that the review type chosen by the Department in order to determine if application of the measure necessary, does not release the UK from an obligation to assess all of the abovementioned factors in relation to the UK steel market. In other words, such a format and scope does not let the Department avoid conduction of the analysis the scope of which is equivalent to the original investigation.

If such an analysis of increased imports, serious injury and a causal link regarding the UK industry is not done the decision to continue application of the measure will violate UK's obligations under Articles 2 and 4 of the Agreement on Safeguards.

Appendix reference:-

3. Please provide any information regarding the **surge in imports** of the goods subject to review **during the POI**.

Article 2.1 of the Agreement on Safeguards states as follows: "A Member may apply a safeguard measure to a product only if that Member has determined, pursuant to the provisions set out below, that such product is being imported into its territory in such increased quantities, absolute or relative to domestic production, and under such conditions as to cause or threaten to cause serious injury to the domestic industry that produces like or directly competitive products."

In US – Steel Safeguards, the Appellate Body reiterated the importance of trends over the entire period of investigation: "A determination of whether there is an increase in imports cannot, therefore, be made merely by comparing the end points of the period of investigation... Thus, a demonstration of 'any increase' in imports between any two points in time is not sufficient to demonstrate 'increased imports' for purposes of Articles XIX and Article 2.1 of the Agreement on Safeguards. Rather, as we have said, competent authorities are required to examine the trends in imports over the entire period of investigation".

Similarly, in dispute Argentina – Footwear, the Appellate Body stated, "it is necessary for the competent authorities to examine recent imports, and not simply trends in imports during the past five years – or, for that matter, during any other period of several years. In our view, the phrase "is being imported" implies that the increase in imports must have been sudden and recent. We believe that the relevant investigation period should not only end in the very recent past, the investigation period should be the recent past." The Appellate body also concluded that the increase in imports must be "recent, sudden, sharp, and significant enough".

In our view, since the original investigation was carried out in respect of the EU-28 steel industry, in order to continue its application the UK shall demonstrate that the grounds for existence of the measure exist. More specifically, the Department shall demonstrate that all product categories were imported into the UK during the POI in such increased quantities that the increase in imports was recent enough, sudden



enough, sharp enough, and significant enough to cause or threaten to cause serious injury to the domestic industry.

The Department is reviewing the measure the scope of which is 234 8-digid customs codes. In the view of the Russian Federation, objective analysis of the “surge in imports” of the goods subject to review during the POI would show that the measure should be fully lifted.

According to Eurostat (see the Appendix enclosed), imports of 131 out of 234 product categories decreased during the POI. As a result, the measure cannot be applied in the UK in terms of these product categories.

What is more, imports of 13 products classified by 8-digid codes increased during the POI only slightly (by less than 10%). Such an increase of imports in a 5-year prospective (2013-2017) cannot be considered either as sharp or as sudden.

We ask the Investigative Authority to adhere the WTO rules.

Appendix reference: Appendix 1 (Eurostat statistics on imports during the POI)

4. Please provide any information regarding **imports** of the goods subject to review **during the MRP**.

During the MRP, imports of the goods subject to the review decreased. The UK industry should have been able to use this time in order to adjust.

Appendix reference: Appendix 2 (Eurostat statistics on imports during the MRP)

5. Provide any information that could help us assess the **likelihood of an increase in imports** occurring if the existing safeguard measure for the goods subject to review were:

- i) continued; or
- ii) discontinued.

Provide evidence to support your conclusions.

The Russian side sees no likelihood of an increase in imports occurring if the existing safeguard measure will be repealed.

Appendix reference:-

6. Please provide any information regarding the **serious injury** to UK producers of the like or directly competitive goods **caused by the surge in imports** of the goods subject to review **during the POI**. You can refer to our [guidance on how we assess injury](#) for a definition of serious injury.

The Russian side has no information on the serious injury to UK producers of the like or directly competitive goods caused by the alleged surge in imports of the goods subject to review during the POI.

Appendix reference:-



7. Please provide any information regarding the **serious injury** to UK producers of the like or directly competitive goods **during the MRP**.

The UK steel industry was in a favorable position during the MRP. According to OECD data, the UK steel industry's production increased by 3,5% in 2018. At the same time, production of steel in the whole EU-28 decreased by 0,2% with the UK being the leader in steel production increase among the EU countries.

According to World Steel Association, production of steel in the UK decreased only by 0,6% in 2019. At the same time, decrease of the EU steel production was 4,9%. As a result, being part of the EU industry at least till the end of 2020, the UK steel industry is more competitive than the EU steel industry.

What is more, according to the World Steel Association, the UK steel production grew in November 2019 –June 2020 by 10,2% (from 550 to 606 thousand of tonnes).

According to major UK steel producers' association "UK Steel", the UK steel industry demonstrates positive development trends:

1. average salary in the industry is 28% higher than the national average;
2. the UK steel industry is export-oriented and contributes 1,5 billion pounds to the UK trade deficit;
3. 2 billion pounds is direct contribution of the UK steel industry to the UK economy;
4. 3,8 billion pounds per year is the estimated the UK steel industry contribution to the UK economy by 2030.

What is more, in 2019 the largest UK steel producer Tata Steel invested in new production lines. For instance, blast furnace № 5 reopened and major investments to replace steelmaking equipment was made at the factory in Port Talbot.

As a result, there is currently no injury incurred on the UK steel industry during the MRP.

Appendix reference:-

8. Please provide any information regarding the **likelihood of serious injury** to UK producers of the like or directly competitive goods if the existing safeguard measure for the goods subject to review were:

- i) continued; or
- ii) discontinued.

Provide evidence to support your conclusions including what the cause of this injury would be.

There is no data regarding the likelihood of serious injury to UK producers of the like or directly competitive goods if the existing safeguard measure is lifted.

Appendix reference:-

9. Provide any information you have on **other cause(s) of serious injury for the POI and MRP** to UK producers of the like or directly competitive goods. Clearly distinguish between the POI and MRP in your answer.

In the view of the Russian side, there are other causes that affect the UK industry negatively, for instance, high prices on electricity in the UK, internal corporate issues



and COVID-19 pandemic. We suppose that these causes deteriorate situation in the UK industry.

Appendix reference:-

10. Please provide any information about the possible **economic effects** on the UK if the existing safeguard measure on the goods subject to review were:

- i) continued; or
- ii) discontinued.

This information will be used to assess whether the existing safeguard measure is in the economic interest of the UK as part of the economic interest test.

Provide evidence to support your conclusions.

If the safeguard measure remains in force, there will be detrimental economic consequences for the UK downstream industries. We would like to draw your attention to the following examples provided to us by the Russian industry.

Category 3 (A and B) – Electrical Sheets (other than GOES)

Product category №3 includes non-grain oriented steel, which is crucial material for manufacturing of wind turbines and electric vehicles engines. Decarbonization trends and development of new products and energy sources make the NGOES market sharply growing. For example, Faraday Institution estimates that aggregate electric vehicle sales in the UK are going to grow by an average of 1.4% per year over the 2020 to 2040 period; this implies a very considerable growth in UK battery manufacture with the establishment over the next twenty years of about 7 battery production plants. Attracting EV batteries production to the UK is one of the key priorities to support domestic vehicle production. Achievement of this goal depends significantly on the sufficient electrical steel supply. There is no need to implement exceeding limitation for the UK EV producers on such a promising market by increasing the cost of making wind turbines and EV in the UK and that DIT needs to eliminate this category from the product scope.

Category 4 – Metallic Coated Sheets

There is no need to highlight that UK-based automakers are experiencing some problems and risks connected with additional tariffs, which could be caused by Brexit deal. Securing the needs of automobile production is one of the key priorities of the UK trade policy. The study of domestic automakers requirements during the review of the EU quota system caused the creation of sub-category in Category 4 developed especially for automobile sector needs. However, due to the technical customs issues this sub-category has not solved the problem of the material shortage and created new risks for the end-users, which proves that this product category quota does not benefit the local industry, but from another hand affects the economic recovery.

Category 13 – Rebars

Around half of the domestic rebar market is owned by one company (in fact the only full-booked producer (Celsa) as Liberty steel is manufacturing only limited range of rebar sizes) and independent fabricators need another source of supply. The main rebar importer – China – already has anti-dumping measures imposed on their exports to the EU. Simultaneously, construction sector in the UK has just started its process



of recovery, which will also influence rebar demand: UK builders reported their strongest monthly rise in activity in almost five years in July this year. Rebar import is basically needed for implementation of new “Build, build, build” UK strategy. That is why maintaining the exceeding quota system for rebar could only affect the UK construction industry, but would not benefit local production.

The safeguard measure on imports of rebars causes an adverse effect on consumers of rebars in the British market due to the monopolistic position of the British manufacturer.

Category 16 – Non Alloy and Other Alloy Wire Rod

Based on the EU safeguard quota experience it could be said that exceeding (according to Eurostat import in this category has shown strong decline) limitations of wire rod has already caused significant challenges for European non-integrated downstream producers. The fact of initiation of import monitoring of processed steel wire rod proves that additional costs for European plants made them less competitive against foreign producers of processed steel products. The current quota category has indirectly hit European downstream companies producing wire-rod products due to the raised import of more processed versions of the product (galvanized rod, fencing products, drawn wire, spring wire and black annealed wire). This case shows how exceeding trade defense measures cause severe disruption to the downstream market.

Category 28 – Non Alloy Wire

The situation in category 28 echoes Category 16: the similar trends of downed import volume in 2019 complexing with indirect injury for downstream producers. Taking in consideration the fact that originally product category 28 was developed to hedge the overflows from import under product category 16 it is understandable why these two categories have the common trends and drawbacks. We would like to argue that quota in Categories 16 and 28 proved to be inefficient and should be eliminated or significantly amended.

Appendix reference:-

11. If you have **any other information**, which may help us with this review, please provide it below.

There is no other information on the issue.

Appendix reference:-



Declaration

By signing this declaration, I agree that all information supplied in this questionnaire is complete and correct to the best of my knowledge and belief and that I understand that the information I submit may be subject to verification by TRID.

20 November 2020

Date

Signature of authorised signatory

Name and title of authorised
signatory