

UK Steel: Registration as contributor to the case

Additional Information Submission

TF0006: Safeguard measures on certain steel products

1. Introduction

The review on the safeguard measures on certain steel products (hereafter referred to as 'safeguards') will examine two separate but closely related questions. This registration submission will briefly outline UK Steel's views on both.

- Firstly, this review must consider whether the safeguards, as transitioned, should be maintained. A positive determination of this question would maintain the safeguards (either in a modified or unmodified form) until the expiry date of the EU measures currently in place, 30 June 2021. As set out below, it is evident that maintenance of these measures is necessary and justified in a UK context.
- A positive determination of this first question, also leads to consideration of a second crucial question; that of whether or not the safeguards should be extended for a further period of time. It is equally evident that there is a strong justification and need to extend the safeguards beyond their current expiry date.

The points set out in this document reflect initial views as invited by section B of the registration questionnaire. These are without prejudice to additional arguments or evidence that will be submitted on these points or indeed any additional points that may arise.

All references to the 'Customs Act' refer to the Taxation (Cross Border Trade) Act 2019

All references to the 'Safeguard Regulations' refer to the Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019

2. Maintaining safeguard measures on certain steel products:

The Safeguard Regulations detail the circumstances in which the TRA may determine, as a result of this transition review, that TRQs should be maintained. Regulation 50 details that:

- Where goods belonging to a specified category of steel products were not being imported into the United Kingdom in increased quantities, then the tariff rate quota (TRQ) must be revoked.
- Where goods belonging to a specified category of steel products were being imported into the United Kingdom in increased quantities, then the TRA is able to recommend that the TRQs can be maintained (modified or unmodified).

UK Steel, submits that this criteria of an increase in imports "*during the same investigation period considered by the European Commission in connection with the EU tariff rate quotas*" (2013-2017) has been met. Further detailed evidence will be provided in later submissions.

Table 1: Imports of certain steel products into the UK 2013-2017 (tonnes)

2013	2014	2015	2016	2017	2013 to 2017 increase	Average annual increase
5,103,093	6,146,939	5,995,160	6,453,575	6,540,881	28%	7%

Whilst the Safeguard Regulations do not explicitly link the below considerations to the maintenance of TRQs, it does stipulate that they should form part of this transition review. UK Steel will submit detailed evidence in relation to each of them in later submissions. An summary of the evidence to by outlined is

Table 2: Key Considerations of a Safeguards Transition Review

Consideration	UK Steel Comments
The increase in imports would likely reoccur without TRQs in place	<p>The circumstances which led to the increase in imports and the imposition of EU safeguards are still in effect and have been exacerbated in recent years:</p> <ul style="list-style-type: none"> • An increase in the protection of third country markets • Massive global excess capacity in steel production • Section 232 measures continue in the US, with trade diversion away from this major market to others such as the UK • Huge reductions in steel demand caused by COVID-19, meaning steel producers in many countries turning increasingly to export markets to compensate for reduced domestic consumption. • The EU safeguards will continue until at least 30.06.21, and it is a realistic possibility they could continue beyond this point. If the UK were to remove TRQs whilst the EU still had its own in place, the UK market would be flooded with imports.
There would be serious injury to UK producers without TRQs in place.	<ul style="list-style-type: none"> • The Customs Act defines 'serious injury' as serious impairment and the threat of such impairment. • UK industry has suffered serious injury as a result of increased imports, and even with the safeguards in place has continued to suffer injury due to reductions in steel demand in 2019 and 2020, whilst the liberalisation of measures has allowed an 11% increase in TRQs since 2018. • The removal of these measures at a time when industry remains vulnerable, has not been able to complete necessary adjustments (see below), and demand is expected to remain well below historical levels for the foreseeable future, would almost certainly lead to serious injury to UK producers, and would <u>definitely</u> create an extremely serious threat of injury.
The continuation of the TRQs are necessary to facilitate the adjustment of UK producers	<ul style="list-style-type: none"> • UK producers have continued to make adjustments since the safeguards were introduced in 2018, but require further time to adapt. • UK steel producers have been dealing with unprecedented challenges in recent years which have disrupted investment and adaptation plans. Such challenges include: COVID-19, Brexit, and major ownership changes within the sector. • COVID-19 has/will require significantly more adjustment of industry than originally anticipated when the safeguards were introduced. Industry must be provided with additional time, given the additional challenges it now faces.

	<ul style="list-style-type: none"> The safeguards were introduced partially on the grounds of providing protection from section 232 induced trade diversion, which was assumed to be a temporary market disrupter. Now that such measures appear to be a longer lasting feature of the global market, industry should be provided with further time to make adjustments to this.
Whether an alternative TRQ or the application of a safeguarding amount would better meet the needs of preventing recurrence of serious injury to the UK producers	<ul style="list-style-type: none"> TRQs have already been liberalised by 11% since the start of the safeguards, during which period demand has fallen dramatically. With demand expected to remain well below 2013-2015 levels for some time, the TRQs levels as currently set may not be as effective as possible at preventing injury to UK producers. UK Steel submits that consideration must be given in this review to modification of the TRQs or replacing them with a safeguarding amount that would reflect these dramatically changed circumstances caused, not least, by COVID-19.

UK submits that there is clear evidence for the maintenance of the TRQs, and doing so is crucial for the recovery of the sector and its long term sustainability.

3. Extension of safeguard measures on certain steel products beyond current expiry date:

As noted in the introduction, in determining that the TRQs should be maintained the TRA is also able to make a determination that the TRQs should be varied, and this variation can include an extension to the period of time in which they apply. Regulation 50 (6) of the Safeguard Regulation stipulates that such an extension can be provided if the following criteria are met:

- the tariff rate quota continues to be necessary to prevent serious injury to UK producers; and
- there is evidence of UK producers adjusting to the importation of the goods.

It is evident that such consideration will already form a central part of the 'transition' element (as opposed to the 'extension' element) of the review, and as such in determining that the current safeguard measures should be maintained, the TRA will go a considerable way in determining that there is need and justification for their extension beyond June 2021.

The TRA has detailed that it will examine a MRP of January 2018 to June 2020 in making its determination of whether or not to extend the safeguards beyond June 2021. In examining this additional data, and the evidence put forward by industry, UK Steel submits that it will be evident that:

- If the safeguards are terminated in June 2021, the UK steel industry will be swamped by high volumes of deflected steel imports causing serious injury to UK producers.
- The conditions that led the EU Commission to impose the Safeguard are still present today, including increasing protection of third country markets, massive global excess capacity, exacerbated by trade diversion towards the EU due to the U.S. Section 232 import tariff.
- The conditions have substantially worsened due to the negative impact of the COVID-19 crisis on global markets, and on the UK industry in particular, and by the increase in capacity globally, and notably in the U.S., since 2018.
- While UK industry has undertaken restructuring and adjustment measures, those efforts have been disrupted by the current COVID-19 crisis and the looming impacts of Brexit. As the result, UK industry remains vulnerable and is showing signs of injury. In order for UK industry to continue to make necessary adjustments, recover adequately from the impacts of COVID-19, and adapt to a radically different trading environment brought on by Brexit it is imperative that the safeguards are maintained for some period longer.

UK Steel therefore submits that the safeguards be extended for a further period of 3 to 4 years.

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