



Register as a contributor to the case

Safeguard measures on certain steel products

Case: TF0006

Period of Investigation (POI):	2013 - 2017
Most Recent Period (MRP):	1 January 2018 to 30 June 2020
Deadline for response:	15 October 2020
Case Team Contact:	Imogen Yapp, Lead Investigator, TF0006@traderemedies.gov.uk
Completed on behalf of:	The Society of Motor Manufacturers and Traders Ltd

When you have completed this form, indicate the **confidentiality status** of this document by placing an X in the relevant box below:

☐ Confidential

☒ Non-Confidential – will be made publicly available

Please note that you will have to provide **two copies of your response** – a **Confidential** and a **Non-Confidential version**. Both copies should be returned to TRID using the Trade Remedies Service (www.trade-remedies.service.gov.uk) by 15 October 2020.

For further information regarding the POI or MRP, please see the Notice of initiation on the [public file](#).



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Section A – Your organisation’s interest in the case

To register your organisation’s interest in this case, please complete the text boxes below. You should use this form if you are not a UK producer, UK importer or overseas exporter of the goods subject to review, like goods or directly competitive goods. For a definition of goods subject to review/ like goods/ directly competitive goods, please refer to the Notice of Initiation.

1. Please describe the role of your organisation in relation to the goods subject to review, like goods or directly competitive goods:

Please answer here

- The Society of Motor Manufacturers and Traders (SMMT) is one of the largest and most influential trade associations in the UK. SMMT is the voice of the UK motor industry, supporting and promoting its members’ interests, at home and abroad, to government, stakeholders and the media. SMMT represents more than 700 automotive companies in the UK, providing them with a forum to voice their views on issues affecting the sector, helping to guide strategies and build positive relationships with government and regulatory authorities.
- The automotive sector is a key driver of growth and prosperity across the UK. 168,000 people are employed directly in manufacturing and 823,000 across the wider automotive industry. More than 30 manufacturers build in excess of 70 models of vehicle in the UK supported by 2,500 component providers and some of the world's most skilled engineers. A major hub for digital innovation and technological advancement, UK automotive invests £3.75 billion each year in research and development and is one of the UK’s most productive sectors.
- In addition, the industry is a vital part of the UK economy accounting for more than £82 billion turnover and £18.6 billion value added. Automotive generates more than £100 billion in trade for the UK and is the UK’s largest single exporter of goods, accounting for 14.4% of total goods exports.
- The automotive industry employs various raw materials to manufacture finished vehicles, parts and components. Traditionally, steel has been used in the production of many automotive parts and components. The World Steel Association estimates that, on average, 900 kg of steel is used per vehicle.
- As a downstream user of steel, the UK automotive industry might be impacted by tariff-rate-quotas (TRQs) applicable on imports of several steel gradients from the European Union (EU) – the sector’s largest trading partner – and the rest of the world.



2. Please describe your interest in this case:

Please answer here

Introduction

- SMMT welcomes the opportunity to provide comments to the transition review of safeguard measures on certain steel products.
- The UK automotive sector is a key business partner of the British and European steel industries. It is vital for the sector and for SMMT members that the steel industry does well to maintain stability in our supply chain. However, it is equally important to ensure that the interests of downstream users are duly taken into consideration in this review process.
- SMMT has a keen interest in being registered as an interested party to this review and provide its contribution on covered product categories utilised by the UK automotive sector, the potential impact of safeguard measures on UK-EU trade of steel products, the potential extension of safeguard measures beyond June 2021 and procedural issues.

Product categories

- The notice of determination 2020/06 on safeguards applicable on certain steel products establishes TRQs on nineteen product categories. Category 4B lists several CN codes and TARIC codes of metallic coated sheets that are traditionally used in the manufacturing of automotive products. Category 4B was created at least in part to isolate imports of automotive grades of steel from imports of steel used in other sectors. The UK automotive sector is likely to be impacted by the transition of the TRQ for this product category. The review should ensure that the transition of measures related to metallic coated sheets of steel does not adversely affect manufacturing of automotive products in the UK in the first two quarters of 2021 and, potentially, beyond June 2021.
- Steel is used in the manufacture of body structures of finished vehicles, as well as in the drive trains, suspensions and several automotive components, including wheels, fuel tanks, steering and braking systems. Given the large use of different steel gradients in automotive manufacturing operations, in addition to category 4B, TRQs for product categories 1, 2, 7, 12, 17, 20, 21, 25B, 26, 27 and 28 might all affect imports of key production inputs for the UK automotive sector.
- SMMT reserves its rights to provide comments on additional product categories, should members indicate their interests in imports of other covered commodities during the course of the review.

UK-EU trade of steel products



- The transition of the safeguard measure creates significant risks of unintended consequences on imports from the EU of key inputs of production for the UK automotive industry.
- Any other trade defence measure maintained by the UK's Trade Remedy Investigation Directorate (TRID) at end of the transition period will apply on imports of certain commodities originating in extra-EU countries. Such measures are deemed necessary to curb imports of unfairly priced or unfairly subsidised goods from extra-EU trading partners. On the contrary, the determination to maintain the safeguard measure will result in TRQs on *legitimate* imports from the EU and the rest of the world. These exceptional circumstances should be taken into account in the review process.
- According to the European Automobile Manufacturers' Association (ACEA), approximately *[LIMITED]*% of the steel used in European motor vehicle manufacturing is of EU origin. Hence, despite potential inflationary impacts on the domestic steel market, the vast majority of steel sourced by EU and UK-based vehicle manufactures was not directly impacted by the EU measure.
- On the contrary, the imposition of TRQs on imports of EU steel could disrupt sourcing strategies of UK-based manufacturers. Such strategies have been built over decades of deep economic integration and collaboration with EU suppliers. Depending on individual businesses' reliance on imports of EU steel, impacts of the transitioned measure could greatly vary from manufacturer to manufacturer.
- Unworkable TRQs on imports of EU steel could represent an additional strain on the UK automotive sector at a time when our industry faces existential threats from the impacts of the Covid-19 pandemic, adapting to a changing relationship with the UK's biggest trading partner, global challenges to its business model and increasingly challenging international trade conditions.
- In light of the above, SMMT reserves its rights to provide comments on quotas applicable on imports from the EU and the rest of the world for the first two quarters of 2021, as well as on TRQs applicable beyond June 2021 - should TRID decide to extend the measure.

Safeguard extension

- The transition review should determine whether safeguard measures should be maintained, varied or discontinued exclusively on the basis of reliable data. The UK automotive sector is concerned that the inclusion in the review of trade flows greatly impacted by the outbreak of the Covid-19 pandemic might lead to distortive outcomes.
- The notice of initiation of the transition review indicates that TRID will use data provided for the most recent period (MRP) to make its determination regarding a potential extension of the measure. The MRP includes the first half of 2020.



- The outbreak of the Covid-19 pandemic has wreaked havoc on the global economy and international trade. With exception of aviation, the UK automotive sector has been impacted like no other British manufacturing sector. Plants were forced to shut throughout April and most of May. Re-opening was still taking place into August.
- Whilst car dealerships reopened in early June, the hoped-for release of pent-up consumer demand has not materialised to the levels envisaged. The sensitivity of the market and faltering demand is clearly evident in the registrations data. The latest new car registrations data for the key September month showed a fall of 4.4%. New car registrations are predicted to fall by over 30% in 2020.
- Car production is expected to end the year down -32% or over 400,000 units. The outlook is very much dependent on the potential impact of a second wave and on the conclusion of a trade deal with the EU.
- Accordingly, imports of automotive steel gradients throughout 2020 might not provide a solid basis for TRID consideration. In particular, should future TRQs be based on unreliable import data reflecting exceptionally low levels of manufacturing activities, there is a significant risk to set over-restrictive quotas.
- In the evaluation of a potential extension of the measure beyond June 2021, it is imperative for TRID to consider the need of the automotive industry to source steel from the UK, the EU and the rest of the world to support a robust recovery of the sector.
- In addition, it is a pivotal objective of the UK automotive industry to defuse international trade tensions. In this regard, TRID should consider the potential impacts of an extension of the measure on UK exports destined to other members of the World Trade Organisation (WTO).
- The EU steel safeguard subject to the transition review was applied on imports of covered products from extra-EU countries since 2018. For the entire duration of the transition period after the UK's withdrawal from the EU on 31 January 2020, TRQs have continued to apply on imports from outside of the UK-EU region.
- The determination to maintain the existing measures at least until June 2021 will result in the continued application of TRQs on extra-EU imports of steel products for three years.
- According to the WTO rules, affected WTO members will be entitled to adopt compensatory measures on a substantially equivalent level of concessions from July 2021 onwards. Hence, the extension of the measure would significantly increase risks of trade restrictive measures against exports of UK goods, including automotive products.



- Finally, the UK automotive industry fully supports the UK government's objective to strengthen the multilateral trading system. In this regard, TRID should take into consideration the recent establishment of a panel under the WTO Dispute Settlement Body regarding the measure under review, as well as all previous reports issued by several WTO panels and by the WTO Appellate Body addressing safeguard measures.

Procedural issues

- SMMT express concerns on procedural aspects that led to the determination to maintain the safeguard measure in place after the end of the transition period.
- All existing trade remedies have been subject to a long-lasting open consultation to gather views from all interested parties. The UK automotive industry notes that such possibility was not provided on the safeguard measure and that a determination was made without consulting affected sectors.
- It is regrettable that a measure potentially affecting legitimate trade from the rest of the world was treated differently from less impactful antidumping and countervailing duties.
- An immediate consequence of this differentiated treatment in the handling of this measure is that affected businesses have been informed they will not benefit from a staged approach on customs requirements on imports of steel products from the EU less than 100 days before the end of the transition period.
- It is in the interest of the UK automotive industry to ensure that safeguard investigations are subject to higher transparency standards compared with any other trade defence investigation and that the sector is given enough time to respond to any future trade defence investigation.



Section B – Additional information

Use the box below to provide any other relevant information which you think would be useful to help our review.

This may include:

- other parties which you think should be invited to register an interest in the case;
- scope of the review, including product categories and/or custom codes you think should be added or removed, and reasons why; or
- anything else you consider relevant.

Please answer here

Scope of the review

- Please refer to Section A.2 for products of interest.

Other interested parties and contributors

- [LIMITED].
- [LIMITED].
- [LIMITED].