

CELSA Steel response to the TRID preliminary finding on steel safeguards

21/05/2021

We are responding to the preliminary findings on safeguards, in particular the revocation of safeguard measures for 9 categories of steel products. We appreciate that this is the first safeguard investigation that the TRID team has been involved in, and, because of the severe time pressures brought about by the expiry of measures, allied to the difficulties of conducting such a complicated case during a global pandemic, plus the limited opportunities for all interested parties to concentrate wholeheartedly on this matter when the changed trading relationship with the EU was uppermost, that there has not been the opportunity for TRID investigators to become fully knowledgeable about the industry or surrounding factors which are relevant. This response will therefore concentrate on the factual evidence and some fundamental flaws in the use of data that have led to the preliminary findings.

1. Assessing an increase in imports:

TRID has recommended ending measures on many product categories since it concludes there was no increase in imports for those particular products in the period 2013-2017. We believe the methodology used is flawed and the data is incorrect.

The use of different sets of import data:

UK Steel presented TRID with data from two different sources: that of HMRC (standard trade info data) as well as data sources from the International Steel Statistics Bureau (ISSB). Critically, whilst the trends are very similar, the ISSB data shows significantly higher levels of import increases during the relevant period in comparison with the HMRC data. The difference arises from how intra-EU trade data was recorded by HMRC prior to leaving the EU. Volumes of imports into the UK from the EU-27 below a certain value threshold did not have to be declared, as a way of reducing the administrative burden from the collection of trade statistics on smaller businesses.

Importantly, HMRC raised the exemption thresholds over the years, most notably in 2010 and even more sharply in 2014 and 2015. The changes to the UK's thresholds were based on a formula set by the European Commission, which was amended in 2013 to only require Member States to capture 93% of their estimated trade with other EU states. It had previously been 95%. This means that an increasing volume of imports was not being captured by HMRC statistics, therefore under-reporting the increase in steel imports between 2013 and 2017.

It is precisely this below threshold trade, that the ISSB data captures and therefore represents a much more accurate picture of steel imports into the UK. The below threshold imports are estimated based on VAT returns, which show the value of these below threshold imports. The ISSB methodology then calculates volume from value.

The ISSB data estimates that 156,860 tonnes of steel across the 19 product categories was imported into the UK in 2013 that was not accounted for by the HMRC trade data. By 2017 this unaccounted-for data had increased to 542,548 tonnes. This is not an issue the EU has had to deal with in its own safeguards investigation as it was only examining imports from outside the EU-28.

Table 2: Comparison of HMRC and ISSB Data for UK imports of steel 2013 to 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%

There was no reason provided by TRID as to why the ISSB data was not considered. Given the significant impact it has on the conclusion of whether there was an increase in imports, it is vital that TRID take this data into account. HMRC data shows there were no absolute increase in imports in six of the 19 product categories. ISSB data shows there was an absolute increase in imports in all but two of the 19 product categories reviewed.

Relative Increase in Imports:

Both the UK legislation and the WTO rules allow for the assessment of an increase in imports to be made in either absolute terms, or in terms relative to production. It is important to consider relative import increases as well because it allows for situations in which there may have not been an absolute increase in imports due to a reduction in the demand for the product. Imports could still be gaining an increasing market share and causing injury to domestic producers, but an absolute imports analysis would not reflect this.

TRID has done analysis on relative increases in imports for those categories where an absolute increase in imports was not shown. It has concluded that it there is still no

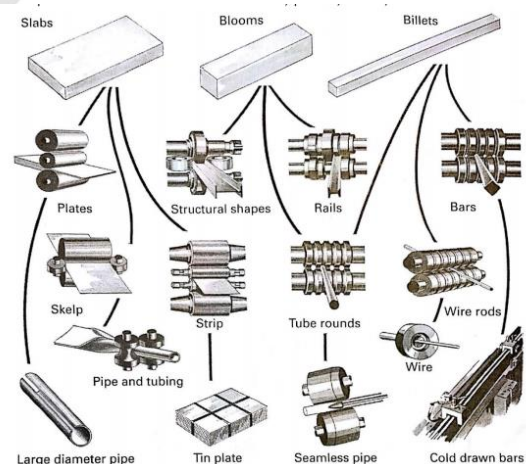
demonstration of an increase in imports for these categories. However, its own analysis demonstrates that there was a relative increase in imports in relation to two of the six (tin mill and merchant bar/light sections). This relative increase is even more marked when we bring the ISSB data to bear, whilst also demonstrating an increase in imports for the wire rod category.

2. Interconnectivity of steel products:

TRID's approach demonstrates a lack of understanding of the interrelationship between finished steel production and the knock-on effect this decision will have even on those products still covered by the safeguards. This will ultimately weaken the effectiveness of the measures.

The high interconnectivity of steel products means that TRID's assessment of product categories independently from each other does not provide a fully accurate or complete picture of the threat of an increase in imports and the injury that would be caused to the UK sector. Steel companies do not make products in one individual product category but several. They start with the production of crude steel, which is transformed into 'semi-finished products' (slab, bloom, billet), and then ultimately into a wide array of 'finished products' which are the subject of these safeguard measures. As shown below, slabs are rolled into a variety of flat products, blooms into sections and rails, billet into various long products, while tubes can come via either the long products or the flat products route.

The products are in this sense highly interrelated, with the dynamics of the market for one product (i.e. one of the 19 categories detailed in the UK measures) having a notable impact on others. The production economics of the steel making process means that economies of scale are key. Companies produce multiple products and rely on multiple product lines running at certain rates to ensure high-capacity utilisation of the crude steel production facilities.



As an example, removing the measures on wire rod is likely to lead to an increase in imports of that product. This reduces sales of the domestic producers of wire rod which in turn reduces the volumes of crude steel required from the our steelmaking, increasing the cost

of each billet the companies make. This reduces the profit making potential of the steelmaking furnace, which feeds through into the other product lines such as rebar, merchant bar or sections.

Moreover, there is a degree of substitutability between the product categories which further increases the likelihood of an increase in imports if measures are removed on some products. For example, TRID's proposal to remove measures on wire rod, is highly likely to increase the imports of 'rebar-in-coils' (CN code 7213 1000) which is classified under the wire rod category but is used for the same purpose as those products in the rebar category (7214 2000). The market will become distorted as those producers who have the capability of producing rebar both in straight lengths and in coil form (most producers), will import much higher tonnages of the wire rod which is no longer covered by safeguards. The product still covered nominally by safeguards (rebar) will be automatically damaged by this distortion in trade.

Whilst there are fewer market participants who supply both long and flat products, within the long products category, there are multiple producers who make a combination of rebar (category 13), wire rod (category 16), merchant bar (category 12) and sections (category 17).

There is also an interconnectivity between products made by different producers. For example, TRID's recommendation to remove the measures on wire (in spite of a major increase in imports) will undermine the production of steel wire in the UK. This in turn will reduce the requirement for wire rod in the UK as it is used as feedstock for the production of wire.

It should therefore be clear that measuring imports and assessing injury indicators on a global level or a product family level (flat, long, tube) will best capture the realities of steel production and it is this approach that TRID should have taken. Assessed on this basis, it is clear that an increase in imports is seen across the board.

Table 1: Index of UK imports of steel 2013 to 2017

Category	2013	2014	2015	2016	2017
Total	100	120	117	126	125
Flat	100	119	116	133	131
Long	100	121	115	107	110
Tube	100	130	134	155	146

3. Statistical absurdity

As mentioned above, the interconnectivity between rebar in straight lengths (7214 2000) and rebar in coil (7213 1000) is quite obvious. Taking the ISSB statistics for the POI for rebar in coil reveals a 450% increase in imports for rebar in coil (which is classified within the wire rod quota).

Year	Tonnes	Index (2013 =100)
2013	19795	100
2014	28904	146
2015	4779	24
2016	42251	213
2017	89007	450

Furthermore, the imports for this product have continued at elevated levels, even in 2020 when, because of Covid, demand for reinforcing products was down by 20%.

Year	Tonnes	Index (2013 =100)
2018	97896	495
2019	85994	434
2020	82142	415

There has been a clear increase in imports of rebar in coil (deformed rod) during the POI. This product can substitute for the rebar product as it is used by exactly the same customers for the same end uses. TRID needs to urgently reconsider its recommendation to remove the safeguard measures for this product.

These figures represent some of the highest increases in imports for any products. It would be foolhardy bordering on reckless to ignore such figures because of rigid adherence to product categories.