

HOUSE OF COMMONS
LONDON SW1A 0AA



Miriam Cates MP

Member of Parliament for Penistone and Stocksbridge

Trade Remedies Investigations Directorate
North Gate House
21-23 Valpy Street
Reading
Berkshire
RG1 1AF

21st May 2021

Dear Sir,

Re: Response to TRID's Intended Preliminary Decision on UK Steel Safeguards

I write as the Member of Parliament for Penistone and Stocksbridge to respond to the preliminary decision announced by Trade Remedies Investigations Directorate (TRID) following the review of the UK's Steel Safeguards.

As the representative of a constituency with a proud history of steelmaking, I wish to register my serious concerns about the proposals in the review, and the devastating impact that the recommendations would have on the steel industry in Stocksbridge and across the UK should they be accepted in their present form.

We are in many ways at a crucial turning point for the UK steel industry. A bright future should await the sector, with the promise of increased demand from major infrastructure projects and decarbonisation incentivisations. But right now, this bright future is far from certain, with UK steel in a fragile position following decades of under-investment, high energy prices and now the impact of the global COVID pandemic.

The main thrust of TRID's arguments to end Steel Safeguards for nine out of 19 product categories seems to be that the review found that there is either no domestic production or no evidence of increase in imports over the period 2014 to 2017 for these nine categories. I will come on to the technical reasons why I believe that both of these conclusions are incorrect, but even if these assumptions were true, the very fact of removing the safeguards would materially change market conditions, making a surge in imports almost inevitable.

When the EU first imposed Steel Safeguards, the concerns around global over-production were focused on imports from Turkey (tubes, rebars, etc.), China (plates, rebars, coil, bars, etc.) or Russia (plates, coils, bars). But now that the UK is no longer an EU member state, and whilst the EU continues to protect its own domestic steel producers, if the TRID recommendations are implemented it would result in the UK alone in our region becoming an unrestricted market.

Whenever foreign producers – not just from Turkey, China and Russia but now also from EU member states – decided to increase their sales, the UK market would be the obvious target, particularly given the ongoing effect of higher electricity costs in the UK making our own domestic producers less competitive.

Constituency Office: 2 Maria House, 3 Fox Valley Way, Stocksbridge, Sheffield S36 2AA
Parliamentary Office: House of Commons, London SW1A 0AA
Email: miriam.cates.mp@parliament.uk

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Removing the safeguards would *actively encourage* a damaging level of imports, and foreign producers would be emboldened to aggressively target the UK market, putting UK producers out of business. So, even if the findings of the review with regards to production and import levels were accurate, the fact of removing the safeguards would catalyse a change in conditions that would place the UK steel industry in desperate need of the protections that had just been removed.

Furthermore, I also believe that the review's conclusions around domestic production and import volumes are based on inaccurate data.

TRID has recommended ending measures on some product categories since it concludes there was no increase in imports for those particular products. However, I would challenge the decision to use HMRC data over data sources from the International Steel Statistics Bureau (ISSB). Whilst the trends are very similar, the ISSB data shows significantly higher levels of import increases during the relevant period than 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 is captured by the ISSB data 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 seeks to infer 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.

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.

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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 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 the ISSB data is brought to bear, whilst also demonstrating an increase in imports for the wire rod category.

TRID has performed its import increase analysis on a simple comparison of imports in 2013 and 2017. Whilst it comments on trends across the whole five-year period, it concludes that unless imports were higher in 2017 than in 2013 there is no risk of an increase in imports. This is an unnecessarily narrow view of examining imports and a wider view should be taken. In particular, TRID's own analysis shows a steady increase in imports of tin mill products between 2013 and 2016 (+17%) before a reduction in 2017. It is important that the investigation takes into account this longer-term trend and is not overly focused on the import level just in one given year.

The second incorrect finding made by the review regards the conclusion around domestic production in the four product categories where TRID has determined that there is no UK manufacture. TRID has determined that where UK producers had not provided production data and full responses to this investigation, this should be taken as evidence of no UK production of the product, notably for Category 28 (Non-Alloy Wire). This is a mistake, especially when industry data exists and was provided by UK Steel, to definitively demonstrate that UK production exists.

As TRID has performed injury analysis not only on a product category level but also on a global level and has concluded that the sector as a whole is in a vulnerable position and likely to sustain injury if imports increase, it is clear that this would also be the case for Non-Alloy Wire. There was in fact a significant increase in imports for this category, acknowledged by TRID in its analysis, yet it has decided to disregard this due to the lack of data obtained directly from producers. Similarly, Category 7 (Quarto Plates) suffered an increase in imports but TRID deemed it could not perform an injury assessment in the absence of production data and therefore dismissed the whole category.

Whilst it would be preferable to have production data for these categories, there are rather major extenuating circumstances. This review has straddled the immediate periods before and after Brexit when all companies were intensely focussed on preparing for major changes to trading conditions. Moreover, COVID has caused huge difficulties for steel companies with large numbers of staff furloughed, sites mothballing production, and all having struggled with major downturns in orders.

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It is unsurprising that some companies, with no experience of trade remedies measures, have struggled to fully participate in this review. Moreover, category 28 (wire) is dominated by SMEs who have been particularly exposed to the challenges mentioned above and will have had even less resource and expertise to respond to this review. Given these circumstances, TRID should include both of these product categories on the basis of significant absolute increases in imports alone.

In conclusion, I strongly urge you to reconsider the review's findings and to recommend that our Steel Safeguards are retained for all 19 product categories. A strong domestic steel industry is vital for the UK's future; for our security, our economy, our environment, and for jobs and livelihoods in places like Stocksbridge.

Every sovereign nation has the right to protect and nurture its key industries, and the European Union and the United States continue to retain safeguards for their own steel manufacturers. It would be highly damaging – and completely unjustifiable – to remove this protection from our own UK steel producers at a time when the future of the industry is hanging in the balance.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Miriam Cates'.

Miriam Cates MP

Member of Parliament for Penistone & Stocksbridge

Cc. Rt Hon Elizabeth Truss, Secretary of State for International Trade
Rt Hon Kwasi Kwarteng, Secretary of State for Business
Ranil Jayawardena, MP, Minister for International Trade