

TD0031 - Transition anti-dumping (“AD”) review into Corrosion Resistant Steels (“CRS”) exported from the People’s Republic of China - Tata Steel UK (“TSUK”)’s comments in favour of extending the AD duties for another five-year period

NON-CONFIDENTIAL VERSION

14 July 2023

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I. Introduction

1. This submission is made on behalf of TSUK, the sole CRS producer in the UK¹ in the context of the above review investigation. TSUK welcomes the Trade Remedies Authority (“TRA”)’s decision to open the ongoing transition review.
2. As the TSUK demonstrates below in this submission, all facts on the record support a conclusion that extension of the AD measure is merited in this case. A failure to do so would lead UK CRS producers, which remain vulnerable despite five years of measures, to once again suffer injury due to dumped CRS imports from China. The information provided below shows that the applicable legal tests are met, and extension of the AD measures is justified in this case.
3. *First*, the AD measures have been effective. Chinese unfair CRS imports dropped to very low levels upon the imposition of duties and have remained so throughout the period considered.
4. *Second*, removal of the AD measures would likely result in recurrence of large-scale dumping. Dumping by imports from China on sales to the UK is bound to recur given Chinese exporters’ behaviour on other export markets. Indeed, as TSUK demonstrates below in this submission, company’s calculations have shown that Chinese exporters continue to dump their products in third country markets at very low prices with dumping margins in some cases exceeding [45-55]%. As explained below, when calculating normal value for Chinese CRS exporters, the TRA should disregard Chinese exporters’ domestic prices and costs and should instead resort to prices and costs in a third country pursuant to Regulation 14(1)(b). In the alternative, the TRA should apply the provisions set out in Regulations 7, 8, and 13 given the existence of “particular market situation” and “significant distortions” in the Chinese steel market.
5. *Third*, removal of the AD measures would also likely lead to a recurrence of injury. The information provided by TSUK shows that despite a moderate recovery in recent periods, the UK CRS industry is still in a vulnerable state, and would be injured by another surge of dumped Chinese CRS imports. This is among other things due to other developments such as the COVID-19 pandemic, high energy costs, as well as pressure from other imports, which did not allow the UK CRS industry to benefit fully from the AD measures in place.
6. *Fourth*, as TSUK explains below in this submission, the existing vast excess capacity in China, Chinese exporters’ export behaviour, as well as the fact that many other markets are closed for Chinese CRS exports points to only one conclusion – Chinese exports will once again target the UK market if the measures are allowed to lapse.
7. *Fifth*, TSUK will demonstrate that given the Trade Defence Instruments (“TDI”) measures currently in place, Chinese export prices to the UK were much higher compared to Chinese prices to other export markets. In TSUK’s view, Chinese export prices to third country markets are indicative of the price levels at which Chinese CRS will be sold in the UK in the event that the AD measures are allowed to lapse.

¹ <https://www.tatasteeleurope.com/>

8. *Finally*, TSUK demonstrates that the Economic Interest Test (“EIT”) is met in this case, and extension of the measures would be in the interest of all interested parties involved.

II. TSUK and the structure of the UK market

9. TSUK is a major UK steel producer and the sole CRS producer for both the UK and export markets, including steel distribution and further processing businesses based in the UK.
10. As demonstrated below in this submission, TSUK’s CRS capacity is approximately [non-confidential range: 1-1.5] million tonnes per year.
11. There are multiple importers/distributors and users of CRS in the UK. Approximately [non-confidential summary: >50%]% of TSUK’s sales are made to TSUK own service centres and [non-confidential summary: <50]% to independent ones. The key sectors of users are: (i) construction (non-confidential summary: >50%), (ii) manufactured goods (non-confidential summary: <40%), (iii) automotive (non-confidential summary: <10%), and (iv) organic steel (non-confidential summary: 10%). [CONFIDENTIAL – commercially sensitive information not susceptible of summary].
12. TSUK is thus the only CRS producer in the UK, and its performance can be viewed as representative for the UK industry as a whole. TSUK also has a detailed and unique insight into the UK CRS market.

III. Dumping is likely to continue in the event that AD duties are no longer applied to CRS imports from China

13. It is clear that dumping by Chinese CRS exports to the UK will recur in the event that the AD measures are permitted to expire.
 1. The TRA should calculate dumping for Chinese exporters on the basis of Regulation 14(1)(b)
14. Regulation 14(1)(b) explicitly covers the situation where members of the WTO have specific provisions in their membership terms regarding the determinations of normal value. These provisions must have meaning in UK law and cannot just be ignored. TSUK strongly argues that Regulation 14(1)(b) is applicable to China in this investigation and the TRA should determine that this provision applies and that the TRA should calculate normal value in line with the options available under Regulation 14. These include:
 - In accordance with regulation 10 (appropriate third country or territory and representative price) or regulations 11 (costs of production) and 12 (the amounts for administrative, selling and general costs and for profits);
 - on the basis of the costs of production of the like goods plus a reasonable amount for administrative, selling and general costs and for profits in an appropriate third country;
 - where paragraph (1)(b) applies, in accordance with the terms of the membership in that paragraph;

- on any other basis the TRA considers is reasonable.
15. TSUK submits that it is appropriate for the TRA to apply Regulation 14(1)(b) in constructing a normal value for China.
2. In the alternative, the existence of a ‘particular market situation’ means that all prices and costs should be adjusted in accordance with regulation 13
16. If the TRA decides that Regulation 14(1)(b) is not applicable in this case, TSUK notes that in the alternative that the TRA should use the provisions set out in Regulations 7, 8, and 13 as they are applicable and should be used in determining normal value in this case.
- Regulation 7(1) states that the comparable price must be used to determine normal value unless it is not appropriate to use that price.
 - Regulation 7(2)(b) establishes that one of the reasons why it would not be appropriate to use the comparable price is because of the existence of a ‘particular market situation’.
 - Regulation 7(4) establishes that a ‘particular market situation’ includes situations where: a) prices are artificially low; b) There is significant barter trade, and c) prices reflect non-commercial factors.
17. This list is not exhaustive and may include other situations. In ANNEX 1, the TSUK has provided extensive evidence pointing to significant distortions in the Chinese steel sector (including CRS). Based on the evidence presented in ANNEX 1, TSUK argues that a particular market situation exists in the Chinese CRS industry. Prices and costs are artificially low and reflect non-commercial factors. Other trade remedy authorities (e.g. the EU, US, Australia, Pakistan, and Taiwan – see ANNEX 6 and para 66-72 below) have also made similar findings that Chinese steel markets, including those of CRS products, are affected by significant distortions. The level of distortion renders domestic prices and costs wholly inappropriate to use in determining normal value and means that alternative methodologies should be used to determine normal value in accordance with regulation 8.
3. Chinese exports are still being sold at dumped prices
18. Following the imposition of AD measures on CRS imports from China in 2018², Chinese exports to the UK dropped significantly, which demonstrates the measures’ efficacy (*See ANNEX 2*). As a result, TSUK has not been able to obtain any Chinese offers to the UK, but has instead resorted to other methods in order to demonstrate what is likely to happen in terms of dumping by Chinese imports in the event that the AD measures are allowed to lapse.
19. Chinese exporters continue to export large volumes of CRS and would resume large-scale exports to the UK if not disciplined by the AD measures. Indeed, the

² See EU Commission Implementing Regulation (EU) 2018/186 of 7 February 2018 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain corrosion resistant steels originating in the People’s Republic of China [2018] EU OJ L34/16.

UK remains an attractive market and dumping is likely to recur in the absence of AD measures. As explained below, this is mainly due to Chinese overcapacities and inability of other main third markets to absorb Chinese excessive production.

20. In view of the limited imports of Chinese CRS into the UK, TSUK has obtained evidence of Chinese export prices to other third-country markets. More specifically, TSUK obtained evidence from Trade Data Monitor (“TDM”) - a comprehensive online trade statistics service showing prices at which Chinese exporters sold their CRS in various markets. TSUK looked at Chinese export prices globally, as well as prices to major export destinations for Chinese exporters such as Thailand, South Korea, Brazil, and Indonesia, which account for a significant part of Chinese CRS exports. These offers reveal the true level at which Chinese CRS products would be sold in the UK absent the AD measures. As noted, Chinese dumping in third countries is also evidenced by the fact that countries such the EU, US, Australia, Pakistan, and Taiwan have already imposed, or are in the process of imposing, trade defence measures on imports of CRS products from China. (See ANNEX 6 for press reports regarding third countries’ trade defence measures in place on CRS imports from China.)
21. As explained in ANNEX 3, TSUK has compared these export prices with a normal value based on a cost model (using a CRS producing company’s cost structure, and prices of inputs in a third, representative country), with all due adjustments including customs duties, transportation costs, etc. In order to construct normal value, TSUK has used the following components; (i) raw material usage factors based on CRS producer’s cost structure; (ii) raw material unit prices based on public information (as provided by Global Trade Atlas) in a third country – Mexico; (iii) energy rates in Mexico taken from public sources; (iv) labour, depreciation, financial expenses, SG&A, etc., taken from a Mexican CRS producer’s annual report. For further details, please see ANNEX 4.
22. The evidence collected by TSUK and presented in ANNEX 3 clearly shows that dumping is continuing in third markets and is therefore likely to recur in the UK if the AD measures are allowed to lapse.
23. As seen in ANNEX 3, the dumping margins for imports from China are still significant and in some cases in the excess of [45-55]%. It should be noted that these estimates are conservative due to the way the constructed normal value is calculated.
24. These calculations are clear evidence that the AD measures are the only factor preventing Chinese exporters from the dumping their product on the UK market, and that dumping will resume in the event that the AD measures are left to expire.

IV. The situation of the UK CRS industry remains vulnerable. Injury to the UK industry would be likely to recur if the AD duties are left to expire

25. This conclusion becomes obvious if one looks at the current situation on the UK market as well UK producers’ economic and financial performance.

1. UK consumption

26. UK consumption fluctuated in the following the imposition of AD measures in 2018. It fell in POI-2 (2020) compared to POI-3 (2019), then rose again in POI-1 (2021). Demand fell once again in the POI (2022) back to POI-2 levels.

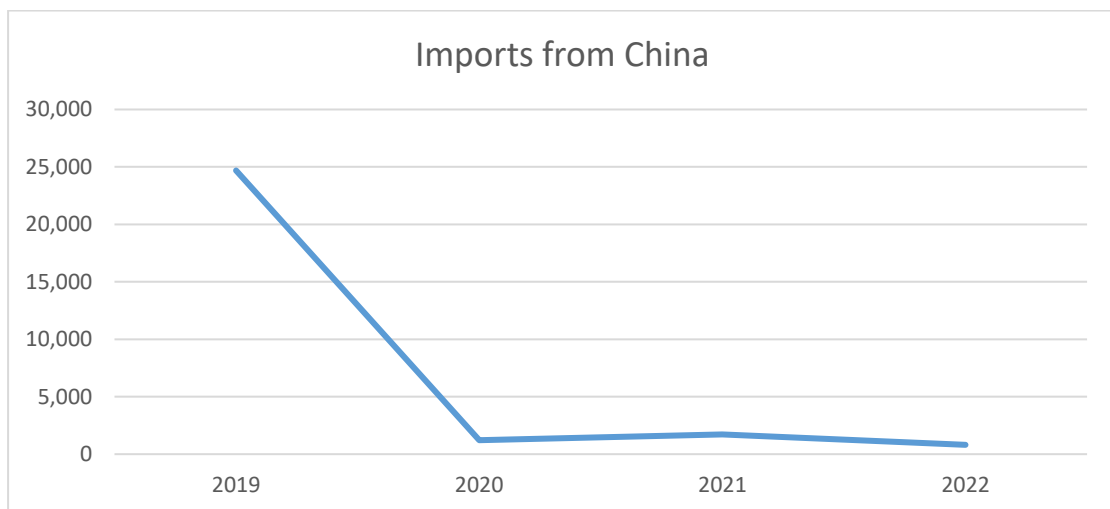
UK apparent consumption (tonnes)	POI-3	POI-2	POI-1	POI
UK Consumption	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	73	101	71

Source: TSUK market data ([ANNEX 2](#))

27. Thus, despite the recovery that took place in POI-1, as demand rebounded post-COVID lockdowns, UK demand has once again fallen in the POI, and is nearly 30 percentage points below its POI-3 level. Thus, given the existing sufficient supply on the market (from both local and foreign sources), there is no risk of any supply shortages.

2. Imports from China

28. Following the imposition of AD duties in 2018, Chinese imports into the UK dropped significantly and basically disappeared from the market.



Source: TSUK market data ([ANNEX 2](#))

29. It is important to say however that the only reason why this drop occurred were the AD measures in place, which have been effective. The UK import data confirm that the imposition of definitive measures in 2018 reduced significantly Chinese imports into the UK, as Chinese exports were diverted to other markets. Without the pressure from Chinese imports, the TSUK was able to improve its performance; this however was only temporary given market conditions, as well as pressure by other imports coming from Thailand, South Korea, Indonesia, Brazil, etc. and other external factors such as the COVID-19 pandemic and (more recently) high energy costs, which did not allow the UK industry to fully recover.
30. If measures are allowed to lapse, there will undoubtedly be a recurrence of dumping and injury, which will be detrimental to the industry, which remains vulnerable. Therefore, the duties should be renewed for a period of five years in order to allow the UK industry to fully recover and maintain healthy levels of performance.

3. The vulnerable financial situation of the UK industry

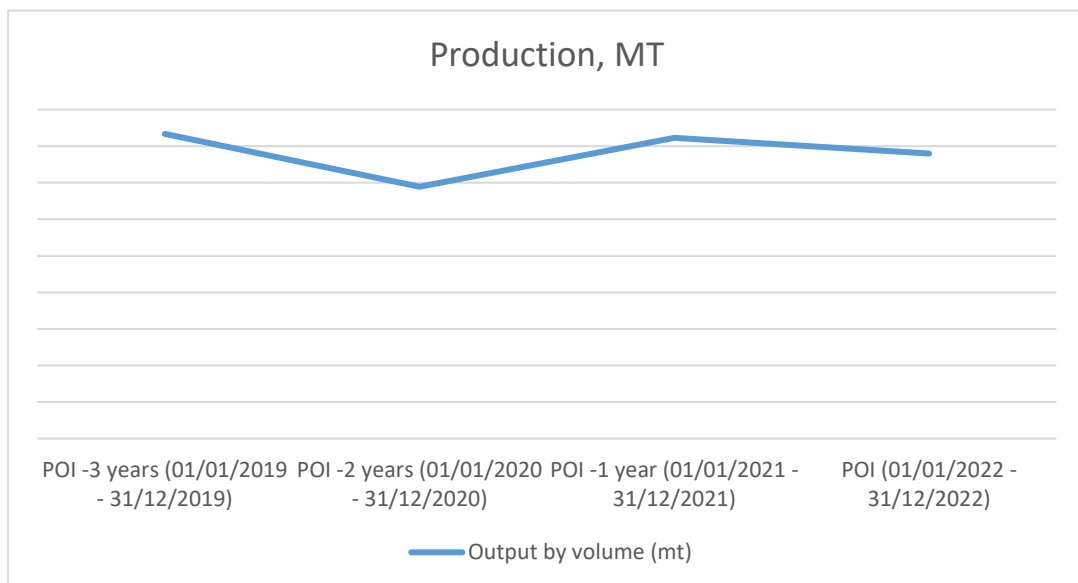
31. As noted, following the imposition of AD measures in 2018, the situation of the UK industry remained difficult due to other factors such as imports from other countries, the COVID-19 pandemic, and high energy costs, which hit international markets in recent years. While the situation did moderately improve in 2021, mainly driven by improved demand and supply-demand imbalance following COVID, this situation remains uncertain as demonstrated by TSUK's drop in profitability in the POI. UK producers remain vulnerable to renewed injury should the measures elapse. The future of CRS production in the UK is dependent on the producers being able to make a profit. While the profitability improved in POI-I ([CONFIDENTIAL – commercially sensitive information which is not susceptible of summary]), prices have once again started to fall back. As a result, TSUK fell again into losses in the POI. With prices falling further down, as the underlying fundamentals of the steel market remain unchanged, the UK industry will find itself in a fragile position to face dumped Chinese imports. If the industry is forced to face surging dumped Chinese imports, it will experience a recurrence of material injury.
32. This is also seen in recent economic data for TSUK, detailed below, which shows overall declining improving performance from POI-3 to POI-1 with a slowdown in the POI. The industry is therefore fragile. The end of the measures will likely result in a very negative impact on UK producers, as Chinese imports would flood the UK market.
33. An overview of the UK industry indicators provided in the section below (further details in ANNEX 4) illustrates its vulnerability to renewed injury should the measures elapse.
34. The industry's production volumes remained stable and marginally decreased over the period considered. Production decreased from POI-3 until POI by 6 percentage points. As regards capacity, it remained stable over the entire period. Capacity utilisation followed the marginal drop in production volumes but

remained fairly stable with UK producers putting their production capacity to work to satisfy any current and future increase in UK CRS demand.

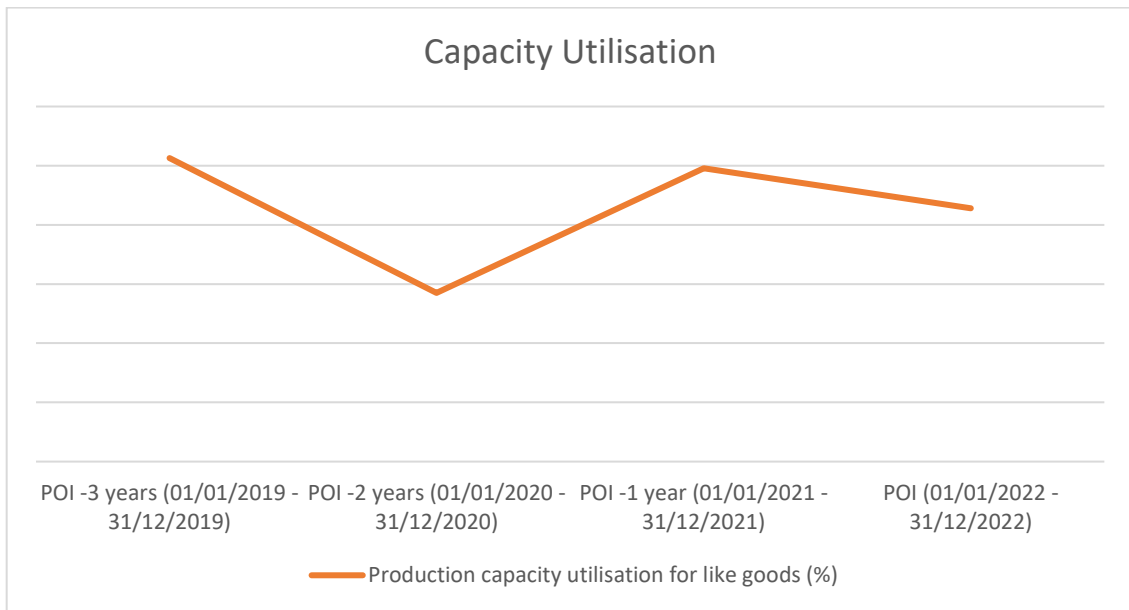
TSUK’s production, capacity and utilization rate (tonnes)	POI-3	POI-2	POI-1	POI
Total Production	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	80-90	90-100	90-100
Capacity	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	100	100	100
Capacity Utilization	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	80-90	90-100	90-100

Source: TSUK’s Injury Data ([ANNEX 4](#)).

35. The table below illustrates the marginal drop in production and utilization in the period POI-3 – POI. For obvious reasons, the drop in most indicators in POI-2, which was when the economy was significantly affected by the COVID pandemic, should be disregarded as that was an exceptional one-off situation.



Source: TSUK’s Injury Data ([ANNEX 4](#)).



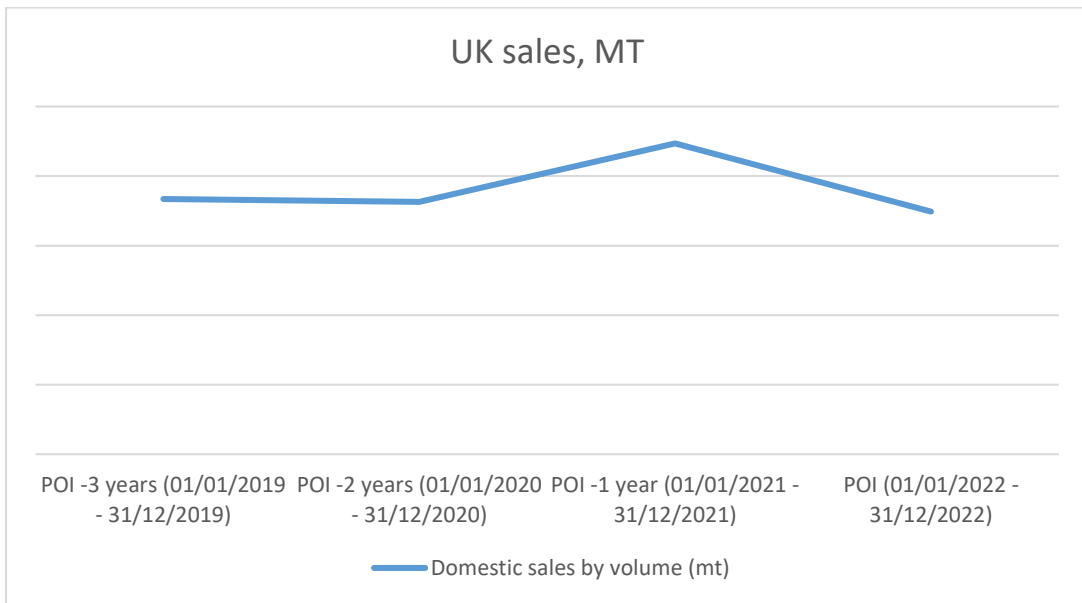
Source: TSUK’s Injury Data ([ANNEX 4](#)).

36. As noted, the improvement in the POI-1 (due the existing supply-demand imbalance on the market) was followed by a further drop in the POI.
37. Recent trends in TSUK’s volume of sales point to the same conclusion. Sales improved in POI-1 (2021) due to COVID-driven market imbalance, but then dropped once again (albeit by 5 percentage points) in the POI.

TSUK’s’ UK Sales (tonnes)	POI-3	POI-2	POI-1	POI
Sales	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	90-100	120-130	90-100

Source: TSUK’ Injury Data ([ANNEX 4](#)).

38. The UK CRS industry therefore remains fragile and vulnerable to low-priced imports from China, which will put significant pressure on sales in the event that the AD measures are left to expire.



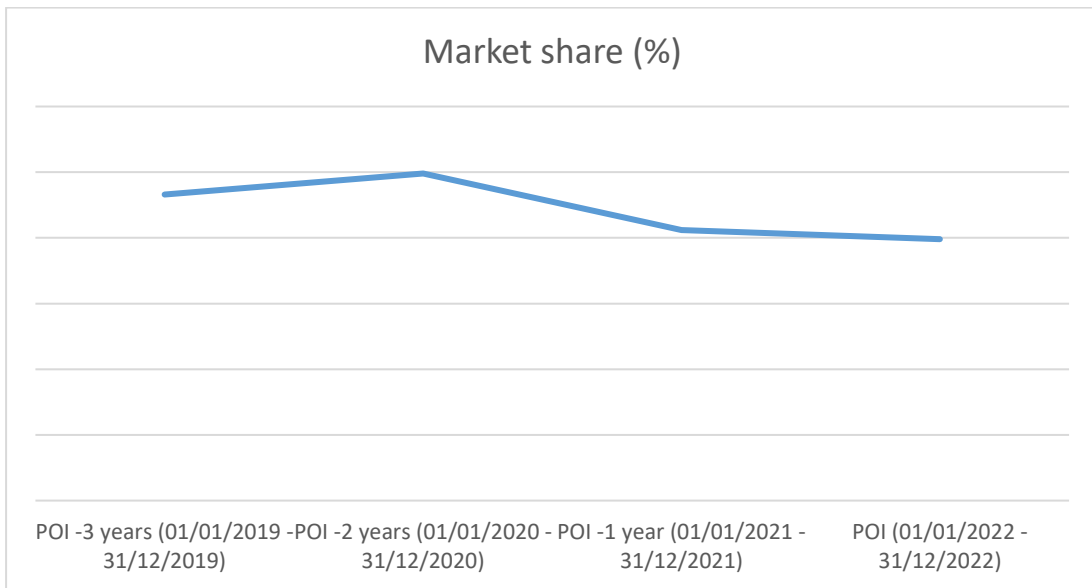
Source: TSUK’s Injury Data ([ANNEX 4](#)).

39. That the UK CRS industry is in a vulnerable state is also shown by the development of TSUK’s market share. TSUK’s market share remained relatively stable in the period POI-3 – POI-2, but then dropped somewhat due to pressure by imports.

TSUK’s market share on UK Sales (%)	POI-3	POI-2	POI-1	POI
Sales	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	100-110	80-90	80-90

Source: TSUK’s Injury Data ([ANNEX 4](#)).

40. This is also evident by looking at the graph below. TSUK’s market share increased in POI-2 compared to POI-3 but fell again in POI-1 and the POI. As a result, TSUK’s market share was [10-20] percentage lower in the POI compared to POI-3, as imports from other countries increased their market presence.



Source: TSUK’s sales and UK consumption data included in [ANNEX 2](#) and [ANNEX 4](#)

41. UK producers’ prices increased in POI-1 driven by demand-supply imbalance, and nearly doubled but then started falling during the POI as they were returning back to normal. This is demonstrated by the following table.

Prices for sales to unrelated in the UK (GBP/tonne)	POI-3	POI-2	POI-1	POI
UK prices	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	100	190-200	170-180

Source: Flat Products / Platts TSI North European HDG / N.Europe domestic EXW Ruhr €/t.

42. These elements show that the UK industry remains vulnerable to a new surge of dumped imports, which as explained below will inevitably follow if the duties are lifted. Should the measures expire without being renewed, there will undoubtedly be recurrence of dumping and injury. Therefore, the duties should be renewed for a period of five years in order to allow the UK industry to fully recover.
43. That the UK industry remains vulnerable to pressure by imports is also demonstrated by the development of TSUK’s probability over the period considered. After two years of double-digit losses (in POI-3 and POI-2), caused by market disruptions and pressure by imports, profits improved considerably in POI-1 as prices went up due to the increased demand resulting from the short-term supply-demand imbalance and whipsaw effect.

TSUK's Profitability	POI-3	POI-2	POI-1	POI
CRS	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	Confidential	Confidential	Confidential	Confidential

[CONFIDENTIAL GRAPH]

44. The improvement that occurred in POI-1 however was short-lived as the UK industry once again dove into losses in the POI. This was the effect of market conditions returning back to normal (following the COVID-driven supply-demand imbalance), as well as pressure from high energy costs, which rise significantly in the latter part of 2022 as well as pressure from imports from other countries such as Thailand, South Korea, Indonesia, Brazil, etc. This being said, things are bound to get even worse if the AD measures are left to expire. It should be noted that TSUK's 2019-2020 financial year covers the period March through April 2020, so covers some of the most economically significant impacts of COVID.
45. Indeed, the situation on the UK market has not allowed UK producers to fully recover as it remains vulnerable. This being said, TSUK's employment remained fairly stable in the periods considered as its marginally improved in POI-2 and POI-1 as then marginally dropped in the POI as employment fell by 3 percentage points. This is demonstrated by the following table.

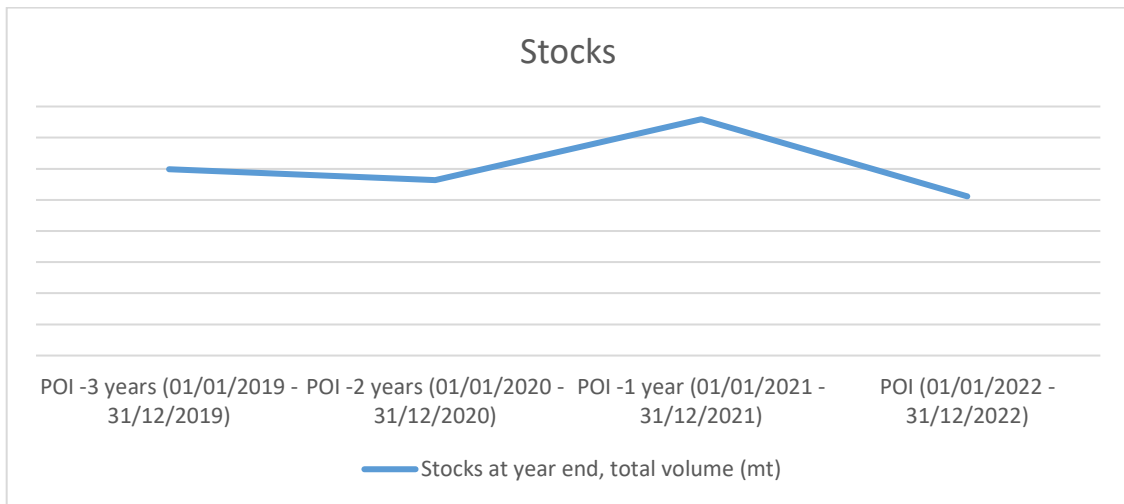
Employment	POI-3	POI-2	POI-1	POI
Employment	Confidential	Confidential	Confidential	Confidential
<i>Indexed</i>	100	100-110	100-110	90-100

Source: TSUK's Injury Data (ANNEX 4).

46. TSUK's stocks also increased in the period POI-3 - POI-1 but then decreased in the POI.

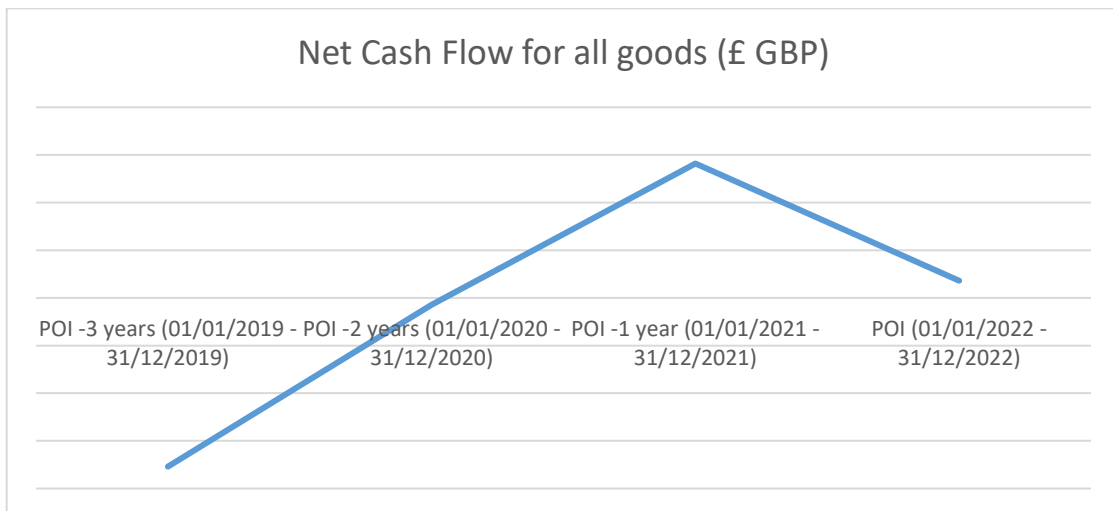
TSUK's stocks (tonnes)	POI-3	POI-2	POI-1	POI
Stocks	Confidential	Confidential	Confidential	Confidential
<i>Index</i>	100	90-100	120-130	80-90

Source: TSUK's Injury Data (ANNEX 4).



Source: TSUK’s Injury Data ([ANNEX 4](#)).

47. The trends in TSUK’s cash flow also confirm that the industry remains vulnerable. After two years of negative cash flow in POI-3 and POI-2, things improved in POI-1. This improvement however was temporary, as the company’s cash flow once again dropped in the POI. This is demonstrated by the following table and graph.



Source: TSUK’s Injury Data ([ANNEX 4](#)).

4. Conclusion on recurrence of injury
48. If measures are left to expire, Chinese imports – which dropped as a result of the AD measures - would rapidly regain their previous volumes, given Chinese excess capacity (as explained below), and the trade defence measures in many third-country markets (e.g. the EU, US, Australia, Pakistan, and Taiwan).

Chinese export prices to the UK would drop sharply, in line with current prices offered to third markets such as Thailand, South Korea, Indonesia, and Brazil.

49. In addition, it is clear that the UK industry is still vulnerable, is in a fragile state, as it has not been given full opportunity to recover due to dumped imports from other countries, the COVID-driven market turmoil, as well as high energy costs. The performance in terms of profitability of the UK industry during POI-1 is not representative, as better results were linked to market disruptions and post-COVID recovery, which led to abnormally high prices. The situation has now changed. Although the UK industry is sound, and has employed its best efforts to improve performance, it remains vulnerable after the pressure from imports and the supply chain disruption caused by COVID and rising steel and raw materials prices.
50. Considering all the above, the likelihood of recurrence of material injury in this case is clearly established. A resurgence of Chinese dumped imports would translate into a significant increase of Chinese imports' market share, also because users can relatively easy switch to other suppliers. That could leave UK producers with no choice but to lower their prices further, leading to a further injurious scenario. In addition, as explained below, the spare capacity in China is much bigger than the UK CRS market, which only aggravates the problem.

V. The state of the Chinese steel market and industry guarantees that injurious dumping will continue if the AD measures are left to expire

1. CRS capacity in China is enormous and new capacity is being added, encouraged and subsidized by the Chinese government
51. China's overcapacity in the steel sector generally,³ and in the CRS production specifically, is well known and its danger is apparent. Domestic overcapacity coupled with domestic economic slowdown put significant pressures on Chinese steel producers to export their products, among other but increasingly likely, to the UK.⁴
52. First, all available sources point to a conclusion that HDG and EG steel capacity in China has continued to increase since the imposition of the AD measures in 2018.
53. This trend is corroborated for example by data provided by CRU for the capacity of Chinese HDG steel alone, for which there was an increase production capacity from [45-55] million t in 2018 to a forecasted [47-54] million t for

³ See, for example, the various reports in [ANNEX 5](#).

⁴ TSUK notes that it encountered certain difficulties in collecting data on Chinese production and capacity separately for hot-dip galvanised ("HDG") and electro-galvanised ("EG") steel. While only HDG steel falls within *the* relevant product scope, it is clear from the data provided in [ANNEX 5](#) obtained from CRU that EG steel production lines merely constitute about [7-15]% of the Chinese total installed production capacity for HDG and EG steel. Therefore, the potential for the values of EG steel to alter the development of the overall aggregated indicators is minimal.

2022.⁵ Over the same period, Chinese EG steel production capacity remained stable at [4-8] million tonnes.⁶

54. Furthermore, the increase in Chinese CRS production capacity since 2017 has also been investigated and confirmed by the United States International Trade Commission (“USITC”) in its (sunset) review process for AD measures against CRS imports from China concluded in August 2022.⁷ For example, in May 2017, the Chinese Maanshan Iron and Steel Co., Ltd. started trial production at a new continuous HDG steel line that was projected to have an annual production capacity of 353,000 short tons and to produce HDG steel for, among other, the appliances industry. Based on the 2021 annual report of the company, it obtained “subsidies for galvanization projects” of about RMB 1,244,361 in 2021 alone.⁸
55. Second, while combined gross production of HDG and EG steel in China also increased from [40-50] million t in 2018 to a forecasted [47-54] million t in 2022, peaking in 2021 with [51-56] million t, Chinese combined HDG and EG capacity utilisation decreased markedly between 2020 and 2022 (forecast): while the utilisation rate in 2020 experienced an exceptional hike at [90-100]%, it decreased to [90-95]% in 2021 and is forecast to further decrease to [85-92]% in 2022 (see Graph 4 below).⁹ The forecast for 2023 foresees a further decline to [83-89]% and further down to [82-88]% in 2016.¹⁰

⁵ See “Chinese CRS capacity, production, and utilization (CRU)” (see ANNEX 5).

⁶ *Ibid.*

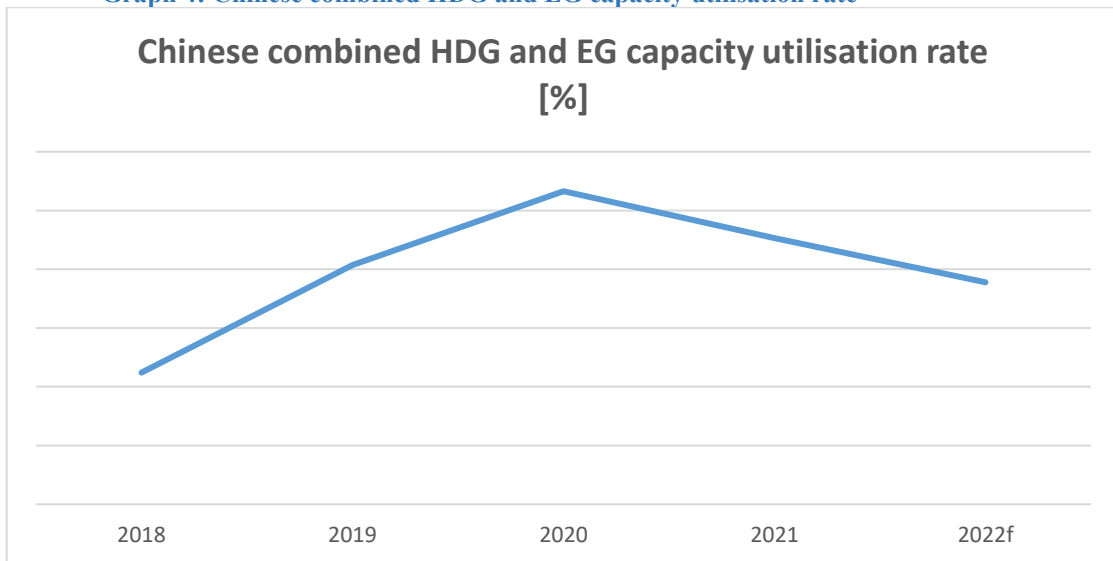
⁷ Certain Corrosion-Resistant Steel Products from China, India, Italy, South Korea, and Taiwan [2022] USITC, Inv. No. 701-TA-534-537 and 731-TA-1274-1278 (First Review) (Full), August 2022, p. IV-29, available at: https://www.usitc.gov/publications/701_731/pub5337.pdf.

⁸ See “Annual Report (2021) - Maanshan Iron and Steel Co” (see ANNEX 1).

⁹ See “Chinese CRS capacity, production, and utilization (CRU)” (see ANNEX 5).

¹⁰ *Ibid.*

Graph 4: Chinese combined HDG and EG capacity utilisation rate¹¹

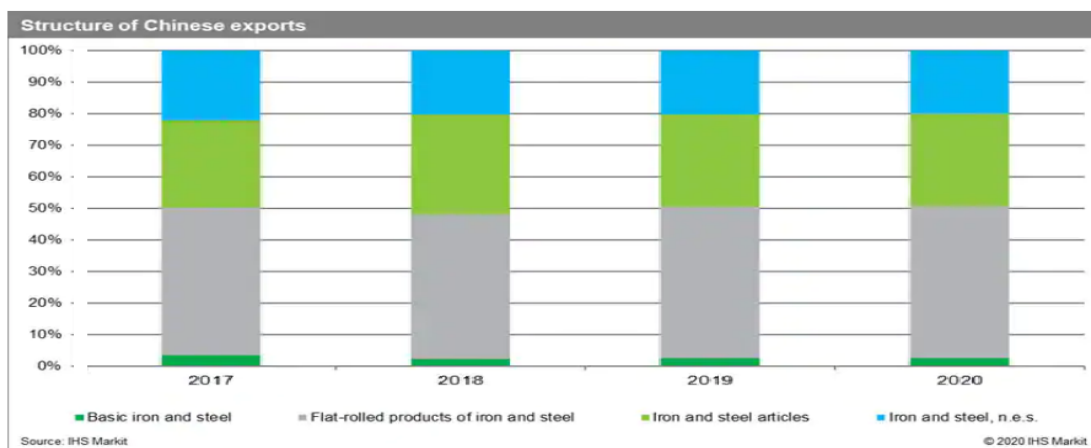


Source: CRU (see ANNEX 5)

56. Third, it is also evident that the spare Chinese combined HDG and EG spare capacity exceeded six times the total CRS imports in the UK in 2022. In 2022, the overcapacity amounted to approximately 6 million tonnes while imports into the UK were less than a million. Therefore, it is clear that only the AD measures keep this spare capacity from flooding into the UK.

2. The Chinese steel market is export-oriented

57. In addition, it should be noted that flat products (which include CRS) account for around half the volume of China’s iron and steel exports, and their share of total exports has been increasing, as demonstrated in the graph below:

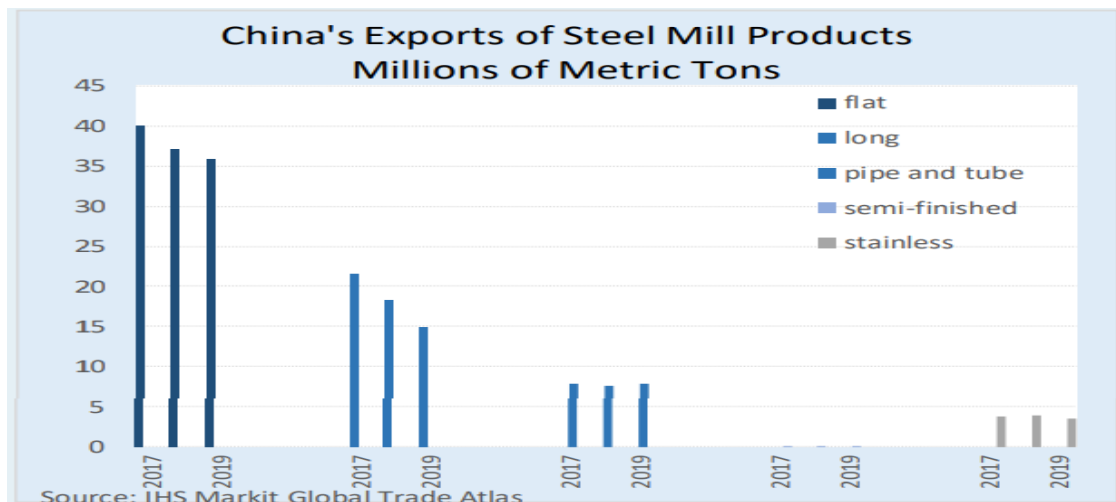


Source: IHS Markit, “Trade analysis: China’s steel and iron exports”, 23 January 2020.¹²

¹¹ As noted above, only HDG is the product concerned, and it accounts for about 90% of the combined HDG and EG capacity.

¹² IHS Markit, “Trade analysis: China’s steel and iron exports”, 23 January 2020, <https://ihsmarkit.com/research-analysis/trade-analysis-chinas-steel-and-iron-exports.html>

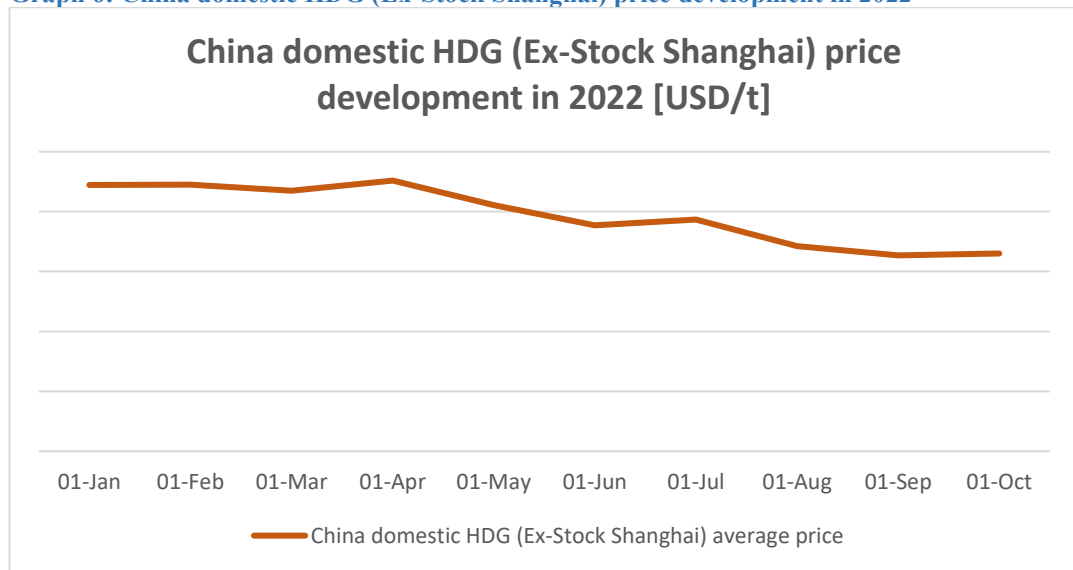
58. This is also demonstrated by the following graph showing that, over the course of 2019, flat products accounted for over half of steel exports, reaching 57.7 percent (35.8 MMT).



59. The export data above demonstrates that exports are important for the CRS Chinese sector, whose capacity and output continues to grow and to exceed domestic demand. As a result, exporting the excess production is the only alternative and, if the measures expire, these exports will target the UK.
3. Chinese domestic demand is going to follow a downward trend in the coming years
60. While Chinese steel and, specifically CRS, production capacity is expanding and remaining unutilised, Chinese domestic CRS demand decreased significantly given the slowdown of demand in the construction and appliances sectors. Also the outlook in these sectors and thus for Chinese CRS demand is bleak (Please see ANNEX 6 for a number of press reports documenting this trend).
61. As a result of the downturn in Chinese domestic CRS demand, in September 2022 it was reported that Chinese domestic prices for hot-dipped galvanized coil “remaining at the lowest level since December 2020” due to “poor demand”; the lack of orders also “forced small galvanizing plants to shut down part of their production lines”.¹³
62. Furthermore, the downward trend in Chinese domestic CRS prices is clearly demonstrated by the SBB prices for HDG (Ex-Stock Shanghai) in 2022 (see Graph 6 below). In the period between 1 January 2022 and 1 October 2022, the Chinese domestic HDG prices decreased by about a staggering [20-30] percentage points from [850-950] USD/t to [600-700] USD/t.

¹³ See “Chinese exporters raised their offers for cold-rolled coil and hot-dipped galvanized steel coil” (see ANNEX 6).

Graph 6: China domestic HDG (Ex-Stock Shanghai) price development in 2022



Source: SBB (see [ANNEX 7](#))

63. Therefore, due to the recent decrease in domestic Chinese HDG prices, if there were no longer dumping measures in place, it is inevitable that the product concerned would be dumped on the UK market again.
4. Chinese exporters increasingly dump CRS products in large volumes at very low prices in third-country markets
64. Following the imposition of the AD measures in the EU in 2017, Chinese exports of HDG to most other major world markets increased significantly (see Graph 7 below).¹⁴ Starting from 2018 or 2019 at the latest, Chinese HDG exports to other countries in Asia, Latin America, Africa and the Near/ Middle East increased significantly.

Graph 7: Exports of Chinese HDG in 2017-2021

[CONFIDENTIAL – information available only on subscription. Please refer to para. 64 for a non-confidential summary of the graph.]

Source: Wirtschaftsvereinigung Stahl (See [ANNEX 7](#))

65. These Chinese exports were also made at low prices (see above), which often undercut and caused injury to local producers. As a result, many third countries imposed or are in the course of imposing trade measures in respect of certain CRS imports from China (see next Section).
5. Trade defense measures against Chinese CRS in major exports markets will increase pressure on UK market

¹⁴ See “Chinese CRS exports (Wirtschaftsvereinigung Stahl)” (see [ANNEX 7](#)).

66. Several significant import countries for Chinese CRS have already introduced or extended (or are in the process of introducing or extending) trade defence measures on CRS imports from China.
67. For example, following a (sunset) review process concluded in August 2022, USITC found that that revocation of AD measures on CRS from China “would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time”.¹⁵ Therefore, a potentially large market for Chinese CRS such as the US remains closed.
68. Similarly, the Pakistan’s National Tariff Commission decided in August 2022 to extend AD measures imposed on certain galvanized steel products imported from China for another five years, with the decision retroactively effective from 8 February 2022.¹⁶
69. On 16 September 2022 it was also reported that Taiwan extended anti-dumping duties on imports of certain galvanized flat-rolled steel products from mainland China after concluding that “the termination of the anti-dumping duties was likely to lead to the resumption of dumping”.¹⁷
70. In addition, on 22 June 2023 Australia’s Anti-Dumping Commission (“AADC”) extended for a 5-year period AD measures applicable to certain zinc-coated (galvanized) steel imports from, among other, China.¹⁸ Specifically, the AADC’s acting commissioner noted that there “the expiration of the measures would likely lead to a continuation of, or a recurrence of, the dumping and subsidisation and the material injury that the measures are intended to prevent”.¹⁹
71. Therefore, it is clear what is bound to happen if measures are left to expire given the significant overcapacity in China, the dwindling demand for CRS in China (see above), as well as the fact that other countries such as the US, Australia, Pakistan, and Taiwan have already introduced or extended (or are in the process of introducing or extending) trade defence measures on certain CRS imports from China: China will look for alternative export opportunities and, if the UK is not going to keep AD measures in place, China’s CRS exports to Europe will likely increase along the already upward trend in the years to come.

¹⁵ See Notice by the International Trade Commission on 08/08/2022, Investigation Nos. 701-TA-534-537 and 731-TA-1274-1278 (Review), available at: <https://www.federalregister.gov/documents/2022/08/08/2022-16971/certain-corrosion-resistant-steel-products-from-china-india-italy-south-korea-and-taiwan>; see also Certain Corrosion-Resistant Steel Products from China, India, Italy, South Korea, and Taiwan [2022] USITC, Inv. No. 701-TA-534-537 and 731-TA-1274-1278 (First Review) (Full), August 2022, available at: https://www.usitc.gov/publications/701_731/pub5337.pdf.

¹⁶ See “Pakistan has extended anti-dumping duties on certain galvanized steel products imported from China” (see ANNEX 6).

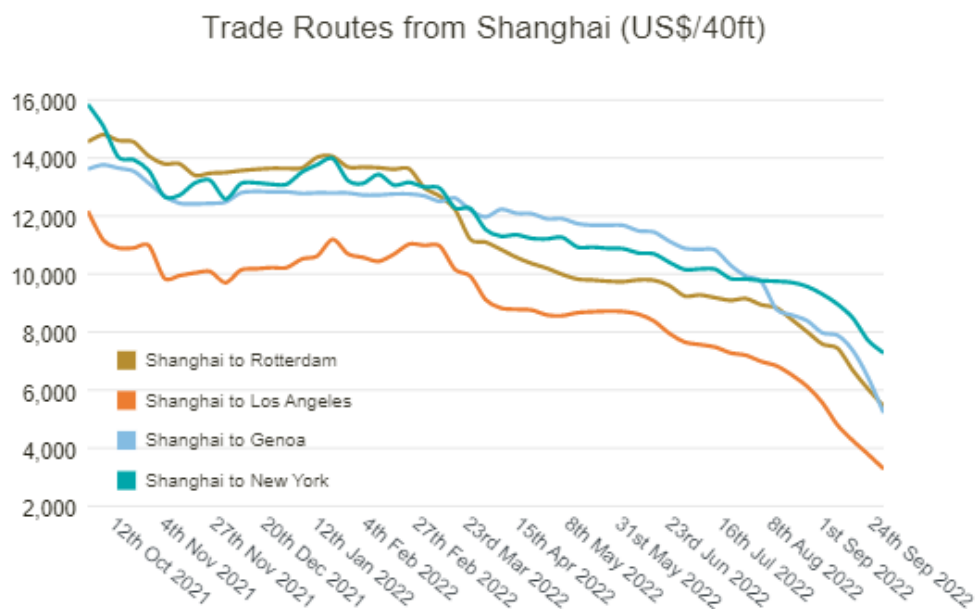
¹⁷ See “Taiwan extends anti-dumping duties on imports of galvanized steel from China, South Korea” (see ANNEX 6).

¹⁸ Australia’s Anti-Dumping Commission (AADC) has extended the measures currently applied to certain zinc-coated (galvanized) steel imports from China, South Korea and Taiwan, August 2022 (see ANNEX 6).

¹⁹ *Ibid.*

72. The Applicants are thus seriously concerned that, should the AD measures be left to expire, the UK will very quickly attract huge quantities of low-priced Chinese CRS, which will lead to the recurrence of dumping and injury.
6. Shipping costs from China to Europe have decreased significantly
73. If the AD measures were allowed to expire, another reason why dumped Chinese imports would inevitably flood into the UK market is the massive decrease in shipping costs between China and Europe. This also means that the AD measures are the only reason why the volume of imports from China into the UK has decreased.
74. Global supply chain pressures have been easing again since January 2022 and, since at least March 2022, freight costs from China to Europe have started to fall significantly (see below Graph 8).²⁰

Graph 8: Freight costs for trade routes from Shanghai (USD per 40ft container)



Source: World Container Index, Drewry Supply Chain Advisors

75. That the drop in freight rate is significant is evidenced by the speed with which rates are falling, in particular on the route between Shanghai and Europe.
76. It is clear that Chinese exporters will take advantage of this significant drop in freight costs. For example, a Chinese international trade service company noted in July 2022 that “with the increasing efficiency of the shipping supply chain, freight rates for major routes have fallen. The steady decline of the shipping index has sent a positive signal that export enterprises have resumed production

²⁰ See <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>.

and port transportation has steadily picked up.”²¹ A specialist news outlet already noted in April 2022 that “[a]fter a year in which freight rates continued to set new highs, spot rates are on the decline in 2022 with experts pointing to a series of factors likely contributing to an ongoing decline. The steady drop that began in January is continuing [...]”²²

77. Moreover, while freight costs between China and the US have decreased as well, as explained above, the US has recently extended the AD duties in place against CRS from China following. As a result, the drop in freight costs between China and Europe represents an even more attractive basis for Chinese CRS producers for ramping up exports now that exports to the US will, in comparison, no longer be attractive (despite the fall in shipping costs).
78. Therefore, it is clear that, if the AD measures are left to expire, dumped CRS product from China will again flood the UK market

VI. Chinese exporters are likely to target the UK market in the event that the measures are left to expire

79. First, the UK is one of the likely targets of Chinese exports in the event that the AD measures are permitted to end because other major CRS markets, such as the EU, US, Australia, Pakistan, and Taiwan have trade defence measures in place on CRS imports from China (See ANNEX 6)
80. These barriers reduce considerably the ability of China to direct its excessive production to other third country markets, and make the UK among the few attractive options in the event that the measures are lifted.
81. Second, the UK market, due to its open/competitive nature, with a stable and strong currency, is clearly an attractive target for Chinese CRS exporters. Imports will therefore undoubtedly focus on the UK market if the AD measures expire.
82. Clearly, the UK will be among the main markets, which will attract Chinese CRS exports at low prices in the event that the measures are repealed.

VII. The Economic Interest Test (“EIT”) is clearly met in this case

83. There is a strong economic interest in the continuation of the measures to prevent recurrence of dumping causing injury to the UK industry. To fail to extend the AD measures in place in these circumstances would open the door to a surge of dumped CRS products into the UK market and to put the future of the UK industry and its workforce at grave risk.
84. The EIT is clearly met in this case as continuing of the measures will preserve fair market conditions on the UK market, as explained in further detail below. Besides ensuring a future for the UK CRS industry, the measures will ensure

²¹ See “More foreign orders arrive as China’s shipping costs drop, showing stabilizing supply chain and economic growth”, 11 July 2022, available at: <https://www.hellenicshippingnews.com/more-foreign-orders-arrive-as-chinas-shipping-costs-drop-showing-stabilizing-supply-chain-and-economic-growth/>.

²² See “Freight Rates Declining in 2022 in the Face of Uncertainties”, 6 April 2022, available at: <https://maritime-executive.com/article/freight-rates-declining-in-2022-in-the-face-of-uncertainties>.

that end users have long-term and reliable sources of supply of CRS, since there is no risk of shortage, because (a) imports could continue to enter the UK (on a fairly-traded basis) and (b) there is sufficient spare capacity in the UK (with TSUK operating at rates far below its maximum capacity), and in third countries to cover any shortfall. In addition, measures would not result in any adverse effect on users nor on employment in end user industries.

7. Importance of the UK CRS industry
85. First, the UK CRS industry provides significant employment opportunities and offering wages considerably higher than the local average.
86. Second, the UK steel industry provides the high-quality materials vital to meeting an array of current economic challenges. From delivering the Government's infrastructure revolution to creating a low carbon economy, steel is an essential ingredient. It is vital that the steel industry in the UK retains a strong and resilient steel industry in the UK to supply this.
87. Third, the domestic UK steel industry is also important to decarbonisation. Increased reliance on steel imports could lead to higher emissions if imported steel is produced in a more carbon-intensive steel plant. Additionally, increased imports of finished steel products will also increase transport-related emissions – for example shipping a tonne of product from China will result in an estimated 0.3 tonnes of CO₂. Given this picture of lower production and transport-related emissions from domestically produced steel, it is clear that replacing domestic production with greater imports of steel would not be in the economic or public interest.
88. Lastly, the interconnectivity of steel products means that product categories assessed independently from each other will not provide an accurate assessment of injury and economic impact to the UK. CRS products alone represent a significant portion of overall UK steel production, but the segment's real economic impact is even wider when considering steel production economics as well as the broader supply chain. Most plants will produce more than one type of steel product and the profitability of each will have an effect on wider production decisions, with implications for employment and future investment.
8. The continuation of the measures will not be against the interests of various market operators
89. First, the continuation of measures does not entail a risk of shortage of supply. There is sufficient capacity both within the UK and in other third countries to supply the UK market. UK. TSUK does have sufficient capacity to address any increase in demand. As demonstrated above TSUK currently operates at [50-70]% of its capacity, which demonstrates that TSUK can easily increase capacity to meet any increase in demand. Thus, it is clear that there is sufficient local capacity to satisfy any increase in demand.
90. In addition, there is sufficient capacity in third countries to cover any shortfall. Indeed, there are significant volumes of CRS products available on the global market that could be shipped to the UK to satisfy any unmet demand.

91. TSUK further recalls that the application of anti-dumping measures is not intended to exclude imports from China from the market, but only to ensure that those imports are not sold at dumped prices, which would result in recurrence of injury. The level of duties that are likely to be imposed will not exclude such imports from the UK market, but merely ensure they are sold at fair prices.
92. Second, the continuation of measures will not have an impact on users. It is in the interest of end users as well as the UK CRS industry that the market functions in a fair way, with a healthy UK CRS industry to ensure continuity of supply for the future. It should be noted that the UK industry is capable of serving the UK market and that there are many other producers of CRS around the world who could also supply the UK market. Moreover, CRS products represent only a very small percentage of the cost of a typical consumer product that uses CRS. As an example, TSUK has provided in [ANNEX 8](#) estimates of costs for production where they demonstrate CRS represents only a negligible part of the cost of typical consumer product that uses CRS. Hence, the price of CRS would have no real effect on decisions whether or not to purchase such a product
93. Third, the non-imposition of measures would result in loss of UK CRS industry jobs, whereas imposition of measures would not impact jobs in end user industries. An independent analysis by Oxford Economics on the impact of job losses in the steel sector on industries depending on it (See [ANNEX 9](#)) shows that each job lost in the steel sector means a further 7.7 direct and indirect jobs lost in industries dependent upon it for business.²³ The indirect economic impact on the broader community around steel production sites is therefore even bigger. The negative impact of the dumped imports from China far outweighs any potential impact on end users absent anti-dumping measures, situation under which UK producers will be forced to continue to curtail production and lay off workers.
94. More broadly, given the actions by other countries such as the EU, US, Australia, Pakistan, and Taiwan to limit access by imports to their markets via trade defence instruments, it is clearly not in the UK's interests to leave its market open to unfairly traded imports, with the consequent impact on UK jobs.
95. Lastly, all information on the record demonstrates that the years of measures have not compromised supply or had a negative impact on users or any other sector of the UK economy. This was mainly because UK producers have sufficient capacity to satisfy local demand and there are also sufficient alternate sources. Thanks to the measures in place, and despite COVID, the UK industry has managed to stabilize its performance, but has not yet fully recovered. At the same time, the measures have not had any negative impact on users in the UK as supplies have been readily available at competitive prices coming from UK producers and from other countries. Measures should therefore not be allowed to lapse; otherwise, industry's efforts to improve performance will be undermined.

²³ See Oxford Economics, The Impact of the European Steel Industry on the EU Economy ([ANNEX 9](#)) at page 4.

96. TSUK also strongly believes that long-term competitiveness and stability of the UK CRS industry is in the best interests of the UK users. Should dumped imports from China once again flood the UK market, it may lead to eventual disappearance of the UK CRS industry. Users would then lose out in terms of having less choice, less flexibility and availability of supply, less R&D and technical innovation (including action to combat climate change) and lower quality service. Clearly, this cannot be in the UK users' best interest.

VIII. Conclusion

97. While the AD measures in place currently protect the UK CRS industry, Chinese exporters are continuing to dump their products in third countries. The existence of vast spare capacity in China, and the fact that other third-country markets – major destinations for Chinese CRS – have imposed measures on imports of CRS from China make it certain that Chinese imports would once again surge on the UK market if the existing AD measures were not continued, leading to a recurrence of dumping and injury to the UK CRS industry. TSUK therefore calls on the TRA to ensure that the AD measures are extended for a further period of time.

List of Annexes

- ANNEX 1: Evidence of significant distortions existing on the Chinese steel market.
- ANNEX 2: CRS import and consumption data.
- ANNEX 3: Dumping calculations.
- ANNEX 4: TSUK economic performance data.
- ANNEX 5: Steel overcapacity in China.
- ANNEX 6: Press articles and other reports.
- ANNEX 7: Chinese CRS data.
- ANNEX 8: Simulation showing CRS represents a fraction of the cost of downstream product.
- ANNEX 9: Oxford Economics and other studies.