

Case No. TQ0066: Tariff Rate Quota Review

Subject: Tata Steel UK's submission in response to other interested parties

Non-confidential

1 May 2025

1. Introduction

Tata Steel UK Ltd ("TSUK") is a major steel producer, currently manufacturing a range of products falling under product categories 1, 4, 5, 6, 20, 21, 25A, 25B, and 26.

TSUK has cooperated fully with all previous reviews of the safeguard measures, beginning with the initial transition review. Throughout these processes, we have constructively engaged with the TRA to propose and support solutions that serve the broader interests of the UK steel market, including importers – such as the revocation of the cold rolled (CR) quota and the split of product category 1 (Non alloy and other alloy hot rolled sheets and strips – HRC) into two sub-categories.

TSUK fully supports the submission and requests put forward by UK Steel in the present review. Please note that in this submission, we will only comment on allegations concerning TSUK and our products specifically, while broader industry issues will be addressed in a separate submission by UK Steel.

2. TSUK's response to the allegations of other interested parties

TSUK has carefully reviewed all submissions made by other interested parties concerning our ability to satisfy domestic demand and supply specific steel grades. We trust that the TRA will recognize that many of these allegations are entirely unsubstantiated and, in several cases, demonstrably false. Nevertheless, in the interest of completeness and transparency, TSUK will address these claims in the sub-sections that follow.

As a general comment, TSUK would like to emphasise that the UK market remains our priority. However, the inflow of low-priced steel imports from various sources has led to unsustainable market prices, causing significant injury to domestic producers. The adjustments proposed by UK Steel – which are fully supported by TSUK – are intended to stabilise the market and ensure fair conditions for all participants. We are confident that these changes will not result in any shortage of supply or prevent domestic users from meeting their steel requirements.

We would also like to point out that the quotas continued to be liberalized amid falling demand. These two factors have resulted in imports having more market access today than they did in 2018. There is a more than sufficient quota available to allow

import of all types of products – including those that TSUK allegedly does not manufacture. Any claims that reducing TRQs would limit access to products that TSUK allegedly cannot supply are therefore unfounded.

2.1. Legal context of the product-specific claims

Several interested parties (notably Sebden and ISTA) have alleged that TSUK does not manufacture certain products within product categories 1 and 4, and have argued that such products should therefore be excluded from the scope of the safeguard measures. We respectfully submit that not only are some of these claims factually incorrect, but the arguments advanced are also inconsistent with WTO law and jurisprudence. The alleged absence of domestic production of a particular product type does not constitute a valid basis for excluding that product from the application of safeguard measures.

Indeed, safeguard measures are imposed to protect the domestic industry of ‘like goods’ and ‘directly competitive goods’ from serious injury caused by imports of ‘goods concerned’ (i.e. imported products). While these categories may overlap, they are used to describe different products that do not necessarily match each other in terms of various characteristics. Defining ‘like goods’, ‘directly competitive goods’ and ‘goods concerned’ as the exact same products would not only be illogical (as having all three terms to describe the exact same product would be redundant) but would also undermine the purpose of the safeguard measures.

While there is no settled and exhaustive definition of ‘like goods’ and ‘directly competitive goods’, these terms are normally used to define the domestic industry¹ and establish whether the domestic industry is the appropriate industry in relation to the imported product.² In the present case, there can be hardly any doubt as to whether TSUK and the UK steel industry is the appropriate industry in relation to the above-mentioned product types. As the next step, it is important to establish whether there is a competitive relationship between ‘goods concerned’ and ‘like goods’ and/or ‘directly competitive goods’ manufactured by TSUK, and whether import of ‘goods concerned’ “*have prejudicial effects on domestic producers of products that are ‘like or directly competitive’ with that imported product*”.³ TSUK emphasizes that there is indeed direct competition between the imported products mentioned by ISTA and Sebden (as will be explained in more detail below) and that a rapid increase in imports of such products will inevitably cause serious injury to TSUK.

Moreover, it should be noted that in order to have a competitive relationship with ‘like goods’ or ‘directly competitive goods’ produced by the domestic industry (and, therefore, be able to cause serious injury to the domestic industry), the imported product does not have to be identical or even fully substitutable with such products. This is confirmed by the Panel in *US – Safeguard Measure on Washers*:

“Indeed, competition is not limited to situations where imported and domestic products are close to perfectly substitutable. Thus, to the extent Korea takes the view that ‘like’ under Article 4.1(c) requires close to perfect substitutability between imported and domestic products, we disagree. We see no textual basis for such a view. To the extent an imported product that is not perfectly substitutable with the domestically produced good has the capacity to cause

¹ Panel Report, *Dominican Republic – Safeguard Measures*, para. 7.191.

² Appellate Body Report, *US – Transitional Safeguard Measure on Combed Cotton Yarn from Pakistan*, para. 95.

³ Appellate Body Report, *US – Lamb*, paras. 86-87.

*serious injury to that good through some form of competitive impact, we do not see any basis to interpret 'like' in Article 4.1(c) to exclude such goods. Instead, an investigating authority is entitled as part of its causation determination to examine whether that imported product did cause injury to the domestic industry through that competitive effect. We do not consider that the drafters of the Agreement on Safeguards would have intended the domestic industry to be defined in a way that would preclude the investigating authority from making such a causation determination.*⁴ (emphasis added)

In TSUK's view, the above is sufficient to reject Sebden's and ISTA's claims, especially given that product scope of product categories 1 and 4 is not even in the scope of the present review. However, for completeness TSUK will also provide additional explanations concerning domestic production of the goods mentioned by several interested parties and competition between imported products and domestically produced HRC.

2.2. Product category 1

Sebden, ISTA, and Salzgitter Mannesmann all highlight that the UK's domestic steel production cannot meet industry needs, particularly for product category 1 in wider dimensions and specific grades. Sebden alleges that the local producer cannot supply key products like HRC in ≥ 1850 wide coil, HRC in thickness ≥ 16 mm, HRP&O in thickness ≥ 5.5 mm, and many High-Strength Low-Alloy (HSLA) steels. ISTA alleges that there is a strong demand for 2000mm-wide HRC, especially for structural uses like yellow goods manufacturing. Salzgitter Mannesmann similarly alleges that the UK must rely on imports because its domestic production, especially for HRC over 1850mm wide, is insufficient to meet demand.

First, we would like to note that these specifications constitute a small proportion of the overall market and the current – or even reduced – quotas are more than sufficient to provide import choice.

Second, **TSUK can indeed produce HRC with a thickness of up to 16.5mm and a wide range of HLSAs up to a yield strength of 500MPa.** While TSUK does not currently produce HRC grades above 500MP, these grades can and do compete with lower grades, especially if offered at a lower price. If the TRA were to exclude HRC in grades above 500MPa, it would create an opportunity for the circumvention of the safeguard measures by importing HRC in higher grades at much lower prices and using them to compete with a range of other steel grades produced and sold domestically by TSUK.

The same is also true for HRC in ≥ 1850 mm wide coil. While TSUK does not manufacture these exact product types, they do compete with our existing product offering and there is a significant overlap between the applications of our products and HRC with width of ≥ 1850 mm. **TSUK also wishes to clarify that wider HRC material is often imported only to be slit in narrower cuts. This product is not fundamentally different from the products sold by TSUK in the domestic market and it directly competes with our products.** Importantly, since most HRC is being used for laser cutting, most customers can accommodate different widths and alternate nesting patterns.

⁴ Panel Report, *US – Safeguard Measure on Washers*, paras. 7.64-7.65.

We also note that no end-users of HRC products have raised comparable concerns or requests – either in the context of the safeguard measures or in the related anti-dumping measures applicable to China, Brazil, Russia, Iran, and previously Ukraine. Furthermore, if such product types were genuinely required by end-users or by Sebden itself – and if they were not substitutable by other available products – they could readily be sourced from the EU or Turkey, whose individual TRQs remain consistently underutilized quarter after quarter. The absence of such sourcing behaviour strongly suggests that Sebden’s efforts to exclude these products from the safeguard measures are motivated not by genuine supply concerns, but by a desire to access significantly lower-priced imports from countries falling under the ‘other countries’ quota. TSUK therefore urges the TRA to reject any proposed exclusions of these product types. Such exclusions would likely trigger a surge in low-priced imports, resulting in serious injury to the UK domestic industry.

Finally, ISTA claims that the division of product category 1 into sub-categories 1A and 1B led to increased imports by TSUK, either directly or indirectly via traders, and argues that these volumes should be excluded from the investigation. We respectfully submit that this assertion is unfounded. **Sub-category 1B was created at TSUK’s request specifically to prevent exhaustion of the 1A quota** and was introduced in alignment with the interests of ISTA members. TSUK imported only a negligible quantity under sub-category 1A (mostly under the EU quota which is heavily underutilized) and is fully prepared to provide supporting evidence to the TRA. Furthermore, all imports under the 1B quota are processed into downstream products and are not sold as (HRC), a fact that is verified by HMRC. Consequently, ISTA’s claim is purely speculative and not supported by any factual evidence.

2.3. Product category 4

With respect to product category 4 (Metallic coated sheet – MCS), we note that various interested parties have submitted comments that either ignore market reality or are simply false.

First, the Hadley Group alleged that products falling under category 4 “*can be purchased from Tata (UK supply), but not in the volume required, as Tata has reduced their output considerably over the past 20 years.*” Similarly, POSCO alleged that “*the UK market heavily relies on imports of steel*” and that a potential cap on the use of residual quotas for metallic coated steel would lead to a shortage in the supply of this product in the UK.

We note that the closure of TSUK’s coating line at Shotton (#5 in 2016) occurred long before the introduction of the safeguard measures and therefore the current TRQs reflect market dynamics with TSUK’s current capacity. Our MCS capacity has not declined since then. In fact, we have invested in MCS capability, including the introduction of zinc-magnesium products (e.g. Magizinc) to meet growing demand in construction and solar markets. **Meanwhile, UK demand for MCS has fallen due to the sharp decline in domestic automotive production.** In particular, in 2015-2017, the UK average annual MCS demand was in excess of 2 million tonnes (mt), where the current demand level is approximately 1.3mt (a decline of c. 35%). This is due to several reasons:

- UK car production dropped from 1.8 million cars in 2016 to approximately 750k projected in 2025 (a 58% decline). This accounts for approximately 0.4mt of UK demand for MCS (out of total 1.3mt).
- The remaining 0.9mt is ‘industry’ demand which mainly comes from the construction, appliances and white goods sectors. Most imports indeed target this sub-group within the quota for product category 4. This means that the current

quota for non-EU imports alone (i.e. 672kt) is effectively equal to approximately 75% of UK demand. Combined with the EU quota of 1.3mt, the current quota for MCS products far exceeds total UK demand, let alone the industry segment which is targeted by imports.

In view of the above, it is clear the ability of importers to source MCS from third countries would not be restrained even if the quota system were adjusted to reflect the sharp decline in demand. Moreover, with respect to any claims of a potential shortage in supply, we note that **TSUK has sufficient spare capacity to meet domestic demand, even in the event of a rapid increase.** Therefore, such comments are unfounded and contradict both current market trends and projected demand.

Second, ISTA alleged that MCS *“will also have been imported in greater quantities, potentially from developing countries, because TSUK’s manufacture has been reduced causing them to import directly or indirectly hence we feel these quantities also should be excluded from the investigation.”* This is factually incorrect. TSUK’s imports of MCS through its distribution business have remained stable and insignificant throughout the safeguard period. As noted above, TSUK has not reduced its MCS production capacity since 2016.

Third, certain interested parties (including ISTA, Steel Processing Midlands, Sebden, Belmont and Knott, etc) have alleged that TSUK lacks the capacity to produce certain niche products, such as MCS with a thickness exceeding 2.0 mm, aluminized coils, Aluzinc/Zincalume, Magizinc, and electrogalvanized coils. In response, we submit the following:

- **TSUK does, in fact, produce Magizinc**, and we would be pleased to supply it to any interested parties that claim to require this product.
- Furthermore, these niche products can and do compete with TSUK-manufactured products in various areas and applications, particularly Aluzinc/Zincalume, but also other products depending on end-use requirements.
- It is important to note that all TRQs other than the global residual quota are systematically underutilized. Individual quotas for the EU, Taiwan, Turkey, and – to a lesser extent – India provide more than sufficient headroom to accommodate imports of these niche products and satisfy domestic demand. **The fact that certain interested parties choose not to utilize the available headroom (nor to source from TSUK) and instead exhaust the global residual quota and wait for the next quota period strongly suggests that their primary interest lies in accessing the cheapest available sources, rather than in addressing genuine supply constraints.**

Finally, with regard to POSCO’s allegation that the recent tightening of EU safeguard measures would cause *“EU producers of steel to shift their export sales to intra-EU sales”* and that *“the introduction of a cap on residual quotas would lead to a shortage in the UK market”*, we reiterate that TSUK has sufficient capacity to meet UK demand for MCS. Moreover, POSCO fails to provide any evidence to substantiate the claim that EU producers will reduce exports to the UK. We submit that, on the contrary, a more balanced quota system in the UK will help stabilise market prices and foster an environment that encourages reliable, long-term export relationships, rather than opportunistic behaviour from low-priced sources. Therefore, POSCO’s assertions regarding a market shortage are purely speculative and without foundation.

3. Conclusion

In conclusion, we believe that the above has clearly addressed and fully responded to the allegations raised by other interested parties. We reiterate our support for the changes proposed by UK Steel, which we firmly believe will contribute to greater stability and predictability in the UK steel market.

TSUK remains available to provide any further information or clarification the TRA may require.