

## TD0014 – Heavy plate from China

### UK Steel response to China's Ministry of Commerce comments on PMS

This paper responds to comments by the Ministry of Commerce of the People's Republic of China (GOC) submitted 14 September, 2022 and published on the TRA public file on 3 October, 2022, in relation to the TRA's particular market situation enquiry in China's heavy plate market.

#### 1. Allegation of PMS in China is general and not supported by evidence (point 2.2)

The GOC submission argues that UK Steel, amongst other interested parties, has claimed that PMS exists in China's heavy plate market but has not submitted any evidence to that effect. UK Steel would argue that on the contrary China's response is not based on any evidence and only assertions around the degree of competition and the determination of prices in the heavy plate market in China. UK Steel does not have the capacity or the resources to research the structures of the Chinese economy in depth, nor is there a reason to duplicate work already done by other authorities. UK Steel has provided findings from a number of other respected investigating authorities on the Chinese steel market and on heavy plate cost inputs. The GOC's rejection of these findings lacks any basis and no evidence has been provided to disprove them, other than stating that findings of other authorities lack legal and factual basis (point 3.5).

#### 2. SOEs, competition and government intervention in Chinese heavy plate market (point 3)

The GOC submission states that SOEs in China do not enjoy special treatment and operate in a competitive manner, this however is contrary to the findings of several trade remedies investigating authorities around the world such as in the EU, Canada, the US and Australia which have found significant government intervention and distortions impacting the Chinese steel industry including heavy plate. The key findings of these authorities have already been listed in our principal submission and provide evidence of systemic government intervention in the steel sector in China including through subsidies, export taxes on raw materials, preferential access to finance and interventions in the energy market, which enable these companies to operate on non-commercial terms.

The Secretary of State guidance on PMS<sup>1</sup> to the TRA specifies the type of government interventions that might be relevant to the assessment of whether a particular market situation exists:

- *presence in the market of government-owned or controlled firms that set prices according to criteria other than profit maximisation, including selling inputs at less than adequate remuneration*
- *government subsidisation of the goods or of key inputs, including subsidies which are non-specific within the meaning of the WTO Agreement on Subsidies and Countervailing Measures*

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<sup>1</sup> [Trade Remedies Investigations Directorate \(TRID\) dumping, subsidisation and safeguarding investigations guidance - Particular market situation and costs adjustments - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/trade-remedies-investigations-directorate-trid-dumping-subsidisation-and-safeguarding-investigations-guidance-particular-market-situation-and-costs-adjustments)

The above criteria are clearly met in relation to Chinese steel companies and there is no evidence to suggest that plate producing companies specifically are not impacted by these distortions. Many of the findings in fact are specific to the hot-rolled flat steel sector in China which includes heavy plate.

To add to what UK Steel has already submitted, the OECD's research on "State-owned enterprises and subsidisation in the steel sector" provides detailed evidence of subsidy amounts received by Chinese steel companies and finds that SOEs receive a much higher proportion than POEs. This not only demonstrates a wide range of subsidies received by steel companies in China, but also shows the preferential treatment that SOEs receive.

[TABLES – CONFIDENTIAL OECD REPORT NOT PUBLICLY AVAILABLE]

### **3. Negligible imports from China and decline in UK plate demand (point 4)**

The GOC claims that a negligible volume of imports during the injury investigation period are proof that there is no dumping and injury to the UK. It goes without saying that the level of imports while an anti-dumping measure is already in place tells us nothing of the likelihood of Chinese exporters to dump and cause injury to the UK sector. Examining the period prior to the imposition of the EU measure shows a threefold increase in Chinese imports into the UK from 2014 to 2015 alone. China's high spare capacity coupled with weakening demand domestically and limited export markets as a result of trade measures in key export markets such as the EU, Canada, Turkey and Mexico mean that China has not only the capacity and propensity to dump, but also a clear incentive to dump. The weakness in China's construction sector has been widely reported and government attempts to bolster it have so far not had much success. Recent media reports<sup>2</sup> continue to point to steel demand in China falling and domestic prices plummeting, therefore making export markets far more attractive. Meanwhile, production is increasing – the latest September production figures show a 3.7% increase on the month and 17.6% on the year, the strongest pace of increase since March 2021.<sup>3</sup> All factors point to a high likelihood that China would dump.

While there are other factors contributing to the vulnerability of the UK plate industry, it should be clear that dumped imports from China caused injury to the UK sector back in 2015-2016 directly contributing to the closure of two plate mills and the same could happen again. The war in Ukraine, soaring energy prices and the weak economic outlook do not preclude injury from dumping, quite the opposite, they reduce the ability of UK industry to absorb additional shocks and increase the injury that would be caused by dumping.

### **4. High steel prices and UK interest (point 5)**

The GOC submission alleges that safeguard and anti-dumping measures for heavy plate keep the price of plate in the UK at an abnormally high level and therefore maintaining them is not in the UK interest. This is evidently false. European steel prices including plate started increasing at the back end of 2020 as economies emerged from Covid-19 related lockdowns and steel demand recovered more strongly and quickly than expected compared to lagging supply. This was further underpinned by increases to raw material costs. Steel prices started easing during 2021 as supply and demand started to rebalance, but then the invasion of Ukraine at the end of February saw prices spike as a result of panic buying before dropping sharply once again. The main reason that EU and UK prices have not dropped further since is because soaring energy prices coupled with sustained high raw material costs have seen production costs balloon. These factors would have driven up prices regardless of safeguards and anti-dumping duties. This is further confirmed by the fact that UK safeguard quotas for plate have not been filling up and also by price trends prior to 2020 – there is no perceptible increase in price at the point

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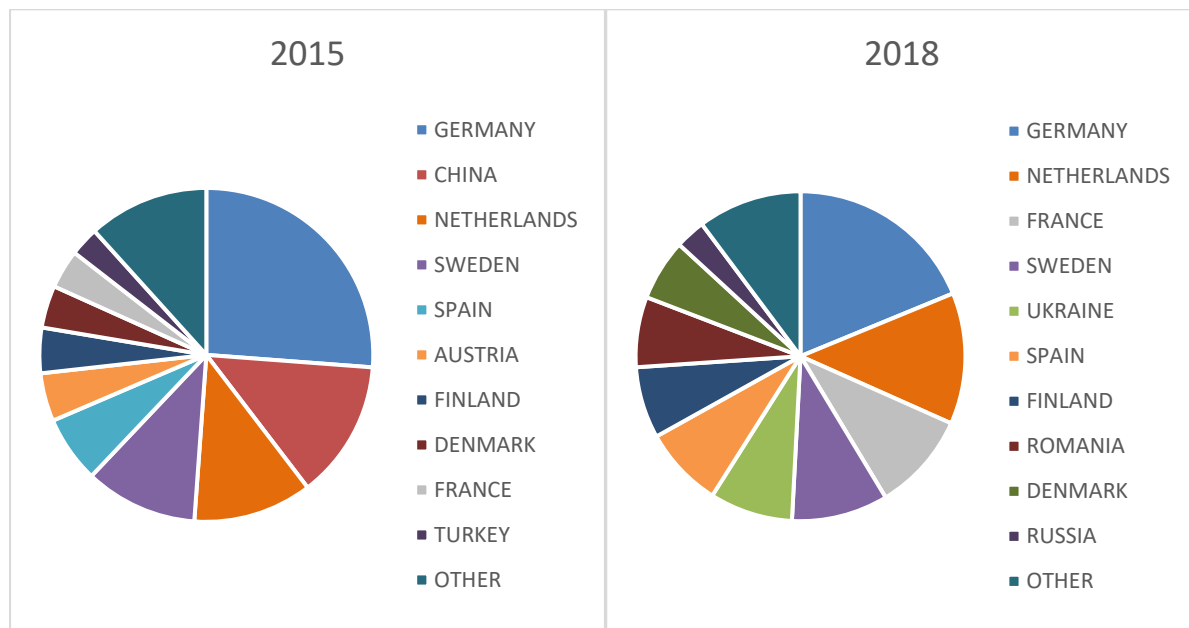
<sup>2</sup> [Chinese HRC falls faster as confidence collapses \(kallanish.com\)](#), [Sellers race to export Chinese-origin HRC, billet \(kallanish.com\)](#)

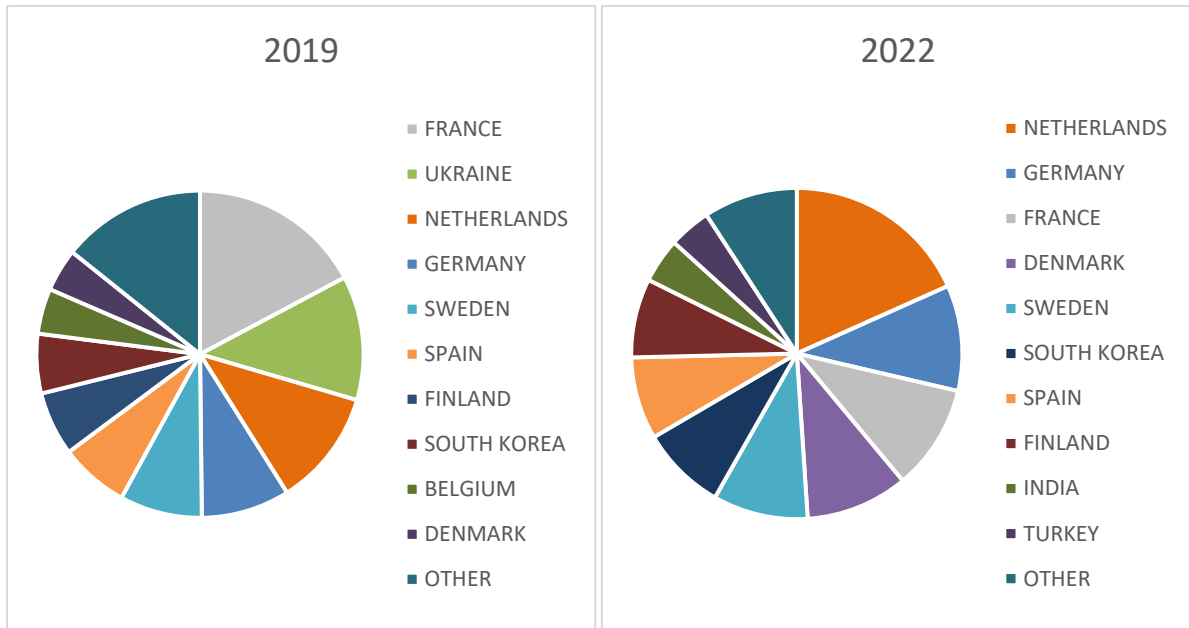
<sup>3</sup> [China Sept steel output hits 3-month high on construction demand hopes | Reuters](#)

that provisional anti-dumping duties were introduced in October 2016, or safeguards in July 2018. North European prices have remained within a range around the Eur500/tonne mark which is completely incomparable to the price levels experienced since 2021 for very distinct reasons unrelated to the plate anti-dumping measure and safeguards.

[CHART – NORTH EUROPEAN PLATE PRICES REDACTED DUE TO KALLANISH COPYRIGHT]

The UK plate market is a competitive market and there are ample of origins of imports. The UK market is neither dependent on dumped imports from China, nor are there any supply concerns as a result of the impact on Ukrainian supply. The import data demonstrates the variety of sources for heavy plate and the ability of the market to adapt and replace volumes from other origins. As shown below, the Chinese volume was easily replaced after 2015 with other origins increasing their import share such as France and new origins such as Russia and Ukraine claiming market share. Similarly in 2022, Ukrainian and Russian imports have been replaced with imports from the EU and more recent entrants such as India, although overall import volumes have dropped as a result of reduced demand. The demand outlook is expected to remain weak at least until the end of 2023, but in any event it is clear that this is a competitive and flexible market with multiple origins of imports available as and when the market requires them. Meanwhile, there is plenty of unused heavy plate capacity in the UK which could be used should demand return to an increasing trend.





Source: HMRC

It should therefore be clear that dumped Chinese plate is not critical to the supply of the UK plate market and therefore this anti-dumping measure is neither driving higher prices nor creating any supply challenges of any kind for the UK. On the contrary, maintaining the measure will shield UK producers from material injury and will ensure a stable source of domestic supply for downstream consumers.