

# Steel and Other Metals/Commodities Sector Report

1. This is a report for the House of Commons Committee on Exiting the European Union following the motion passed at the Opposition Day debate on 1 November, which called on the Government to provide the Committee with impact assessments arising from the sectoral analysis it has conducted with regards to the list of 58 sectors referred to in the answer of 26 June 2017 to Question 239.
2. As the Government has already made clear, it is not the case that 58 sectoral impact assessments exist. The Government's sectoral analysis is a wide mix of qualitative and quantitative analysis contained in a range of documents developed at different times since the referendum. This report brings together information about the sector in a way that is accessible and informative. Some reports aggregate some sectors in order to either avoid repetition of information or because of the strong interlinkages between some of these sectors.
3. This report covers: a description of the sector, the current EU regulatory regime, existing frameworks for how trade is facilitated between countries in this sector, and sector views. It does not contain commercially, market or negotiation-sensitive information.

## Description of sector

### *Steel*

4. The steel sector consists of a wide range of activities, from primary steelmaking at large steel works through to the production of advanced steel-based components for specialised applications. It supplies key materials and components across the supply chain for many other sectors, including construction, automotive, energy, rail, defence, aerospace and packaging.
5. Steel is a globally traded commodity with well-established supply chains and procurement routes. Whilst some large consumers buy directly from the mill, many buy through a chain of intermediaries including fabricators and stockholders. Domestic consumers of steel do not currently face any major barriers to importing steel products from anywhere in the world from countries inside or outside the EU. Price, quality and reliability of delivery are some of the most important purchasing criteria for UK steel consumers.

## Steel Production and Supply Chain

6. The UK has six major steel producers as figure 1 shows, as well as several smaller suppliers. Many of the major producers are multi-national companies, operating steel producing assets across the EU and worldwide.

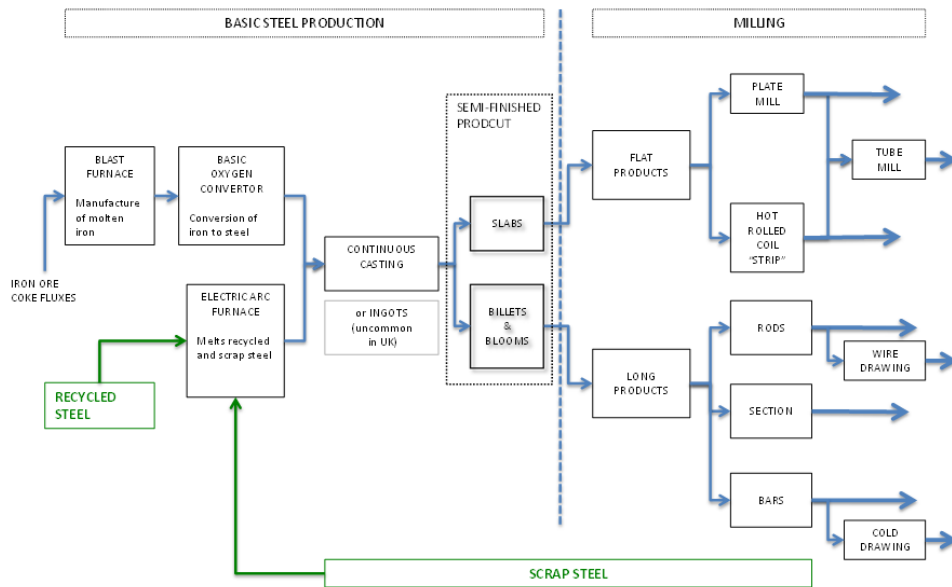
Figure 1 – Overview of Major UK Steel Producers <sup>1</sup>

Company	Location	Key Steel Products
Tata	Main site at Port Talbot, South Wales	Flat products
British Steel	Main site at Scunthorpe, North Lincolnshire	Long products
Celsa	Main site in Cardiff	Long products
Liberty	Sites throughout England, Scotland, Wales	Specialities, flats, longs
Outokumpu	Main site in Sheffield	Stainless steel
Sheffield Forgemasters	Main site in Sheffield	Forgings and castings

7. Tata, British Steel and Celsa operate fully integrated sites, producing crude steel, commodity products and advanced steels. Both Port Talbot and Scunthorpe sites operate blast furnaces that produce crude steel from iron ore and coke. The Cardiff site operates an Electric Arc Furnace (EAF) that recycles scrap steel to produce crude steel. Steel mills also consume large amounts of electricity in the manufacturing process. In addition to the main sites above, they operate a number of other rolling mills and distribution sites across the UK.
8. Liberty has acquired a number of UK steel sites in recent years, including but not limited to: speciality steels at Rotherham, plate mills in Scotland, pipe mills in Hartlepool, flat products in Newport and long products at Sheerness. With the exception of the specialities business at Rotherham which has an EAF on site, they currently operate as a re-roller, importing semi-finished steel products to the UK and further processing these in their UK rolling mills. Both Outokumpu and Forgemasters are based in Sheffield, manufacturing stainless steel and specialist forgings and castings respectively, for a range of applications

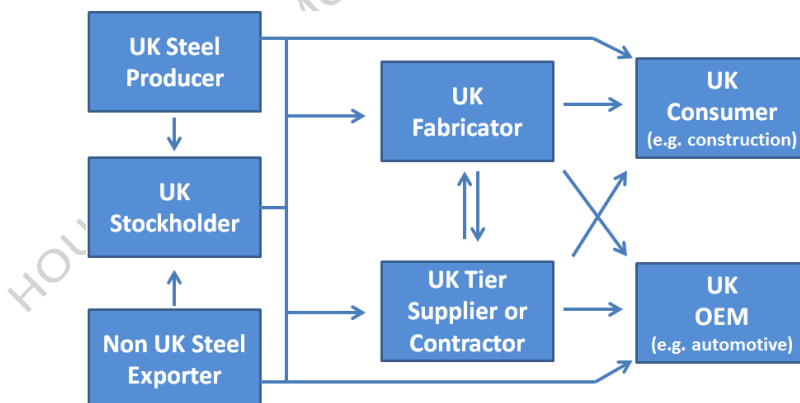
<sup>1</sup> Further information can be found in [UK Steel Sites and Statistics](#), April 2017

Figure 2 – Overview of Steel Production Process



- There are a complex and diverse range of steel products in the manufacturing chain, as figure 2 shows. A key distinction exists between primary steel production and steel processing. Primary steelmaking is a resource intensive activity, occurs on a small number of large sites, and results in 'semi-finished' steel products. These are intermediate steels that are fed into rolling mills to create higher value 'finished' steel products. These are then transformed into a wide range of end consumer products by the steel processing and fabricating industry. Processing of steel products occurs over a large number of smaller sites distributed throughout the UK. This includes activities such as coating, galvanising and cutting or bending the steel to shape.

Figure 3 – Illustrative Diagram Showing UK Steel Supply Chains



10. Steel is a highly traded international commodity with well-established supply chains at both a UK and global level. Once steel leaves the mill it can pass through a large number of intermediaries, such as fabricators or processors that shape the steel or provide additional services, or stockholders who distribute, before reaching an OEM or end consumer in the UK, as figure 3 shows. There are a large number of smaller companies who act as service centres and intermediaries, which will also export to overseas consumers. At each stage of the supply chain UK producers are competing with imports from non-UK producers.

### **Aluminium**

11. The bulk of revenue for the UK aluminium sector derives from aluminium recycling and processing. Smelting requires high volumes of electricity to extract aluminium from ore, which makes it unsuitable for the UK given the prevailing relatively high cost of energy. Primary aluminium output has fallen substantially in recent years. There is only one remaining primary smelter in the UK. All other operators in the UK aluminium production industry are secondary producers that re-melt scrap aluminium.
12. The UK aluminium production industry is heavily exposed to both shifts in demand from downstream markets and changes in the global price of the commodity. This exposes the industry to international developments, namely global economic conditions which play a key role in determining demand for aluminium and its price.
13. International economic difficulties have made recent years difficult for aluminium producers. However, world aluminium consumption is expected to grow strongly over the next five years, supported by demand from a number of emerging countries.
14. Environmental regulation could continue to place cost pressures on the industry. However, the metal's relative durability, light weight and recyclability make it more attractive than some alternatives. The metal might also be expected to benefit from its cost-competitiveness relative to copper as the two metals are interchangeable in several applications.

Figure 4: Key statistics for aluminium production<sup>2</sup>

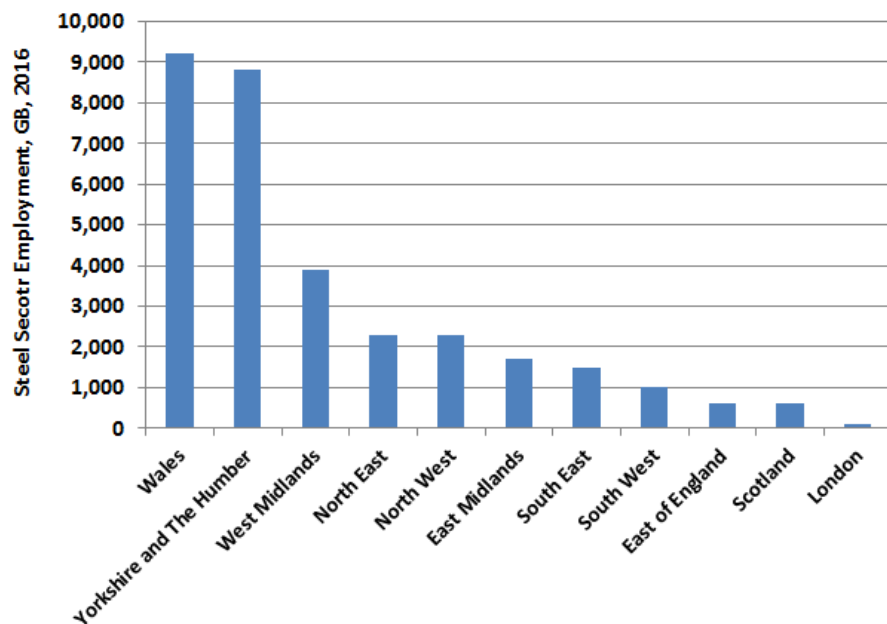
Year	Number of enterprises	Total turnover (£m)	Approximate gross value added at basic prices (aGVA, £m)
2008	183	2,427	474
2009	166	1,424	129
2010	161	1,745	375
2011	144	1,589	300
2012	138	1,263	129
2013	131	1,370	218
2014	129	1,284	286
2015	127	1,295	266
2016	127	1,413	275

<sup>2</sup> Data extracted from [ONS Annual Business Survey 2017](#). Data is presented for SIC code 24.42 (Aluminium Production).

## Employment and Economic Output

15. In 2016 the steel sector employed 32,200 people in Great Britain (equivalent to 0.1 per cent of UK workforce).<sup>3</sup> As figure 4 shows, over 50 per cent of sector employment was accounted for by Wales and Yorkshire and the Humber. The majority of the workforce is British and it is estimated that 95 per cent of those working in basic metals manufacturing are UK nationals.<sup>4</sup> Salaries in the steel sector are typically higher than the average salaries in the local areas.

Figure 5 – GB Steel Sector Employment by Location, 2016<sup>5</sup>



16. In 2016 the Gross Value Added of the UK steel sector was £1.6bn (equivalent to 0.1 per cent of UK total GVA).<sup>6</sup> The sector generated a turnover of £8.3bn in the same year.<sup>7</sup> The UK produced 7.6 Mt of crude steel in 2016, equivalent to about 0.5 per cent of global production, making it the 21<sup>st</sup> largest producer globally and the 7<sup>th</sup> largest producer in the EU.<sup>8</sup>

<sup>3</sup> Sourced from [ONS Business Register and Employment Survey](#), released in Oct 2017. Provisional data for 2016 is reported, rounded to the nearest 100. The steel sector has been defined using SIC codes 24.1, 24.2, 24.3.

<sup>4</sup> Obtained from ONS Annual Population Survey.

<sup>5</sup> Sourced from [ONS Business Register and Employment Survey](#), released in Oct 2017.

<sup>6</sup> Sourced from ONS GDP Low Level Aggregates, Oct 2017

<sup>7</sup> Sourced from ONS Annual Business Survey, Nov 2017

<sup>8</sup> Sourced from World Steel in Figures 2017

17. The size of the UK steel sector has reduced over the last two decades, as figure 5 shows. Between 1998 and 2016, production has fallen by 56 per cent, GVA has fallen by 45 per cent (in nominal terms) and employment has fallen by about 53 per cent.<sup>9</sup> A wide range of factors have been driving these trends, including the growth in steelmaking capacity across emerging economies.

Figure 6 – Trends in Production, GVA, Employment in UK steel sector, 1998 to 2016<sup>10</sup>

Year	Production (kt)	GVA (£m)	Employment
1998	17,315	2,837	68,000
1999	16,298	2,305	65,000
2000	15,155	2,249	57,000
2001	13,543	2,011	52,000
2002	11,667	1,699	49,000
2003	13,268	1,987	46,000
2004	13,766	1,304	37,000
2005	13,239	1,512	38,000
2006	13,871	1,963	39,000
2007	14,317	2,084	39,000
2008	13,521	1,800	37,000
2009	10,079	506	32,000
2010	9,709	1,638	33,000
2011	9,478	1,582	33,000
2012	9,579	1,695	33,000
2013	11,858	1,697	33,000
2014	12,120	1,656	34,500
2015	10,907	1,834	31,400
2016	7,635	1,563	32,200

### UK Trade in Steel

18. Steel is an internationally traded commodity with UK producers exporting large quantities and UK consumers drawing on well-established global supply chains to import significant volumes of steel.

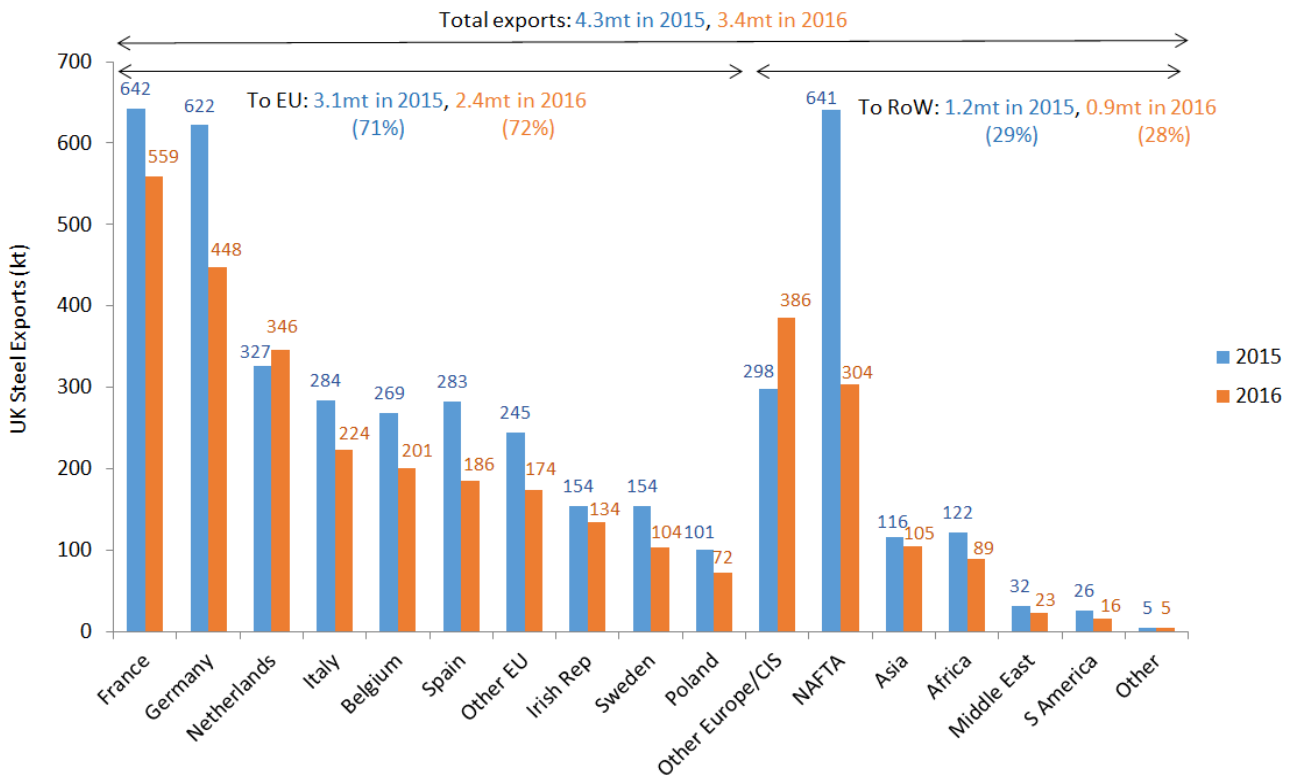
19. The UK produced 7.6 mt of steel in 2016. As figure 6 shows, UK mills exported 3.4 mt in 2015, equivalent to 44 per cent of UK steel production. The EU accounted for 72 per cent of UK steel exports based on volume and the rest of the world for the remaining 28 per cent.

<sup>9</sup> Ibid.

<sup>10</sup> Production data is sourced from World Steel Statistics. GVA data is sourced from ONS GDP Low Level Aggregates, Oct 2017 and is expressed in nominal terms. Employment data from 1998-2013 is for the UK and sourced from the [ONS Annual Business Survey](#) and rounded to the nearest 1,000. Employment data from 2014-2016 is sourced from [ONS Business Register and Employment Survey](#), is for GB only, is rounded to the nearest 100 and measures employment at a point in time during the year

20. The UK apparent demand for steel products stood at 10.9 mt in 2016. As figure 7 shows, the UK imported 6.7 mt in 2015, equivalent to 61 per cent of UK steel demand. UK producers met 39 per cent of domestic demand in the same year. Of the total volume of steel imported to the UK, 71 per cent came from the EU and 29 per cent from the rest of the world.<sup>11</sup>

Figure 7 – UK Steel Exports by Destination (excl. SSI), in Thousand Tonnes, 2015 & 2016<sup>12</sup>

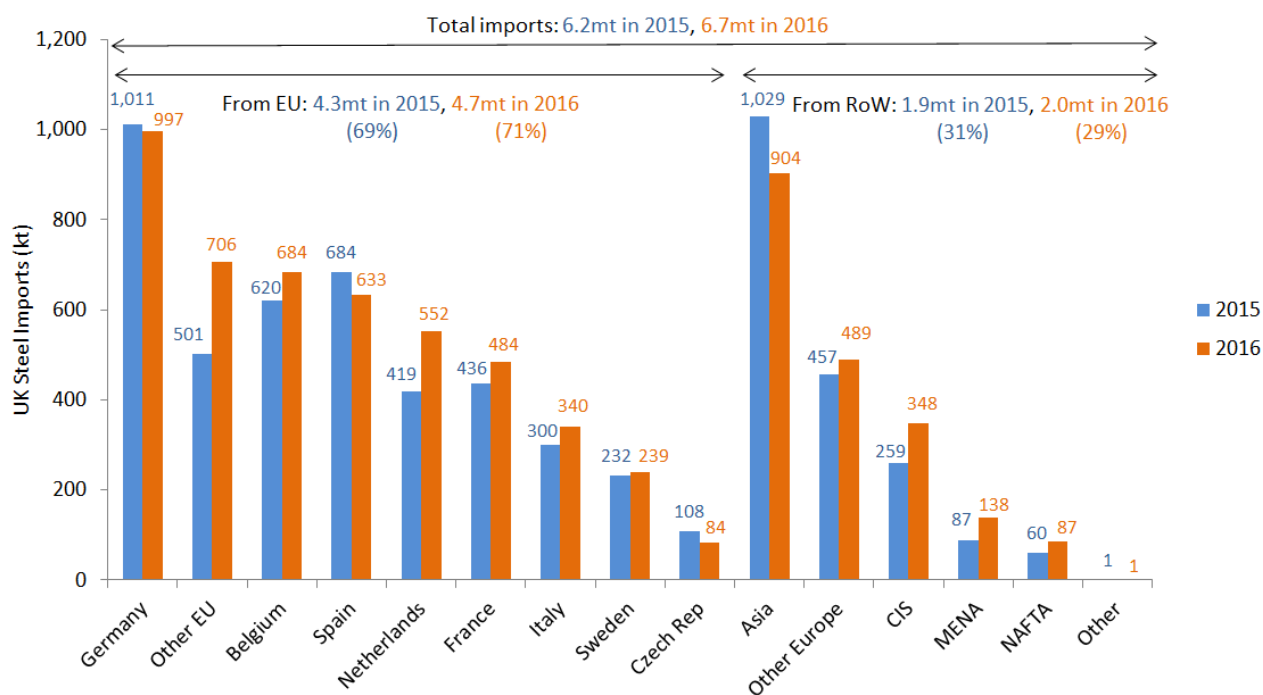


<sup>11</sup> Sourced from International Steel Statistics Bureau. Exports of semi-finished steel products from SSI's Redcar steelworks, which closed in 2015, have been excluded.

<sup>12</sup> Sourced from International Steel Statistics Bureau. Exports of semi-finished steel products from SSI's Redcar steelworks, which closed in 2015, have been excluded.



Figure 8 – UK Steel Imports by Source, in Thousand Tonnes, 2015 & 2016 <sup>13</sup>



21. There are a wide range of different steel products and to a certain extent this explains the high levels of trade the UK experiences with the EU. Some products are produced domestically in excess of UK demand for them and producers of these goods depend on export markets. Conversely other products are not made in the UK and must be imported.

22. Overcapacity in steel production has contributed to market distortions: there are various international examples of trade defence measures being used to address steel being traded below the market rate. Tariff amounts vary significantly depending on the framework used (for instance the US imposed tariffs of 266 per cent on imports of Chinese steel in March 2016). The level of tariffs imposed by the EU on steel imports, where there is evidence of dumping, is restrained by the use of the “lesser duty rule” but these tariffs have proved effective in curbing unfairly traded imports.

### Global Market Conditions

23. The global market for base metals and articles of base metals imports, excluding the UK, was worth around £754 billion in 2016. Countries besides the 27 other EU Member States accounted for £506 billion, or 67 per cent, of this global market.<sup>14</sup>

<sup>13</sup> Ibid.

<sup>14</sup> Data obtained from ITC, which is based on UN COMTRADE statistics. The value of the global market is defined as the sum of every country’s imports for whom data was available, minus the value of the UK imports. Base metals and articles of base metals comprise HS chapters 72-83.

24. Global steel markets are suffering from significant overcapacity and weaker than expected demand growth in the near future. As a result, the short to mid-term prospects for steel producers are challenging.
25. There is a long term structural issue of overcapacity in steel markets which has become more severe following substantial growth in Chinese capacity where steel production has increased six-fold since 2000, such that China now accounts for about half of global production.<sup>15</sup>
26. China's economic slowdown has resulted in weaker than anticipated steel demand, adding to the downwards pressure on steel prices, and leading to growth in Chinese steel exports. UK imports of Chinese reinforcing bar jumped from 0 per cent of UK consumption in 2012 to 38 per cent in 2015.<sup>16</sup> Chinese exports can also impact on EU producers indirectly, by displacing trade flows in steel products across other countries.
27. As a result of oversupply and weaker demand global steel prices have fallen markedly in recent years – at the start of 2016 the Platts World Steel Price Index was about 50 per cent lower than the peak reached in 2011 – although there has since been some recovery in the steel price.
28. Demand is not expected to grow rapidly in the near future. The World Steel Association's recent outlook suggests global demand for steel will grow by 1.6 per cent between 2017 and 2018.<sup>17</sup>
29. Rationalising excess capacity is set to be a slow process worldwide. There are high barriers to exit and in most countries there are significant social and regional impacts from steel plant closures. With regionally immobile workforces and a cost for retraining, there are strong political pressures to maintain production in many countries.

### ***EU Funding***

30. A number of EU funds have potential for use in different ways to promote the competitiveness of the UK steel industry. At present, the Research Fund for Coal and Steel (RFCS) is the only source of EU funding that directly benefits the UK steel sector, although the UK does not receive significant funding from this. Other funds also have the potential to benefit the sector.

### ***Research Fund for Coal and Steel***

31. The Research Fund for Coal & Steel (RFCS) gives funding every year to innovative projects to enhance the safety, efficiency and competitiveness of the EU coal and steel industries.

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<sup>15</sup> [World Steel Statistics](#)

<sup>16</sup> International Steel Statistics Bureau

<sup>17</sup> [World Steel Short Range Outlook 2017/18](#)

32. The RFCS is used to fund mainly research projects across the two sectors; it currently comprises around €43m (£33.1 million) a year to be spent across the European Union. Of this, 72.8 per cent (c €24.7 million) goes to steel projects and 27.2 per cent to coal.
33. Of the steel projects approved in 2015, 5.3 per cent (€1.6 million/£1.25 million) originated from the UK. Consortia, which could include R&D centres, companies and academia, bid to the RFCS on an annual basis.
34. Research projects funded under the scheme are paid for from investment income arising from a steel industry endowment remaining at the expiry of the European Coal and Steel Community (ECSC) treaty in 2002. The administration of the scheme is paid for directly by the EU (costs amount to approximately €2 million per year).

#### *Horizon 2020*

35. Horizon 2020 is the EU Research and Innovation Programme, with a budget of around €76 billion over the period 2014-2020.
36. It cannot be used for direct support to the steel industry but some of its calls for proposals are relevant to the steel industry in the longer term.
37. There are no steel-specific calls and topics in Horizon 2020, but other calls and topics in the main “Nanotechnology, Materials, Biotechnology and Production” (NMBP) theme and the Societal Challenges, in particular raw materials, would be of interest to businesses involved in the development of specialist steels and composites.
38. On 4 July 2016 the European Commission issued a statement confirming that, until the UK leaves the EU, UK legal entities are eligible to participate and receive funding in Horizon 2020 actions.

#### *European Structural and Investment Funds (ESIF)*

39. The two ESIF funds most relevant to the steel sector are the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

#### *European Regional Development Fund (ERDF)*

40. ERDF cannot be used for direct investments in large steel companies but could be relevant to the steel industry because of its capacity to stimulate the local economy through investment in innovation or SMEs.
41. Decisions on funding are made by the Managing Authority (in England, DCLG; in Wales, the Welsh Government) within the framework of an Operational Programme agreed with the European Commission.

### *European Social Fund (ESF)*

42. ESF is also a grant scheme and it focuses on employment, skills and social inclusion. It is Europe's main instrument for supporting jobs, helping people get better jobs, and ensuring fairer job opportunities for all EU citizens. ESF could potentially play a supporting role in relation to steel as it can be used to retrain local workers or help them find another job or self-employment.
43. It funds projects which support individuals to get back to work or improve their skills in work, and so could potentially be used to support individuals who are affected by the changes in the steel industry to retrain.
44. As with ERDF, funding decisions are made by the Managing Authority (in England, DWP; in Wales, Scotland and Northern Ireland, the Devolved Administrations) within the framework of an Operational Programme agreed with the European Commission.

### *European Globalisation Adjustment Fund (EGAF)*

45. The European Globalisation Adjustment Fund (EGAF) can provide a financial contribution towards active labour market measures (such as job search support, careers advice and training) to support workers reintegrate in the labour market.
46. It is only of use if a company fails and therefore is a fund of last resort, although it has been used by steel companies elsewhere in Europe.

## **The current EU regulatory regime**

47. The steel industry is subject to a number of measures under the existing regulatory regime. The EU Trade Defence Framework, arrangements for trading between EU and non-EU States under WTO rules, and EU State Aid rules, which are specific to this sector, are amongst the most significant measures.

### ***EU Trade Defence Framework***

48. The EU's trade defence framework ensures that unfair trade is tackled through a range of measures, including anti-dumping and anti-subsidy investigations, imposition of tariffs, registration of imports and prior surveillance. The UK has taken a leading role in pressing for the effective use of this framework to provide UK steel companies with a level playing field through which they can compete effectively, where this is justified by evidence – notably in tackling illegal dumping of Chinese steel products.

49. Within negotiations on modernisation of trade defence instruments, the UK has supported the retention of the “Lesser Duty Rule” (LDR), which limits the tariffs that can be imposed on dumped products to the injury margin – rather than using the dumping margin where this is higher than the injury margin. This means that the injury to steel producers can be addressed without disproportionately impacting on end users.
50. The EU’s trade defence framework is conducted in accordance with WTO Agreements on Anti-Dumping and Subsidies. The EU’s trade defence regulations and practice include a number of additional features, not required by WTO rules, but which ensure a more economically balanced approach to trade defence, these include the use of a public interest test and the lesser duty rule.

### **WTO Trade Arrangements for EU and Non-EU States**

51. World Trade Organisation agreements are the main source of international rules for trade between the UK/other MS and non-EU countries. The most well-known of these agreements, the General Agreement on Tariffs and Trade and the General Agreement on Trade in Services, cover tariffs (import duties) on goods and market access for services. There are more than 20 WTO agreements to which the EU is a party which cover, amongst other matters, rules of origin, technical barriers to trade, anti-dumping, subsidies, dispute settlement and government procurement. In addition to the WTO agreements, the EU has entered into a range of agreements such as free-trade agreements, association agreements and economic partnership agreements which contain further rules governing trade between the parties to the agreement.
52. EU legislation has been adopted which implement “domestic” (i.e. within the EU) obligations and/or procedures to be followed in relation to those international agreements. This legislation includes Regulations providing for rules on common customs tariffs (2658/87), anti-dumping (1225/2009), anti-subsidies (597/2009) and trade barriers (3286/94).
53. The EU imposes no Most Favoured Nation (MFN) tariffs (i.e. they are zero) on all semi-finished and finished steel products.<sup>18</sup> However, the picture is more varied across the end goods which steel products are processed into, and some of these will have non-zero MFN tariffs.
54. Access to the EU market for some non-EU countries is also affected by Free Trade Agreements that the EU has negotiated with selected third countries. Any goods imported under tariff preferences provided for by a Free Trade Agreement are likely to need to comply with preferential Rules of Origin. Trade defence tariffs are imposed on imports where appropriate to tackle unfair trade.

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<sup>18</sup> [WTO Tariff Download Facility](#)

## **EU State Aid Rules**

55. EU state aid rules govern the way that Member States can support economic activities. This is not limited to grants or subsidised loans and can include sale of land at below market value or particular tax advantages. Article 107 provides for a general prohibition on giving state aid and the Treaty, along with various Frameworks and Guidelines provide for exemptions for types of aid that can be judged compatible with the single market.
56. The four tests of aid are:
- 1) The assistance is granted by the state or through state resources.
  - 2) It favours certain undertakings or the production of certain goods.
  - 3) It distorts or threatens to distort competition.
  - 4) It affects trade between Member States.
57. Aid that is covered by a block exemption regulation is “pre-approved” but must still be notified to the Commission. All other aid must be notified and individually approved by the Commission before it can be given as only the Commission can decide if aid is compatible.
58. Aid which is considered incompatible with the Treaty, must be recovered from the beneficiary with interest.
59. There are specific and more rigorous State Aid rules that apply to the steel sector, which prohibit the steel sector being provided with rescue & restructuring aid and regional aid. However, they do allow aid for training, R&D and environmental protection under the General Block Exemption Regulation.
60. Aid schemes that compensate or exempt Energy Intensive Industries from the costs of energy policy are also relevant to the steel industry. These schemes are notified and approved individually by the Commission and in general must comply with the Environmental and Energy Aid Guidelines (EEAG).
61. In line with the rules of the EEAG, the UK Government submitted a state aid pre-notification in October 2014, notified in November 2015 and secured state aid approval in December 2015. This gives clearance for HMG to pay compensation to UK Energy Intensive Industries including steel for, or in some cases to exempt them from, the impact of energy and climate change policies on electricity costs. The first compensation payments following state aid clearance were made in early 2016.

### ***EU Customs Union and Single Market***

62. Articles 28-37 of the Treaty on the Functioning of the European Union (TFEU) set out the Treaty provisions on the free movement of goods, including the establishment of the Customs Union. This has been achieved by establishing the Customs Union within the EU and by preventing Member States imposing customs duties or formalities on goods imported from other Member States. In addition, these rules prevent Member States imposing restrictions on the quantity of imports and exports of a particular item (e.g. quotas or an import or export ban).
63. This legal framework also prevents non-tariff barriers that may restrict imports and exports in less direct ways, for example, by applying product standards and regulations that make it harder in practice for goods coming from one Member State to be sold within another. The exception is where those restrictions can be justified on certain grounds. The legal framework has been achieved by establishing a common set of product rules, underpinned in many cases by voluntary standards. For goods not covered by those rules and standards, the principle of mutual recognition has been developed( whereby once goods have been lawfully manufactured and marketed in one Member State, another Member State cannot then require it to comply with additional product rules. Finally, goods imported from other Member States must be treated in the same way as goods produced nationally.

### ***EU Industrial Emissions Directive***

64. The Industrial Emissions Directive (2010) commits EU Member States to control and reduce the impact of industrial emissions on the environment, including from major industrial plants like steel in the UK. As a result of a derogation, parts of the steel sector have until June 2020 – an additional four years – to meet emission requirements.

### ***EU Emissions Trading System***

65. EU Emissions Trading System (EU ETS): a cap-and-trade scheme to limit emissions of greenhouse gases, which requires heavy industry, power and aviation operators to surrender allowances annually equivalent to their emissions. Sectors covered by the EU ETS account for over 50 per cent of the emissions reductions needed to meet UK targets between 2013 and 2020. The current framework runs to 2020, and negotiations covering the framework from 2021-2030 are ongoing. Steel mills fall within the EU ETS and will be affected by the future relationship the UK has with the scheme.

## Existing frameworks for how trade is facilitated between countries in this sector

66. The arrangements described in this section are examples of existing arrangements between countries. They should not be taken to represent the options being considered by the Government for the future economic relationship between the UK and the EU. The Government has been clear that it is seeking pragmatic and innovative solutions to issues related to the future deep and special partnership that we want with the EU.

### **Customs**

67. There are many customs facilitation arrangements in international agreements. These include the EU's agreements with a number of third countries, such as Canada, Korea, and Switzerland. These agreements differ in the depth and scope of customs facilitation offered. Examples of customs facilitations include: simplifying customs procedures, advance electronic submission and processing of information before physical arrival of goods, and mutual recognition of inspections and documents certifying compliance with the other parties' rules.

### **Tariffs**

68. In the absence of a preferential trade agreement, goods imported into the EU from non-EU countries must pay a tariff. Tariffs are custom duties levied on imported goods. Under WTO Most Favoured Nation (MFN), a country's tariff schedule must be consistent for all countries it trades with, except those where a preferential trade agreement exists. EU MFN tariff rates vary depending on the good.

69. As set out above, the EU imposes 0 per cent Most Favoured Nation (MFN) tariffs on all semi-finished and finished steel products.<sup>19</sup> However, the picture is more varied across the end goods which steel products are processed into, and some of these have non-zero MFN tariffs. The EU's simple average of MFN applied duties is 2 per cent across all metals and minerals, and 4.3 per cent for transport equipment.<sup>20</sup>

70. Tariffs can also be used for trade defence purposes. This includes temporarily increasing tariff rates to restrict imports of specific goods deemed to be injuring domestic production due to 'dumping' by a third country at below normal prices. For example, in 2016 the EU determined that steel from China was being exported to the EU below market price. The EU applied a 74 per cent tariff to this Chinese steel to ensure EU producers were able to remain competitive.

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<sup>19</sup> See <https://www.trade-tariff.service.gov.uk/trade-tariff/chapters/72> See <https://www.trade-tariff.service.gov.uk/trade-tariff/chapters/72> - the EU's MFN tariff is 0 for products under HS4 categories 7206-7229.

<sup>20</sup> WTO, ITC and UNCTAD (2017), 'World tariff Profiles 2017', p82. In this publication product categories are described using Multilateral Trade Negotiations (MTN) categories.



71. Tariffs can also be imposed as countervailing duties to offset the effects of subsidies made to producers of the goods in the exporting country.

### ***Rules of Origin***

72. The EU includes rules of origin in all of its FTAs, which are restrictions on the originating content of products that exporters must comply with to gain tariff preferences. These rules typically reflect both the supply chains of both the EU and its FTA partner. Many of the EU's rules of origin arrangements are based on the Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin, which includes provisions that allow producers to treat content from some third countries as if it comes from their own country. Several arrangements aim to reduce the administrative requirements associated with origin certification, including the EU's Registered Exporter (REX) system, which lets businesses register for self-certification of origin using an online system, avoiding paper certificates.\

### **Sector views**

[This information was provided by the Government to the Committee, but the Committee has decided not to publish this section]

HOUSE OF COMMONS EXITING THE EUROPEAN UNION COMMITTEE

## **Annex: Stakeholder Engagement on European Union Exit (EU Exit) in the Department for Business, Energy and Industrial Strategy**

[This information was provided by the Government to the Committee, but the Committee has decided not to publish this section]

HOUSE OF COMMONS EXITING THE EUROPEAN UNION COMMITTEE