

International Trade Committee

Oral evidence: UK Trade Remedies Policy, HC 701

Wednesday 14 October 2020

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Sir Mark Hendrick; Mark Menzies; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Craig Williams.

Questions 33 - 62

Witnesses

[II](#): Dr Laura Cohen MBE, CEO, British Ceramics Confederation, and Chair, Manufacturing Trade Remedies Alliance; Richard Warren, Head of Policy and External Affairs, UK Steel; and Rosa Crawford, Policy Officer, Rights, International, Social and Economics Department, TUC.

Examination of Witnesses

Witnesses: Dr Laura Cohen, Richard Warren and Rosa Crawford.

Q33 **Chair:** Moving to the second panel, we have Dr Laura Cohen MBE, Richard Warren and Rosa Crawford. I will let all three of you introduce yourselves with your chosen name, rank and serial number.

Dr Cohen: I am chief executive of the British Ceramic Confederation, the trade association for ceramic manufacturers in the UK, and I also chair the Manufacturing Trade Remedies Alliance, a group of eight manufacturing sectors, three unions and the TUC. We have been working together to help develop a trade remedies framework and look at what manufacturers and the people they employ need from it.

Chair: Thank you very much. A fair bit of furniture required with all those chairs, of course.

Richard Warren: I am Richard Warren, head of policy and external affairs at UK Steel, which is the trade association for the United Kingdom's steel industry. Just on a point of clarity, trade remedies are probably the most important element of trade policy for the steel industry. Out of the 43 measures that have been transitioned over, 24 of them are steel related, so this is undoubtedly an extremely important area for us. I very much welcome being invited to this panel to provide our views.

Chair: You are very welcome, and thank you for that brief scene setter at the beginning about how the measures impact steel. It is great to have



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Rosa Crawford from the TUC here again.

Rosa Crawford: Thank you again for having us. I am Rosa Crawford, and I cover international trade policy at the Trades Union Congress, which represents over 5.5 million workers. The TUC is a member of the Manufacturing Trade Remedies Alliance, along with three of our affiliated unions covering manufacturing, Unite, GMB and Community, along with a number of employer associations, including British ceramics.

Chair: Thank you very much. Standing by to open this session we have, perhaps on Merseyside or maybe the House of Commons, Mick Whitley MP.

Mick Whitley: I do not know which way to take that. Good afternoon to the panel and welcome.

Chair: Probably best on Merseyside.

Q34 **Mick Whitley:** Could you briefly explain the importance of trade remedies to your industry sectors?

Richard Warren: I will very quickly repeat what I said: of the 43 measures carried over from the EU, 24 of them relate to the steel industry. The steel industry probably deals with trade remedies measures more than other sectors because, for over 25 years, there have not been any tariffs on steel products into developed countries. We are not sitting behind any tariffs, unlike other sectors or the majority of other sectors in manufactured products. Therefore, we rely very much on what we would call a safety valve or a safety net to ensure we are protected against unfair trading practices.

The majority of steel products, particularly at the current time with the steel safeguard measure in place, are under some form of trade remedy measure at this point. Therefore, the functioning of the UK system, our ability to ensure the level of protection we currently have as members of the EU customs union and being able to ensure continuity with that is extremely important, and it is extremely important to the sustainability and future of the steel sector in this country.

Dr Cohen: A successful manufacturing sector is important to the UK's recovery from Covid-19. Most of the jobs in our sector, 20,000 of them before the pandemic, are outside London. Around 7,000 of those jobs were protected by anti-dumping duties on Chinese manufactured tiles, tableware and kitchenware. It has also helped protect some of the UK suppliers, notably the china clay and ball clay industry in the UK.

We have had anti-dumping measures against Chinese tableware since 2012, which were renewed in an expiry review in 2019. The Chinese imports are still £170 million a year. We put a graph in our evidence as BCC. It is horrendous. It is 60% of the total imports to the UK. It is not perfect, but we always said it has given the UK industry some breathing space to operate and, at least prior to the pandemic, grow.



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It is important that you know the EU initiated a major, probably the largest ever, anti-circumvention investigation, adopting a regulation last December. The manufacturers in China were trying to get round it. The tiles measure has been in since 2011, and we went through an expiry review in November 2017. Again, it has not eliminated Chinese imports but it has certainly cut them from £30 million to £10 million a year.

We are also wary that tiles imported from other countries, particularly India, are increasing. It is suddenly important now because many Governments have indicated they will be supporting their own manufacturers much more strongly as a result of the pandemic, so imports to the UK may surge. The tone of what the Government are saying on trade remedies is important because half the jobs in our sector of ceramics are supported by foreign direct investment.

Companies are making dispassionate investment decisions overseas. Just building on what James said, we are really worried about the potential for circumvention in Northern Ireland and products coming in from perhaps China to Ireland, Northern Ireland and then GB. We know they are going to be extremely expensive cases to fight. We are used to spreading out the cost of a consultant or lawyer among the several hundred tile companies in all of Europe. We have just three manufacturers in our membership now, and they will have to pay something like £100,000 or £150,000 to fight cases and so on.

We are also really worried that, in addition to some of the areas that James and Lorand highlighted, there are four areas where the legislation is very much weaker than the EU. There is no minimum target profit. The imminent UK regulatory costs are going to affect that level of profit. We are an energy-intensive sector, so there are enormous costs coming down the line as we move to net zero and comply with environment.

We also know that if a third-country benchmark is chosen to calculate costs, if you cannot use Chinese costs, there is not the same strictness as there is in Europe about looking at one with satisfactory levels of ILO, social or environmental standards. We are also concerned about the lack of a meaningful presumption in favour of adopting measures once you have found dumping and injury.

I hope that gives you an outline of some of our concerns and how important this is for ceramics, and not just those sectors that have suffered now. We know that trade patterns may change, and may change very quickly. We do not have five to 10 years to see how the system goes. These are real businesses and jobs that are stressed at the moment, not just in ceramics but in other sectors, and we are really quite nervous.

Mick Whitley: I am going to come back and ask you a supplementary question, but I will ask Rosa for her comments.

Rosa Crawford: It is absolutely critical for trade unions that we have an effective trade remedies system in place. This is critical for the 2.7 million



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workers involved in manufacturing and the many more in communities across the country that are supported by manufacturing. They are obviously having real hardship now as a result of the pandemic and have been suffering for years because of the dumping and unfair trade practice in sectors such as steel and ceramics but also tyres, aluminium and cement, where we have seen China, Vietnam and others engaging in dumping that has caused real hardship and suffering in these communities. This is coming to a head now across the country.

We are saying that a Government committed to a levelling-up agenda would be supporting manufacturing and implementing a robust system of trade remedies, but unfortunately, to echo the concerns that Laura and others have raised, we do not see that in the current trade remedies system that the Government have presented to us.

To build on some of Laura's points, it is telling and regrettable that the UK Government have decided that labour standards do not count as a factor in unfair trade methodology and that for countries that abuse labour standards, such as China where there is flagrant use of forced labour and no recognition of freedom of association, the fact that they are abusing labour standards is not going to be part of the methodology that the UK looks at when looking at unfair trade practices.

Also, to echo others' concerns about the public interest test and the economic interest test serving as a real barrier, we think, for effective measures being applied, we know that a Government that is likely post-transition period to want to curry favour with the likes of the US is likely not to choose to implement effective tariffs on, for example, US goods or goods from China if they are choosing to warm their diplomatic relationships.

We are having a politicised process with the UK approach that is, we fear, not going to lead to the effective remedies we need to be applied and which will cost potentially thousands and thousands of jobs across the country. We are really worried about that double-whammy effect caused by the pandemic as well. There has been a complete lack of adequate engagement of trade unions in this process, which is also starkly different to the approach taken in the EU, where trade unions have full status in investigations. We count as interested parties in the EU process rather than just contributors and are much more engaged in the process. Labour standards are also factored into the methodology, and we do not have the same levels of barriers. We do not have multiple economic and public interest tests. We have a much more effective process in the EU, which unfortunately we are leaving. That will cost jobs and cause more hardship in communities across the country.

Q35 **Mick Whitley:** As a supplementary question, because you touched on it, how do you see the scale of dumping and other unfair trading practices affecting UK industry? You spoke about dumping, but what other unfair trading practices are you enduring or meeting?

Chair: Have we heard from the steel sector?



Richard Warren: The vast majority of the measures in place at the minute are anti-dumping measures, and I think we are seeing an increase in anti-subsidy measures, which are obviously measures specifically to target subsidisation. They tend to be used less because they are a slightly trickier case and the burden of proof is higher. Therefore, historically, in the EU we have gone for anti-dumping measures because they will cover off what would be covered under an anti-subsidy measure as well.

When you see anti-dumping measures, they look at what we would see as typical or very standard forms of dumping, which is where people are producing a product and selling it under cost because they are trying to get rid of additional product. However, they will also cover the vast majority of cases, particularly from countries like China and Vietnam, where it is being dumped because of subsidisation. They cover a range of different aspects.

The third element of the trade remedies case is the safeguard measures, which do not require proof that there is subsidisation in any other country, merely that there has been an increase in imports that could cause injury to the domestic industry. If that can be shown, measures are introduced. That is what we have in place at the minute at an EU level, steel safeguards that cover nearly all steel products for the time being.

Q36 **Mark Menzies:** Richard Warren, how confident are you that the Trade Remedies Authority will provide an accessible and effective trade remedy system?

Richard Warren: The short answer is that it remains to be seen. We have the regime as set up in the primary and secondary legislation. We are getting increasingly detailed guidance, so the regime as set out is something we can work with. It has differences from the EU system that we have been used to, but they are not so substantial that we feel it is going to be a challenge to work with the new regulations or the slightly different approach.

What remains to be seen is exactly how the Trade Remedies Authority interprets the regulations, the guidance, and how this works in practice. We have only four or five measures that are currently undergoing transition. As the steel industry, we currently have three open and we have only done one submission to those. Two are at the very early stages of their initiation and the process that we need to go through.

We will not know how this will work in practice until probably May or June of next year, when the first transition review concludes on welded tubes produced in Corby. At that point we will know how the Trade Remedies Authority is interpreting the guidance and, particularly, how it is viewing countries like China, which are what we would typically call a non-market economy, as in there are significant distortions in their market and, therefore, we would argue they need to be treated slightly differently to other WTO members.



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We will probably not see how all that plays out for another year. What we are finding so far with the Trade Remedies Authority is that as an independent body, or at least ostensibly an independent body, particularly once the Trade Bill passes, it is very much keeping itself objective and arm's length. It gives absolutely nothing away in terms of its thinking and what analysis it is doing. There are no informal discussions that you may find perhaps with other authorities. In some ways that is very good. In other ways, perhaps if you are used to more informal discussions with the EU Commission, it can be frustrating. What it definitely says is that we probably will not know for a year how this will practically function and whether we find it more or less difficult to have measures implemented or maintained.

Q37 Mark Menzies: Laura Cohen, you have said that the UK's trade remedy system is weaker than the EU system. Can you tell us a little about your key concerns?

Dr Cohen: Could I just add a bit, following on from Richard? We and other members of MTRA are watching these first cases with some trepidation. We know that companies need to have a dedicated resource to compile the injury data. Cases are really involved. We have a lot of SMEs in our membership. About three quarters of our member companies are SMEs. They agree in principle with cases we might want to bring in future, but they have not had the resources to participate as complainants previously. They are quite nervous about what they may need to do in a UK case. When we look at rising import data in other sectors, this is quite worrying for our members.

You ask about differences from the EU. First, no minimum target profit in injury when calculating injury margin, and that helps determine the duty. We think there should be more than just a list of relevant factors that need to be considered in calculating the normal rate of profit. For example, one of the factors should include the normal investment requirements of industry. You may ask, "What's all that about?" For instance, one of our tile makers spent £50 million 20 years ago in getting the business to a state of the art, energy-efficient plant, and has probably put in another £20 million since to update it and continue to do so, and that is really important.

The second thing is that future UK regulatory costs will affect the level of profit. The tile plant that I mentioned is in the emissions trading scheme. Whatever the UK decides to do to replace that, there will be very large compliance costs but, unlike the steel sector, ceramics does not get compensated for climate-related costs on electricity, such as ETS and the UK's carbon price floor. Only five of our members, none in tableware or tiles, get any sort of exemption from renewables obligation, contracts for difference or feed-in tariffs, which you could argue are climate related. Also, there is a ceramic BREF going on in Europe. Ours is the last of the larger sectors to have that. UK legislation will have to work out what it has to do, but something will have to be done. We also have those enormous environmental compliance costs imminent. It is important that the guidance refers to imminent regulatory costs, and the normal rates of



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profit should be the actual level of profit that UK industry could achieve in the absence of dumped or subsidised imports.

In the previous session, James Kane mentioned that the lesser duty rule is going to be used even when there are structural raw material distortions or subsidies. He also mentioned energy costs. We are an energy-intensive sector, so this is really important for us. The lesser duty rule is going to be used when perhaps it would not have been in Europe. There is no taking account of labour or environmental standards in the lesser duty rule, or acceptance of undertakings. I think DIT and TRID should actively look to review this, as lower duties for the UK will cause problems.

Could I move on to China? Richard has explained that we cannot always use Chinese prices. If TRID is going to be choosing a third-country cost benchmark, it needs to be one that has satisfactory levels of social and environmental standards in meeting ILO conventions. Could I just give an example for ceramics to try to bring it to life?

Chair: As quickly as possible, please. Time will always be against us.

Dr Cohen: We know that Asian brick imports are rising, but if there were a brick case in future, 70% of brick kiln workers in south Asia are estimated to be working in bonded and forced labour according to an ILO report, so we would not want them used as a reference.

The EIT/PIT—economic interest test, public interest test—is really complex, unnecessarily so, and is putting a quite high level of risk on complaining industries. The EU has a Union interest test, and it is properly documented. I would just say that we need to bear in mind that employees in our manufacturing industries are consumers, too, and I have done some calculations. You have to bear in mind how many pence a year these measures are actually adding on for domestic consumers. For the tiles, I calculated that it was a lot less than nine pence per person per year in this country. What do you actually want in this country? Do you want manufacturing jobs when dumping and injury are proven? Others definitely are not playing by the rules.

Q38 **Mark Menzies:** Thank you very much. I am very conscious of time but, Rosa, is there anything you briefly want to add to any of Dr Cohen's points?

Rosa Crawford: On the overarching design of the Trade Remedies Authority, the TUC maintains a concern that we flagged to this Committee when you did the previous inquiry, and we raised it in our evidence to the Customs Bill Committee* as well, that there is no guarantee in the legislation of the Trade Bill that there will be trade union representation on the TRA board, which we think is extremely problematic. Although it is not confirmed exactly what the role of the non-executive and executive members of the TRA will be, because it is

* The witness has subsequently clarified that this should be the Trade Bill Committee, rather than the Customs Bill Committee.



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not up and running, it is clear from our engagement with Government that the TRA non-executive members will have a say in governance and will have a say in how things like the economic interest test are carried out by the Trade Remedies Authority, and it is really important for us that working people have a say in that.

As was discussed in the previous panel, the economic interest test is extremely subjective in the way it is defined. It comes down to the judgment of whoever is making the assessment. For workers, it is really important that those jobs that are potentially being put at risk by significant dumping, and the communities they support, are taken into account and properly factored into assessments, as well as the overarching health of the economy overall, which depends on a thriving manufacturing sector. We think there should also be manufacturing employer representation on the TRA board. We need that balance of unions and manufacturing employers on the board to make sure that we are properly factored into decision making, because otherwise it is very likely that adequate measures are not going to be imposed. We know that the current Government and maybe future Governments take a very trade-liberal approach and, for political reasons, will choose for measures not to be applied to countries with which they are seeking trade agreements or to encourage diplomatic favour. The lack of union involvement in the TRA board representation is very concerning to us.

We also share all the concerns that Laura highlighted about the weakness of the UK system compared with the EU system.

Q39 **Martin Vickers:** We are going to vote any minute now, so I might not hear the answer, but I will give you the question anyway. It is aimed particularly at Richard Warren. UK Steel is currently working with the TRID on three transition reviews. Can you give us a brief explanation of what is required of you in respect of those reviews? Do you have the resources to provide that information?

Richard Warren: Very briefly, the transition reviews on anti-dumping are split. We have one on welded tubes in Corby and we have one on wire, which is produced mainly in Doncaster. Fundamentally, the measures have been in place for five to 10 years already, so we are not typically looking at whether dumping is currently occurring in the UK and we are not even going back and looking at whether dumping did occur in the UK; we are looking at whether, if we removed the measures, dumping will reoccur in the UK. We are looking potentially at whether the countries that the dumping measures are on are still exporting to the UK, and whether they are still undercutting prices. If that is not happening, we are looking at whether they are exporting and dumping into other countries. We are also looking at the vulnerability of the UK industry to dumping, so what its profit levels have been in recent years, what its capacity utilisation is and what its investments have been in employment. That is the crux of it. In a nutshell, if we get rid of the measure, will dumping reoccur and will that cause injury to UK industry? That is what we are going through with two reviews.



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The second type of review, which is going to be a lot more comprehensive but we have less time to do it, is on steel safeguards. That is a complex measure, and I think it is unprecedented. I don't think it has been done anywhere in the world, where in the first instance we need to ask if a safeguard measure is justified in a UK context. Previously, when the EU did it, it looked at whether there was an increase of imports into the EU 28 in advance of the measure being introduced. We need to look at that again and ask if there was an increase in imports into the UK in the years prior to the introduction of the measure, but we are obviously adding on EU imports into the UK, so it is a slightly different examination of what is happening.

On top of that, and this is what we have secured legislative changes to allow, we are also looking at whether we can justify extending the measures for a further three to four years. That is something the EU Commission is probably not going to do with its own steel safeguard measures, but the UK Government are taking the steps to say "Let's look at this. Are the measures still justified, does industry still need them and will we have an increase in imports and injury to the steel industry in the UK if we get rid of those measures?"

I will not go on too much more, but it is going to be an extremely interesting case study in the sense that it is probably more politically sensitive than any other measure because it covers so many different products and because there is the opportunity for retaliatory measures from other countries that are subject to these measures. There is going to be a real tug between what the TRA concludes as an objective decision and what the Secretary of State considers is in the public interest of the United Kingdom.

Sitting suspended for a Division in the House.

On resuming—

Q40 Lloyd Russell-Moyle: Richard, you have already mentioned the importance of the safeguard measures for steel because, of course, we do not have a tariff regime in the same sense. Do you have any concerns about how the review of safeguard measures might change or undermine the current price?

Richard Warren: As I said before, safeguard measures are extremely important. The justification for them in the UK exists in the same way as it exists in the EU. If imports go up over the same period of time, we would be able to demonstrate potential injury and vulnerability to injury. Officially, these measures end at the end of June next year. That is when they will end in the EU, unless the EU Commission decides to extend them. We are obviously pushing heavily for them to be extended, and the justifications for them are that the circumstances remain. Section 232 tariffs, 25% tariffs on steel for export into the US, will continue. The opportunity for diversion, as in products that would have gone to the US market but will instead go to other markets, will continue. Global



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overcapacity of steel production continues. On top of that, we are obviously adding the impacts of Covid. The industry is extremely vulnerable at the current time. Demand levels are very low. The opportunity for injury and for the undermining of the industry is very high.

Coming on to your question about whether we have any concerns about it, obviously this is unprecedented. The Commission has never before done an extension of safeguard measures, let alone the Trade Remedies Authority, so exactly how it will approach it is unknown. Certainly, we have not been able to get any information in advance from the Trade Remedies Authority about precisely the scope of what it is looking at, the kind of analysis it will conduct, or even draft questionnaires. When the European Commission introduced its measures, there was definitely a political context to it. It was broadly decided at a political level that the steel industry needed measures and there was a certain amount of flexibility and creativeness in the approach that was taken to make sure the correct protection measures were put in place. We don't know yet exactly how the Trade Remedies Authority will approach it and whether it will take a similarly flexible approach.

Q41 **Lloyd Russell-Moyle:** You said it was a political thing in the EU, or there was political cover in the EU to ensure that the flexibility was implemented. Do you feel you have the political cover here in the UK to ensure a decent outcome, or has that lifted, the political element?

Richard Warren: Previously, the legislation for safeguards, as it was set out, excluded the possibility of an extension review. The fact that we have asked for it, and have the changes to the legislation to allow it, gives us an indication that the UK Government are supportive of the steel industry in this respect, and we have an opportunity to extend the measures.

However, as I said in answer to a previous question, maybe the difference of opinion in what the Trade Remedies Authority may say—and I am certainly not prejudging the conclusion it will come to—if it did say the measures should be extended, is there will be a lot of political pressure on the Secretary of State, on the one hand, to follow that advice and, on the other hand, not to follow that advice. We have been told, certainly not from a ministerial level but at an official level, that Ministers would follow the advice and it would be unusual for them not to follow the advice, and they would obviously have to explain to Parliament why they had not followed that advice. As I pointed out before, however, with safeguards there is the possibility of retaliatory measures from other countries that are subject to the terms of the measures, and therefore if there was a situation where the Secretary of State may reject measures, it would probably be because of the idea of a public interest.

Q42 **Lloyd Russell-Moyle:** We need to be careful to ensure that it works out for you. Do you think TRID's methodology and its timetable for carrying out the reviews of existing EU measures are sufficient?



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Dr Cohen: MTRA wants to keep the transition reviews as close to the original EU timetable as possible. First, because people have paid for, and are expecting, a full term of the EU measure, but also because the TRA can, if the cases are going in parallel, have access to important information from the EU process.

Building on what Richard said before the Division, it is really important that we do not make these reviews overcomplicated, too complex or too costly for manufacturers. They need to think about whether we need to recalculate the duties. Do we really need to do that? The first cases are taking place during Covid, and they are being done on a shoestring by manufacturers so we are worried, too, about the sorts of precedents they might set. I think a lot of manufacturers are also very worried about the EIT/PIT. Even if dumping and injury are found, could the finding be overruled?

Another key issue to bear in mind is what the EU is doing. For example, in ceramics, on our tiles case, if the EU in 2022 rolled over the measures, a Chinese manufacturer exporting to Europe will pay a 75% tariff. If the UK rejects the measures, they pay a 4% tariff. If you were a Chinese manufacturer, you would be sending your tiles to the UK, not the EU. We could be flooded with imports. I am just giving that as an example of why we need to be really careful about these transition reviews.

Q43 **Lloyd Russell-Moyle:** Rosa, do you have any issues around these TRID reviews of the existing EU measures in terms of the involvement of trade unions?

Rosa Crawford: Yes, we do have concerns. One concern is that a TUC affiliated union, the Community union, is currently involved in one of the transition review cases, the case of seal welded tubes from China, Belarus and Russia. As mentioned previously, UK legislation is significantly weaker than the EU's legislation in that it defines trade unions as contributors rather than interested parties. That means that not only do we not have the power to trigger investigations but we have less information during the investigation. Community has put significant resources into submitting a lot of information about how its workers involved in this case have been affected by dumping, but it has had limited information back from the DIT. We are worried that will continue.

Q44 **Lloyd Russell-Moyle:** Is that lack of engagement the same for new investigations and for carry-over investigations?

Rosa Crawford: That has been our experience in the transition review case at the moment, yes.

I should also flag that we are concerned that if a ruling goes against what we think should be the case, we do not have the power to appeal the decision as contributors, so that is a significant step backwards from the EU process. We have raised this with Government and with the TRA chair-designate, but unfortunately it does not look as if we have movement on that at the moment. That is very regrettable because we believe there needs to be parity between unions and industry in these



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investigations so we can be fully involved and reflect the interests and concerns of our members.

Lloyd Russell-Moyle: I am sure that is something we can refer to the TRA when they come to us.

Dr Cohen: I have a brief point about why it is important that the TRA does not overcomplicate these reviews and fill up its time. The TRA needs to be looking at new investigations, too, particularly post-Covid, when trade patterns will change.

The TRA also needs to be really proactive on avoiding circumvention, it needs to establish a much more proactive relationship with HMRC to monitor, almost in real time, the trade flow patterns, and it needs to have that ongoing dialogue with industries that might be concerned so that problems can be found and sorted reasonably quickly.

Lloyd Russell-Moyle: I am sure we will come on to some of that.

Q45 **Chair:** I think it was Laura who mentioned at the beginning how industry spreads costs between the EU and the UK. Maybe just touching on that point, but briefly, are there any other aspects that concern you, Laura, about the methodology for conducting new investigations over and above the size and the scale that three or four manufacturers will have?

Dr Cohen: There is an issue around China. We would really welcome an instruction from the DIT Secretary of State to TRID to use something called Article 14(1)(b) in cases involving China, providing a similar level of detailed guidance as has been provided for something called Article 13. Article 14(1)(b) can be used if it is not a market economy, and DIT also needs to notify the WTO. The Minister said to MTRA that, yes, they can use it, but the reason why it is really important is that it is a lot simpler for UK manufacturers, it is simpler for TRID and it is a lot cheaper for UK manufacturers because you can compare the complete cost of production in a benchmark country rather than, if you used Article 13, going through every single line on your costs, thinking about, for example, "Where am I getting my energy? Is it distorted? Where am I getting my raw materials? Is it distorted?" Richard may have something to say on this, too.

Q46 **Chair:** How realistic do you think it is going to be for many companies in the UK now to band together—they would be smaller bands—to get this looked at? There is the public interest test to consider. I think you mentioned tiles earlier. It might be in the interests of the public to have cheaper tiles for their bathrooms. Is that a concern?

Dr Cohen: Yes, it is very much a concern, particularly for consumer products, but that is one of the reasons why I have done the calculations, which said that even if the whole cost of the duty on all UK consumers were at the maximum level, the costs would only be nine pence per consumer per year. That is not a lot, really, to keep the industry going.

Q47 **Chair:** If the 75% duty on Chinese tiles went to a 4% duty, what would that mean to consumers in the shops?



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Dr Cohen: It would save them about nine pence per consumer per year, but there probably would not be a UK tile industry.

Q48 **Chair:** So the price of tiles would only drop by nine pence?

Dr Cohen: Per person, per year, because not everyone tiles their bathroom.

Q49 **Chair:** What about the price of tiles per purchaser per year?

Dr Cohen: It depends how big their project is. It depends. Do Government want a manufacturing industry here? Do Government want a level playing field? If others are not playing by the rules, do the Government still want to have manufacturers in this country as we recover from Covid? It is really important.

Q50 **Chair:** Sorry, but what I am trying to push at is the pressure there might be on you, and maybe on politicians, if the price of a box of tiles drops from, let's say, £10 to £4. First, is that a realistic scenario for tile changes? Secondly, do you recognise that that would be a pressure on you?

Dr Cohen: I don't think prices would drop that much and, yes, it would put pressure on us. It will put companies out of business. I think, overall, there is a big question missing. TRID and the trade remedies policy are operating in a bit of a vacuum that needs to be joined up with the Government's approach. Government in recent months have stressed the importance of manufacturing, the levelling-up agenda, businesses around Brexit, net zero—TRID and TRA need to take that holistic approach and think about where Government want to go to make sure that manufacturers—

Q51 **Chair:** You are making an argument about the offshoring of carbon, really.

Dr Cohen: Yes. It would be awful if we met our net zero target by exporting jobs and importing carbon, particularly if that imported carbon was from people who are not playing by the rules. That is not the right message.

Q52 **Chair:** To my question earlier about the cost of tiles to consumers, is there anybody who would know that and could send the Committee the information later, perhaps in writing?

Dr Cohen: We have looked at some information on tableware because the duties are on landed costs. The costs that consumers pay, are very much higher than that, so it is actually a tiny proportion. We have some data on tableware from a couple of years back that we can share with the Committee afterwards. The consumer does not pay all that much extra.

Q53 **Chair:** Okay, and you can share that. Thank you very much.

Turning to the steel industry, do you have any concerns about the methodology for the new investigations over and above the costs of banding together? You will not be able to go with the rest of member



states' steel, you will be left with UK steel.

Richard Warren: Our concerns are very similar to the ones that Laura has already mentioned. We are very much waiting to see how it pans out. The UK has decided to do a slightly different dumping methodology, and that is fundamentally what we are looking at. Is an exporting country selling goods in the UK cheaper than it can produce them in its own country? Normally, you just compare how much it would cost to produce in China or India with what it is selling for in the UK. However, if those prices are distorted in the producer country, we cannot use those prices. It remains to be seen how easy it will be within the UK regime to say we cannot use the prices in China, India, or Vietnam and that we need to substitute those in. Our chief concern would be the practicalities of it, because the UK legislation does allow us to do that. It is what burden of proof the Trade Remedies Authority will require to allow us to use that.

Q54 **Chair:** Are you also worried that the public interest test could come their way and trump a lot of work and say that, for the users of steel, it might be better to have this cheap steel coming in?

Richard Warren: That will fundamentally be dealt with in the economic interest test rather than the public interest test. They will look at the value to the UK of the steel producers making this product. What is the value of the workers and the money they provide to their local communities? That will be balanced against a potential price increase because of these anti-dumping measures. These anti-dumping measures will target one particular country and one particular product. They are not putting up the entirety of prices, and there are imports from every other country in the world. If we have a 50% dumping margin on China for hot rolled steel, the costs of that product will not go up 50%. It is a very highly traded international product and, therefore, it will not necessarily lead to that price increase.

You also have to look at the longer-term aspects. If China knocks out the UK steel industry because it produces a billion tonnes of steel a year and we only produce 7 million that is—

Q55 **Chair:** We often talk of food security, but you are talking about manufacturing security, and about being able to have that capability rather than everybody relying on China.

Richard Warren: Exactly. When there isn't a domestic industry, and there is evidence of this, it does not mean China will continue to sell at a low price. It will probably go up once there isn't a domestic industry. It is a very short-term argument to say we need to get rid of anti-dumping measures because they put up consumer prices.

Chair: I am very conscious of time, but Rosa Crawford wants in briefly.

Rosa Crawford: Just to echo those concerns from a union perspective that short-term assessments made on the basis of consumer price are completely self-defeating. We need a domestic manufacturing industry to rebuild post-Covid. We need that support and quality jobs. These are largely unionised jobs supporting many thousands of jobs in the



communities they are in. These people are all consumers—workers are consumers—and if they are not paid decently, having slightly lower prices in the supermarkets or in the tile shops is not going to substitute for not having a decent wage, a job with secure conditions and a pension, and all the rest of it. That is why, again, unions being involved in that economic interest test and making sure of those kinds of considerations and the considerations of the long-term economy, a sustainable fair economy that is built on good jobs, is absolutely crucial.

Q56 Mark Garnier: Rosa, I want to talk specifically about this economic interest test and go into much more detail. I 100% accept everything you have just said. If we take the steel industry, again we had this argument not so long ago when there was a lot of dumping coming in. A huge amount of rebar was being dumped by the Chinese at great cost to our steel industry, but it was a great advantage to all those workers in the construction industry and, therefore, potentially a great advantage to all those workers who want to buy houses. Is this not the conundrum we face as an economy, that what may be specifically difficult for one part of the economy is very good news for another part, including your members?

Rosa Crawford: This is why having workers in the conversation is absolutely essential. We have not had the engagement we need to have. We do not have any guarantees that unions will be involved in the Trade Remedies Authority and its discussions and judgments, but it is crucial that we are. Obviously, as TUC we represent unions from across the economy, at the manufacturing end but also retail, construction and the consumer end.

This is about balancing interests. There is a balance that can be struck, and it is not just a case of not imposing measures or imposing very weak measures and supporting one sector. It is about having a holistic approach. We have always said to DIT that the approach around trade remedies needs to be connected with the BEIS industrial strategy, and we have not seen that kind of connection taking place. We need to have that holistic approach and to think about where trade remedies sit within an overarching industrial strategy that targets industry, supports industries and looks at other ways we can build competitiveness. It is obviously based not on imposing tariffs but, where we can, on building competitiveness elsewhere.

A balance can be struck, but it involves a social dialogue approach between employers, unions and Government, and that is unfortunately not what we have seen at the moment.

Q57 Mark Garnier: Why do you think that is?

Rosa Crawford: This is a Government that does not invest enough in a social dialogue approach. We saw an encouraging attempt at that when we came to the job retention scheme at the start of the pandemic, but unfortunately that has fallen away and we have seen much less engagement now. We see a much more constructive approach taking



place in the EU and much more effective trade remedies, as well as social policies, off the back of that. This is a question for the Government. The TUC stands ready to work with employers and the Government on an approach around industrial strategy and trade remedies, but we have not seen that approach in the legislation or in the engagement we have had with Government on this so far, unfortunately.

Q58 Mark Garnier: It sounds like a problem. Richard, can I turn to you, getting back to rebar and the effects of this important point? You quite rightly say that we produce 50 million tonnes of steel and the Chinese a billion tonnes or whatever and, therefore, the Chinese can knock our steel industry out for six. That has been the case for quite a long time. Our steel industry, for a number of years, has been struggling with the basic stuff like rebar and sheet steel. I am slightly playing devil's advocate, and I am not trying to have a go at your industry. I am just trying to pose these difficult questions. Ukraine produces large amounts of steel. There are other countries within Europe where there is a lot of steel being produced. Even if we do potentially have more effect on our own steel industry, there are other suppliers that we can go to, not just the Chinese.

Richard Warren: That is slightly the point I was making earlier, in that there is an emphasis on anti-dumping measures to protect consumer prices. Fundamentally, they are a very targeted measure that allow and support the idea of free trade. As I mentioned earlier, there are no MFN tariffs in the UK or any other developed country on steel. Partly as a result of that, 40% of steel produced across the globe is internationally traded.

That continues, and people continue to follow WTO rules and be members of the WTO because they know it is a safety valve. If you do not have the safety valve of anti-dumping measures, a targeted response and a measured response, you will increasingly get dumping, subsidised products coming into countries like the UK, and that will undermine UK industry. At a political level, the undermining of our domestic industry and knocking out strategic assets will ultimately result in a political backlash against free trade. That is fundamentally why free trade is supported by the UK steel industry. We export 50% of everything we make. We rely on free trade. If you do not have measures in place that allow or maintain that level playing field, fundamentally the political support for free trade is undermined.

That is fundamentally our point. The argument behind consumer prices is a short-term one. One argument has been that, if people want to subsidise steel production in other countries and sell it to the UK cheaply, let them do it. We end up with lower prices, and that is a fundamentally good thing. But that is a one-sided response. If you take a view that the UK should have a mixed economy, it should have a manufacturing industry, it should have strategic assets and it should have full supply chains—and that has only become more evident during Covid—then you need a more rounded response. As far as I can see, the only response



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would be that anti-dumping measures are a targeted response and are an important part of the free trade network.

Q59 Mark Garnier: To continue to play devil's advocate—and I do not have a particular axe to grind against the steel industry, so please do not think I do—you are absolutely right about having a manufacturing base, but that manufacturing base also has to be more productive. If you go back to Adam Smith economics, you could argue the case that we can spend a huge amount of time manufacturing steel, which, frankly, is produced cheaper overseas, or we could redeploy some of those workers in the steel industry to manufacture carbon composites and other high-value composite materials, which put us higher up the productivity chain. Laura, I can see your finger up and I know you have a lot to say about this, and you already have done, but I want to carry on with Richard for the moment.

Richard Warren: It is somewhat of a false dichotomy to say that, if we produce steel, we are not employing people in other sectors of the economy. Having a steel industry does not mean you cannot have carbon composite manufacturing in the UK or thousands of people—

Mark Garnier: But it does tie up your productivity at that level.

Richard Warren: Because of anti-dumping measures.

Q60 Mark Garnier: No, not at all. If you look at a productivity argument, in theory what you would rather be doing is manufacturing something that is more productive in terms of value per hour worked. A higher value product would be more valuable and, therefore, you would produce more earnings for the workers. It is that Adam Smith argument, going back to how you export. We do not manufacture much chain at the moment because it is a lot cheaper to manufacture it overseas, and it frees up the workforce to do more productive—

Chair: Comparative advantage.

Mark Garnier: Yes, exactly.

Richard Warren: In a purely economic sense, you can make that argument. Certainly the steel sector, and probably most politicians, would not view things in such pure terms. They would look at the value of the steel industry to local economies, the strategic assets, the national security aspects of having a steel industry and, in particular—and I think this is increasingly going to be the case—by the time you look at the climate change aspect and you say, “Yes, we can produce it cheaper elsewhere,” that is undoubtedly true. However, first, that will not necessarily always be the case. Secondly, you end up running into an argument that says, “Okay, we will not produce steel in this country, or we will not produce tiles in this country, because they produce them elsewhere,” but that fundamentally pushes the responsibility for climate change and for the environmental costs into other countries. If you look at it from that perspective, you say the UK has more money and more resources to tackle the emissions and the environmental costs of steel production, so why not do it in the UK?



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I would agree that, if you take a very economic Adam Smith-type approach to it, you can make that argument, but that is one very small piece of the puzzle when it comes to why you would want a steel industry in this country.

Mark Garnier: I agree with that. Laura, you are bouncing up and down, looking fit to explode. What would you like to add?

Chair: If we can be brief due to time, please.

Dr Cohen: There is plenty of competition from other importers, too. If you put in remedies when others are not playing by the rules, you are just giving companies more breathing space. Certainly, I have been around a couple of tile manufacturers recently and they have invested in new technology to improve their productivity. The problem can arise in any industry. Only recently China, for example, has produced a new strategic emerging industries plan looking at eight key industrial areas, which might affect some of our ceramics members. That affects new materials for big airplanes, new energy technologies, green technologies and equipment.

You have in your constituency Morgan Technical Ceramics, who are cutting edge, investing in many of those sorts of areas. We have to be wary. We have to have a system that works for all sorts of manufacturers when others do not play by the rules. We do not want to lose any of our manufacturers.

Mark Garnier: Laura, I want to finish off with you. The Manufacturing Trade Remedies Alliance has said that this is very opaque and that it is very difficult to understand how the economic interest test works. Briefly, because we all have to move on, do you want to add anything to reinforce that or perhaps to change your mind, who knows?

Chair: No? That is good.

Q61 **Mick Whitley:** Rosa alluded to this earlier, but I am going to ask this question for the record. Has there been sufficient industry and union consultation regarding the establishment of the TRA and its processes?

Rosa Crawford: No, there has not been sufficient engagement by Government with both the terms of the TRA, as it was established, and the methodology that the TRA will take. We raised concerns on the Trade Bill and the Customs Bill on the fact that we did not have union representation, as well as manufacturing employer representation, on the TRA board. We were told that was not what the Government wanted; they did not want interest groups. We said it was crucial that you have the interests of workers represented on the TRA board so that they can play a role in the governance and things like the economic interest test to make sure that the jobs in these key sectors are protected, that the overarching economic sustainability of the country is taken into account when these assessments are made by the TRA, and that we do not have a politically trade liberal approach taken by the Government rather than taking these interests into account.



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While we have had some meetings with the TRA chair-designate, as the TUC and with our affiliated unions, these meetings are not a substitute for being involved in the process. When we are engaged in the transition review processes, we are doing so as a much lower-status contributor rather than as interested parties. We feel there is a real gap in terms of the role that unions should be playing, the role that unions do play in the EU and in making assessments around whether there has been dumping and unfair trade practice, and the approach taken in the UK, which will mean more jobs are at risk. It means that labour standards are not factored into the methodology for anti-dumping, as they are now in the EU. It means there are all these potential barriers to sufficient measures being imposed in a future system. At the end of the day, jobs are at risk and communities are at risk of losing those vital industries.

We call on the Government to take a much more proactive and developed engagement approach with unions, to bring us in and involve us much more in the process, to amend the Trade Bill as a clear starting point, and to make sure we have the representation on the TRA board of unions and manufacturing employers, because this process has been very inadequate so far.

Chair: I see Laura Cohen bursting. I can give you 25 seconds, Laura, if you want to come in on that point.

Dr Cohen: As MTRA we have been meeting DIT regularly since 2017. I have found stronger engagement on this with officials than any other area of Brexit planning. I wanted to get that on the record as well. DIT has probably found it easier to engage with us as a cross-sector group. As Rosa has said, we have quite often had the opportunity only to clarify what they present to us. We would have liked a fuller discussion and more change from DIT when we have indicated problems.

Q62 **Chair:** To wrap up the afternoon, because time is wearing on, from your perspectives—and we will give you less than a minute each, so I am looking for you to be succinct, please—how well is TRID performing? Is it meeting the needs of your industry? What changes, if any, would you propose in order to improve its effectiveness and relations with industry? No pressure, Richard, but I am going to put you first as an example to the other two of succinct brevity, por favor.

Richard Warren: At present, the overall message would be that it is too soon to tell. We are only in the early stages of our reviews. If you come back to me in a year, I will have a much more defined opinion. I would say so far we are working very well with them. Because of Covid we have had to ask for significant extensions to some of our reviews. To date they have been very good at providing those extensions.

An improvement would be a publication of a timetable. At the minute we have three reviews going at once. The earlier we know when the reviews are coming, how long they are going to take, when the request for information is going to be and what those requests will look like, the



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better we can plan because it is very difficult at the minute. Beyond that, it is too soon to tell.

Chair: Thank you. That leaves your options open later, and we may come back to you in a year's time. Laura Cohen, anything to add to that without repetition? It is almost a panel game, just a minute here.

Dr Cohen: We appreciate that TRID officials have visited some factories across a number of MTRA sectors to understand the jobs, the capital and so on involved. Officials have been approachable and meeting us, certainly in ceramics, over the last year to help them understand the workload and cases. We had a good introductory meeting over the summer with the chair-designate, Simon Walker.

TRID needs to be a bit more responsive as the environment changes, and to think about where it might need to persuade and talk to DIT to change legislation if it is not working. They need to be proactive with HMRC.

Chair: Thank you very much, excellent. Rosa Crawford, similar time constraints, please.

Rosa Crawford: The union movement has developed a positive working relationship with TRID. We have had a number of meetings as TUC and unions with the chair-designate, Simon Walker, which we welcome and hope will continue. We have concerns about capacity and whether TRID has the capacity and staff to carry out the number of reviews that will be required in new cases, and that is something on which we need more clarity.

We would also want to see more transparency and information about the reporting that TRID, and then the TRA, will produce. We know the legislation dictates that there will be annual reports, but not anything more than the financial statement stipulated in the legislation. What we would want to see is annual reporting on the measures that the UK is taking versus the measures that the EU, the US and other major developed economies are taking, because it is important that we have transparency about how our trade remedies approach contrasts or supports other approaches.

What we want to see very significantly is an increased role for trade unions in the process so that we are full interested parties and can be fully engaged, fully informed and trigger investigations and appeal cases, if necessary. It is absolutely vital to have working people's interests reflected and to make sure we have the right remedies to protect jobs and the communities they support.

Chair: Good points there. Thank you all very much for your time, and apologies for the interruption of the vote. Thank you, colleagues, for hanging on, too. This brings to an end our first evidence session on trade remedies. I am sure there will be more. Thank you very much for your time and I will leave you from the Outer Hebrides on a very beautiful, sunny afternoon. I hope it is as nice where you are on the island to the east of me. Feasgar math.



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