



23 June 2020

(20-4387)

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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.1(A) OF THE AGREEMENT ON SAFEGUARDS ON
INITIATION OF AN INVESTIGATION AND THE REASONS FOR IT**

SOUTH AFRICA

U, I, H, L and T sections of iron or non-alloy steel

The following communication, dated 23 June 2020, is being circulated at the request of the delegation of South Africa.*

Pursuant to Article 12.1(a) of the Agreement on Safeguards, South Africa hereby gives notification of the initiation of a safeguard investigation into the surge of imports of U, I, H, L and T sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more and other angles, shapes and sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded, hereinafter referred to as "structural steel products."

1 THE DATE WHEN THE INVESTIGATION WAS INITIATED

The investigation was initiated on 19 June 2020. The notice of initiation by the investigating authority was published through notice No. 335 of 2020 in Government Gazette No. 43447.

2 THE PRODUCT SUBJECT TO THE INVESTIGATION

The subject product is described as U, I, H, L and T sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more and other angles, shapes and sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded (structural steel). The subject product is imported under the following tariff headings: 7216.31, 7216.32, 7216.33, 7216.40, 7216.50 and 7228.70.

3 THE REASONS FOR THE INITIATION OF INVESTIGATION

- i. The application was lodged by Evraz Highveld Steel and Vanadium Corporation Limited (Highveld), Highveld structural Mill (Pty) Ltd (Highveld Structural Mill) and ArcelorMittal South Africa Limited (AMSA), being the only producer of the subject product in the SACU.

The claim is that the subject product is being imported into the SACU market in such increasing quantities in absolute terms and relative to SACU production and under such conditions, to be causing serious injury to the SACU industry.

* A copy of the Notice of the Initiation has been submitted electronically. To consult this document please contact Ms. Richards (anne.richards@wto.org) or Ms. Naville (delphine.naville@wto.org) of the Rules Division.

ii. *Prima facie* information on which the investigation was initiated:

The Commission found that the applicant submitted *prima facie* information to indicate a sharp, sudden, recent and significant increase in imports of structural steel products during the period of investigation.

4 SERIOUS INJURY AND CAUSAL LINK

The period of investigation for data evaluation for the purposes of determining the allegation of serious injury is 1 January 2014 to 31 December 2019.

The injury analysis relates to information submitted by Evraz Highveld Steel and Vanadium Corporation Limited (Highveld) for the period 1 January 2014 to July 2015 and information submitted by ArcelorMittal South Africa Limited (AMSA's) for the period 1 March 2017 to 31 December 2019. Highveld was the only manufacturer of the subject product until July 2015 when it closed shop. AMSA started manufacturing the subject product from 1 March 2017 to date. Currently AMSA is the only producer of the subject product.

The Applicant alleged and submitted *prima facie* information indicating that it is experiencing serious injury in the form of a decline in sales volumes, output, market share, productivity, utilisation of capacity and employment for the period 1 January 2014 to 31 December 2019. AMSA also experienced net losses during the period of investigation.

5 UNFORESEEN DEVELOPMENTS

The Applicant submitted that a confluence of events forms the basis of the unforeseen development that supports this application. That is, ultimately the considerable oversupply of steel, and specifically the subject product, in the world today causing a surge in the volumes of imports into the SACU.

The Applicant stated that during the Uruguay Round of negotiations, South Africa did not foresee the following events:

- The unprecedented steep rate of increase in steel production capacity (including the subject product) over the ensuing two decades (more than doubled since 1994) to support growing construction and manufacturing activity, as well as to help build infrastructure, particularly in emerging economies;
- The significant market downturns in emerging (and other) economies and the resultant contraction of demand for steel that contribute to the imbalance between capacity and demand, that is, the global oversupply of steel (including the subject product);
- Record export volumes by countries with excess capacity, fuelled by excess steel supply;
- Given the global nature of the steel industry, excess capacity in one region can potentially displace production in other regions, thus harming producers in those markets. This has already led to several trade actions by major steel markets. Recent trade measures by those countries are a result of all the above named unforeseen developments, and the fact that their markets are now protected, contracts the global demand for steel even further, exasperating the problem of increased imports into the SACU; and
- The oversupply of steel (including the subject product) has led to a deterioration in the financial situation of steelmakers globally and also the SACU. The excess capacity is considered as one of the main challenges facing the global steel sector today.

6 FURTHER INFORMATION

Interested parties must make themselves known within a period of 20 days after the initiation of the investigation.

Any information which the interested parties may wish to submit in writing and any request for a hearing before the Commission that they may wish to put forward should be submitted within 20 days following the initiation of this investigation to the Directorate: Trade Remedies I at the following address:

The DTI Campus
77 Meintjies Street,
Sunnyside Pretoria, Block Uuzaji, Ground Floor
Pretoria 0002
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If part of the information provided is of a confidential nature, the party concerned should give the grounds justifying confidentiality and furnish public summaries of such information, which should be as detailed as possible. In instances that a public summary cannot be provided a sworn statement must be provided stating the reasons why the information cannot be summarized. This requirement is designed to secure transparency and due access by all the parties to the information relating to this investigation. If the summaries are not duly provided and in the absence of just cause, ITAC may disregard the information deemed to be confidential.
