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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON  
SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT  
THEREOF CAUSED BY INCREASED IMPORTS**

**NOTIFICATION UNDER ARTICLE 12.1(C) OF THE AGREEMENT  
ON SAFEGUARDS ON TAKING A DECISION  
TO APPLY A SAFEGUARD MEASURE**

**NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2,  
OF THE AGREEMENT ON SAFEGUARDS**

SOUTH AFRICA

*(Certain flat hot-rolled steel products)*

*Supplement*

The following communication, dated 16 August 2017, is being circulated at the request of the Delegation of South Africa.

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In light of the agreed format for notifications (G/SG/W/1, 23 February 1995), South Africa provides notifications to the Committee on Safeguards of findings of serious injury or threat thereof caused by increased imports and proposed safeguard measures.

On 24 March 2016, the International Trade Administration Commission (the Commission) initiated an investigation for remedial action in the form of a safeguard against the increased imports of certain flat hot-rolled steel products.

On 18 July 2016, the Commission communicated its proposed preliminary determination to the WTO. The preliminary determination was published in the Government Gazette on 22 July 2016.

The initiation of the investigation and the preliminary determination has been notified to the Committee on Safeguards (see WTO documents (G/SG/N/6/ZAF/4 and G/SG/N/8/ZAF/3).

## **1 THE PRODUCT SUBJECT TO THE INVESTIGATION**

The subject product is described as certain flat-rolled products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel, imported under tariff subheading 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.40, 7208.51, 7208.52, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, 7225.30, 7225.40, 7225.99, 7226.91 and 7226.99.

## **2 NOTIFICATION UNDER ARTICLE 12.1(B) AND (C)**

Pursuant to Article 12.1(b) of the Agreement on Safeguards, the Government of South Africa hereby gives notification upon making a finding of serious injury caused by increased imports of certain flat-rolled products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel.

Pursuant to Article 12.1(c) of the Agreement on Safeguards, the Government of South Africa hereby gives notification upon taking a decision to apply a safeguard measure on imports of certain flat-rolled products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel.

### **3 PROVIDE THE BASIS FOR:**

- i. Making a finding of serious injury caused by increased imports, as provided for in Article 12.1(a);
- ii. Taking a decision to apply a safeguard measure, as provided for in Article 12.1(b); and
- iii. Specifying the developing countries to which the measure is not applied under Article 9.1 of the Agreement of Safeguards.

The International Trade Administration Commission of South African initiated an investigation pursuant to an application by South African Iron and Steel Institute (the Applicant), on behalf of the SACU industry in order to determine whether increased imports have caused serious injury to the domestic industry, within the meaning of the Agreement on Safeguards, in connection with certain flat-rolled products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel.

#### **3.1 The Commission made a final determination on the following:**

##### **(a) Unforeseen Developments**

The Commission made a final determination on obligations incurred post 1994 with regard to the imported products and the effects of such obligations:

- The Commission made a final determination that the SA government committed to bind the ordinary customs duty on the imported products of flat hot rolled steel at 10% ad valorem. The effects of these obligations were that the industry went through a restructuring that saw the state owned entity unbundled and privatised and the government facilitated the end or review of an old pricing model to improve the competitiveness of the industry. As such various measures have been taken to encourage competitiveness and sustainability of the industry.

The Commission made a final determination on the following unforeseen developments:

- The unprecedented steep rate of increase in steel production capacity (including the subject products) 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 products);
- 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;
- The oversupply of steel (including the subject products) 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; and
- Despite slowing demand growth and the existing excess capacity, there are several new investment projects underway and planned (especially in current net-importing countries) in the steel industry that will result in global steelmaking capacity to continue to expand and causing the SACU to expect further increases of imports of the subject products.

### **(b) Increased Imports**

In comparing the full year periods for 2012 to 2014 in absolute terms, imports increased by 127% from 2012 to 2013, thereafter declined by 24% from 2013 to 2014, and throughout the period of investigation (2012 to 2014) imports increased by 73%. For the same period, imports relative to production increased by 153 index points between 2012 to 2013, declined by 72 index points between 2013 to 2014, representing an overall increase on 81 index points from 2012 to 2014.

In comparing the 7 months (January – July) periods for 2012 to 2015 in absolute terms, imports increased by 125% between 2012 and 2013 thereafter decrease by 33% between 2013 and 2014, from 2014 to 2015 they increased by 76%. Over the period of investigation 2012 to 2015, there was an overall increase of 166% in imports. For the same period, imports relative to production increased by 162 index points from 2012 to 2013, decreased by 62 index points from 2013 to 2014, thereafter an increase of 139 index points from 2014 to 2015, representing an increase of 208 index points from 2012 to 2015.

The Commission made a final determination that recent, sudden, sharp and significant increase of the imports of the imported products occurred in the period 2012 to 2013 full year and 7 months periods, and the subject product continued to be imported in increased quantities both in absolute terms and relative to production.

The Commission made a final determination that these events cited were unforeseen developments which led to the imported product being imported into the SACU market in such increased quantities and under such conditions to cause serious injury to domestic producers of the SACU like product or directly competitive products.

### **(c) Serious Injury**

The period of investigation for data evaluation for the purposes of determining the allegation of serious injury is 01 January 2012 to 31 December 2014 plus additional seven months information for 2012 to 2015 (01 January to 31 July).

The injury analysis relates to information submitted by ArcelorMittal South Africa Limited (AMSA's), a member of SAISI with a collective output of the like or directly competitive products constituting a major proportion (approximately more than 70%) of the total domestic production of those products.

There is sufficient evidence that the SACU industry is suffering injury in the form of a decline in sales volumes, output, market share, utilisation of capacity and employment for the period 1 January 2012 to 31 December 2014. There is also sufficient evidence that the SACU industry is suffering injury in the form of a decline in sales volumes, output, market share, and utilisation of capacity for the seven months period 1 January to 31 July (2012 – 2015).

The Commission made a final determination that the SACU industry is suffering serious injury.

**(d) Causal Link between Increased Import and Serious Injury**

The Commission made a final determination that there is sufficient evidence of serious injury to the domestic industry caused by the sudden enough, sharp enough, recent enough, and significant enough increase in the volume of imports. There are no other known factors other than the increased imports that sufficiently detract from this causal link.

**(e) Adjustment Plan**

The domestic industry has submitted an adjustment plan, outlining the measures it has taken and those it plans to take for facilitation of adjustment of the domestic industry to the competitive conditions with the imports.

**(f) Offer of consultations under Article 12.3**

The Government of South Africa offers consultations on the definitive safeguard measures.

**3.2 Provide a precise description of the proposed measure**

A definitive measure of 12% on the imports of certain flat-rolled products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel, imported under tariff subheading 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.40, 7208.51, 7208.52, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, 7225.30, 7225.40, 7225.99, 7226.91 and 7226.99.

**3.3 Provide the expected duration of the measure**

The safeguard measure, will remain in force for 3 years.

**3.4 For a measure with a duration of more than three years, provide the proposed date for the review (under Article 7.4) to be held not later than the mid-term of the measure, if such date for the review has already been scheduled**

Not applicable.

**3.5 If the expected duration is over one year, provide the expected timetable for progressive liberalization of the measure**

<b>Period</b>	<b>Rate of safeguard measure</b>
11 August 2017 – 10 August 2018	12%
11 August 2018 – 10 August 2019	10%
11 August 2019 – 10 August 2020	8%

**3.6 If the measure is being extended, also provide: (i) evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury**

Not applicable.

**4 NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2****4.1 Specify the measure**

The measure consists of 12% described in the notification under Article 12.1(c), above.

**4.2 Specify the products subject to the measure**

The measure shall be applied to the products described above, in paragraph 1 of this notification.

#### 4.3 Specify the developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards

Country	Country	Country
Afghanistan	Guinea	Panama
Albania	Guinea-Bissau	Papua New Guinea
Algeria	Guyana	Paraguay
American Samoa	Haiti	Peru
Angola	Honduras	Philippines
Argentina		Romania
Armenia	Indonesia	Russian Federation
Azerbaijan	Iran, Islamic Rep. of	Rwanda
Bangladesh	Iraq	Samoa
Belarus	Jamaica	Sao Tome and Principe
Belize	Jordan	Senegal
Benin	Kazakhstan	Serbia
Bhutan	Kenya	Seychelles
Bolivia (Plurinational State of)	Kiribati	Sierra Leone
Bosnia and Herzegovina	Korea, Democ. P. Rep. of	Solomon Islands
Botswana	Kosovo	Somalia
Brazil	Kyrgyz Republic	
Bulgaria	Lao People's Democ. Rep.	South Sudan
Burkina Faso	Latvia	Sri Lanka
Burundi	Lebanon	St. Kitts and Nevis
Cambodia	Lesotho	St. Lucia
Cameroon	Liberia	St. Vincent and the Grenadines
Cape Verde	Libya	Sudan
Central African Republic	Lithuania	Suriname
Chad	Macedonia, the F.Y.R. of	Swaziland
Chile	Madagascar	Syrian Arab Republic
Chinese Taipei (Taiwan)	Malawi	Tajikistan
Colombia	Malaysia	Tanzania, United Republic of
Comoros	Maldives	Thailand
Congo, Democ. Republic of the	Mali	Timor-Leste
Congo, Rep.	Marshall Islands	Togo

<b>Country</b>	<b>Country</b>	<b>Country</b>
Costa Rica	Mauritania	Tonga
Côte d'Ivoire	Mauritius	Tunisia
Cuba	Mexico	Turkey
Djibouti	Micronesia, Fed. States of	Turkmenistan
Dominica	Moldova	Tuvalu
Dominican Republic	Mongolia	Uganda
Ecuador	Montenegro	Ukraine
Egypt, Arab Rep.	Morocco	Uruguay
El Salvador	Mozambique	Uzbekistan
Eritrea	Myanmar	Vanuatu
Ethiopia	Namibia	Venezuela, (Bolivarian Republic of)
Fiji	Nepal	Vietnam
Gabon	Nicaragua	West Bank and Gaza
Gambia, The	Niger	Yemen
Georgia	Nigeria	Zambia
Ghana	Pakistan	Zimbabwe
Grenada	Palau	
Guatemala		