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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**

**NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT ON SAFEGUARDS
BEFORE TAKING A PROVISIONAL SAFEGUARD MEASURE
REFERRED TO IN ARTICLE 6**

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

CHILE

(Steel Wire Rod)

The following communication, dated 7 October 2015, is being circulated at the request of the delegation of Chile.

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

1. Date when the investigation was initiated

The National Commission responsible for investigating the existence of distortions in the price of imported goods decided to initiate the investigation, and this decision was published in the Official Journal on 5 October 2015.¹

2. Product subject to the investigation

The product subject to the proposed provisional safeguard is steel wire rod. The product is classified under tariff subheadings 72132000, 72139110, 72139120, 72139190, 72271000, 72272000 and 72279000 of Chile's customs tariff.

The domestic industry is made up of steel wire rod producers, inasmuch as it is observed from the preliminary information available that the steel wire rod produced in Chile is like or directly competitive with imported steel wire rod, since both products have the same physical and technical characteristics, are of the same quality and have the same end-use, and the prices of imported steel wire rod have determined the prices of domestic steel wire rod.

¹ A copy of the decision, as published in the Official Journal, was submitted (in original language only) in electronic form. To view this document, please contact Ms Budd (hilary.budd@wto.org) or Ms Richards (anne.richards@wto.org) of the Rules Division.

3. Reasons for initiation of the investigation

With the information available, it was determined that the serious injury sustained by the domestic industry had been caused, on the one hand, by a sharp drop in import prices, which had had a major impact on the domestic industry's selling price and, consequently, its margins, and, on the other hand, by the dramatic increase in imports in recent years, which had led to a loss of sales volume and market share for domestic production.

Accordingly, it was established that there was sufficient evidence to justify the initiation of the investigation in order to determine whether or not a safeguard measure should be applied.

B. NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT ON SAFEGUARDS BEFORE TAKING A PROVISIONAL SAFEGUARD MEASURE

1. Product subject to the proposed provisional safeguard measure

The product subject to the proposed provisional safeguard measure is steel wire rod classified under tariff subheadings 72132000, 72139110, 72139120, 72139190, 72271000, 72272000 and 72279000 of Chile's customs tariff.

The domestic industry is made up of producers of steel wire rod.

2. Proposed provisional safeguard measure

The National Commission responsible for investigating distortions in the price of imported goods recommended the imposition of a provisional safeguard of 37.8% on imports of steel wire rod classified under tariff subheadings 72132000, 72139110, 72139120, 72139190, 72271000, 72272000 and 72279000 of Chile's customs tariff.

3. Entry into force of the proposed provisional safeguard measure

It is proposed that the provisional safeguard measure enter into force upon publication in the Official Journal.

4. Expected duration of the provisional safeguard measure

The provisional safeguard measure would be applied for a period of up to 200 days from the date of publication in the Official Journal.

5. The basis for:

(a) Making a preliminary determination, as provided for in Article 6 of the Agreement on Safeguards, that increased imports have caused or are threatening to cause serious injury:

The Commission responsible for investigating the existence of distortions in the price of imported goods decided to recommend the application of a provisional safeguard of 37.8% on imports of steel wire rod, since it considered that the available facts supported a finding of critical circumstances for the domestic industry which, in the absence of immediate protection, would face injury that was difficult to repair.

Increased imports

Imports of wire rod in the period January-September 2015 amounted to 64,569 tonnes, an increase of 33.6% in relation to the same period in 2014. This increase was preceded by a decrease of 40.1% in 2014/2013 and increases of 113.8% in 2013/2012 and 233.1% in 2012/2011.

In the period January-July 2015, the ratio of imports to domestic production of wire rod grew by 16.6% in relation to the same period in 2014, as a result of the fall in domestic production and the increase in imports in that period. This ratio had fallen by 44.1% in 2014/2013 and increased by 188.8% in 2013/2012 and 252.1% in 2012/2011.

The analysis found that imports of the product concerned increased considerably during that period.

Serious injury

In order to make a preliminary determination of serious injury to the domestic industry producing like or directly competitive products, an evaluation of all relevant factors of an objective and quantifiable nature having a bearing on the situation of that industry has been undertaken.

1. Apparent consumption and market share

In the period January-July 2015, the apparent consumption of wire rod grew by 8.2% in relation to the same period in 2014. In 2014, domestic apparent consumption fell by 20.9%. In 2013, apparent consumption remained more or less steady, while in 2012 it increased by 15.9%. In the period January-July 2015, the share of imports in apparent consumption rose by 1.0% in relation to the share in the same period in 2014. In 2014, this share fell by 24.2% in relation to 2013, while in 2013/2012 it rose by 114.1% and in 2012/2011, by 187.5%.

2. Domestic price

In the period January-July 2015, the average domestic price of wire rod in Chile fell by 3.8% in pesos, 6.9% in UF (*unidades de fomento* - Chilean inflation-indexed monetary units) and 12.3% in dollars, in relation to the average prices recorded in 2014. When comparing July 2015 to January 2015, decreases of 12.0%, 13.5% and 15.9% can be observed in pesos, UF and dollars, respectively.

The coefficient of correlation between the price for domestic wire rod and import prices was 0.80 for the period January 2011-July 2015.

3. Production costs

Since 2012, there has been a steady drop in production costs per tonne of wire rod. These costs fell by 35.3% between 2011 and July 2015. In the period January-June 2015, total production costs fell by 11.9% in relation to 2014, due primarily to a drop in the cost of raw materials and some indirect costs.

4. Margins

The profit margin for wire rod has been negative for all the years in which CAP Acero provided data (2011 to July 2015).

5. Production

Between 2011 and 2014, domestic production decreased by 24.9%. In the period January-July 2015, production fell by 6.3% in relation to the same period in 2014.

6. Sales

Between 2011 and 2014, sales to the domestic market fell by 25.6%. In the period January-July 2015, production fell by 4.0% in relation to the same period in 2014.

7. Installed capacity

In 2014, capacity utilization increased by 20.1%, reversing the decline of 30.1% recorded in 2013 and 6.2% recorded in 2012.

8. Employment

In the period January-June 2015, employment in the production of wire rod fell by 2.8% in relation to 2014. Between 2014 and 2013, employment fell by 13.7%.

9. Productivity

In 2014, productivity, measured in tonnes of wire rod produced per worker employed, increased by 39.4% in relation to the previous year. In both 2013 and 2012, however, productivity fell by 32.5% and 8.4%, respectively.

Conclusion

Since 2014, there has been a significant increase in imports of the product concerned, in both absolute and relative terms, which has led to a deterioration in domestic industry indicators, as shown by the decline in market share, the fall in price, and operating losses.

Causation

For the above-mentioned reasons, the preliminary conclusion is that there is a causal link between the significant increase in imports at decreasing prices and the serious injury sustained by the domestic industry.

(b) Determining the existence of critical circumstances where delay would cause damage which it would be difficult to repair

It has been determined that critical circumstances exist in which delay in applying a measure to contain or eliminate the injury would cause damage which it would be difficult to repair.

As indicated above, the serious injury sustained by the domestic industry has worsened in 2015 with the ever-increasing volume of imports at low prices. Given the rate of increase of imports and the situation of the domestic industry, it is considered that the latter will sustain damage, which will be difficult to repair, in the absence of a provisional safeguard measure.

6. Offer of consultations under Article 12.4

In accordance with Article 12.4 of the Agreement on Safeguards, Chile is prepared to hold consultations on the provisional safeguard measure, once the measure has been taken, with those Members having a substantial interest as exporters of the subject product.

C. NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2 OF THE AGREEMENT ON SAFEGUARDS, FOLLOWING THE DECISION NOT TO APPLY THE PROVISIONAL SAFEGUARD MEASURE TO CERTAIN PRODUCTS ORIGINATING IN DEVELOPING COUNTRIES

Developing countries exempted from the safeguard measure

Imports from developing country Members will not be subject to the proposed provisional safeguard measure provided that each Member's imports do not exceed 3% of total imports into Chile and that Members with less than 3% import share collectively account for not more than 9% of total imports into Chile.

Correspondence intended for the competent authority should be sent to the Technical Secretariat of the National Commission responsible for investigating the existence of distortions in the price of imported goods, at the following address:

Morandé 115, piso 1
Santiago - Chile
Tel: +56 2 2670 2564
