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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**

EGYPT

*(White Sugar)*

The following communication, dated 15 April 2015, is being circulated at the request of the Delegation of Egypt.

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The Arab Republic of Egypt hereby wishes to notify the Committee on Safeguards pursuant to Article 12.1(a) of the Agreement on Safeguards on initiation of a safeguard investigation on imports of White Sugar, Article 12.4 of the Agreement on Safeguards before taking a provisional safeguard measure, and footnote 2 of Article 9 of the Agreement on Safeguards.

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

**1. The date when the investigation was initiated**

The investigation was initiated further to an approval of the Minister of Industry, Trade and Small & Medium Enterprises dated 16 April 2015.

**2. Product subject to the Investigation**

The product subject to investigation is white sugar. The product concerned is currently classified under HS tariff item number: 17 01 99 90 within the Egyptian Customs Tariff Schedule.

**3. The Reasons for Initiation of Investigation**

A preliminary investigation by the Egyptian Investigating Authority on the basis of information, analytical materials and official statistics available to the Egyptian Ministry of Industry, Trade and Small & Medium Enterprises, showed that the significant increase in imports of the product concerned has threatened to cause serious injury to the domestic sugar producers of the concerned or directly competitive product.

When examining the injury factors, the Investigating Authority found a significant decline in some of the economic indicators of the domestic industry (sales, market share, and profitability) and increase in inventory coincided with the increase in imports volume.

Accordingly, it was established that there was sufficient evidence to justify the initiation of the investigation in order to determine whether the increase of imports has threatened to cause serious injury to the domestic industry.

#### 4. Further Information

Interested parties must make themselves known to the Investigating Authority within a period of 30 days after the initiation of the investigation.

Any information, which the interested parties may wish to submit to the Investigating Authority, should be submitted in writing; and any request for a hearing should be submitted within 30 days following the initiation of this investigation.

### B. NOTIFICATION UNDER ARTICLE 12.4 BEFORE TAKING A PROVISIONAL SAFEGUARD MEASURE

#### 1. The product subject to the proposed provisional safeguard measure

The product subject to the proposed provisional safeguard measure is white sugar. The product concerned is currently classified under the HS tariff item number 1701.9990 within the Egyptian Customs Tariff Schedule.

#### 2. The proposed provisional safeguard measure

It is proposed to impose a provisional safeguard measure in the form of additional duty 20% of the CIF value with a minimum 700 Egyptian Pounds per ton.

#### 3. Entry into force of the proposed provisional safeguard measure

The provisional safeguard measure is proposed to enter into force, with the publication of the decree of the Minister of Industry, Trade and Small & Medium Enterprises in the Egyptian Official Gazette.

#### 4. The Expected Duration of the Provisional Safeguard Measure

The provisional safeguard measure will be applied for a period of 200 days from the date of publication in the Official Gazette.

#### 5. The Basis for making a preliminary determination, as provided for in Article 6 of the Agreement on Safeguards is based upon the fact that increased imports have caused or are threatening to cause serious injury as follows:

#### EVOLUTION OF IMPORTS VOLUME ABSOLUTE AND RELATIVE INCREASE IN IMPORTS

A preliminary analysis on the increase of imports volume and its impact on the domestic industry indicators

Volume/thousand tons					
(year/year percentage)	2012	2013	2014	Jan-March 2014	Jan-March 2015
Imports Volume/Ton	105	20	68	34	45
Change %		(81)	240		32
Imports as % of domestic production Change %		(83)	300		---

The above table shows that imports of the product concerned decreased by 81% in 2013 when compared to 2012 and increased significantly by 240% in 2014 when compared to 2013. In the first quarter of 2015, imports increased by 32% compared to the same period of 2014.

The information further indicates also that the change of imports as a percentage of domestic production decreased by 83% in 2013 when compared to 2012, then it increased significantly by 300% in 2014 when compared to 2013 and stable in the first quarter of 2015 when compared to the same period in 2014.

The above table shows that there has been a big increase in the imports volume of the product concerned in absolute terms and relative to domestic production.

## ECONOMIC IMPACTS

### Market Share

Volume/ thousand tons					
(year/year percentage)	2012	2013	2014	Jan-March 2014	Jan-March 2015
<b>Market Share of the Domestic Industry change %</b>		27	(9)		(4)
<b>Market Share of Imports</b>		(50)	100		75

The market share of the domestic industry was increased by 27% in 2013 when compared to 2012. In 2014, the market share of domestic sales decreased by 9 percent when compared to 2013 and in the first quarter of 2015 the market share of domestic sales decreased by 4% when compared to the same period in 2014. At the same time, the market share of imports decreased by 50% in 2013 when compared to 2012. In 2014, the market share of imports increased significantly by 100% when compared to 2013 due to the significant increase of imports in this year, and in the first quarter of 2015 the market share of imports increased by 75% when compared to the same period in 2014 due to the significant increase of imports in this period.

### Production and Capacity Utilization

Volume/ thousand tons					
(year/year percentage)	2012	2013	2014	Jan-March 2014	Jan-March 2015
<b>Change in Production change %</b>		(14)	15		10
<b>Capacity Utilization change %</b>		(14)	14		11

The Production decreased by 14% in 2013 when compared to 2012, and then it increased by 15% in 2014 when compared to 2013, and in the first quarter of 2015 increased by 10% when compared to the same period in 2014.

The Capacity utilization decreased by 14% in 2013 when compared to 2012, and then it increased by 14% in 2014 when compared to 2013, and in the first quarter of 2015 increased by 11% when compared to the same period in 2014.

### Profit and Loss

Value/thousand Pounds					
(year/year percentage)	2012	2013	2014	Jan-March 2014	Jan-March 2015
<b>Profit &amp; Loss change %</b>		2	(2)		(98)

The Domestic industry's profit increased by 2% in 2013 when compared to 2012, then the profit decreased by 2% in 2014 when compared to 2013 and in the first quarter of 2015 sharply decreased by 98% when compared to the same period in 2014.

**Domestic Sales**

Volume/ thousand tons

(year/year percentage)	2012	2013	2014	Jan-Mar 2014	Jan-Mar 2015
<b>Sales Volume change %</b>		(10)	(4)		(34)

The domestic industry's sales decreased by 10% in 2013 when compared to 2012. In 2014, the domestic industry's sales decreased by 4% when compared to 2013 and in the first quarter of 2015 sharply decreased by 34% when compared to the same period in 2014.

**Employment and Productivity**

Volume/ thousand tons

(year/year percentage)	2012	2013	2014	Jan-Mar 2014	Jan-Mar 2015
<b>In employees change %</b>		---	---		1
<b>Productivity change %</b>		(15)	14		7

The Employees were stable in 2013 and 2014 when compared to 2012, and in the first quarter of 2015 increased by 1% when compared to the same period in 2014.

The Employees' productivity decreased by 15% in 2013 when compared to 2012, then increased by 14 % in 2014 when compared to 2013, and in the first quarter of 2015 increased by 7% when compared to the same period in 2014.

**6. Inventory**

Volume/ thousand tons

(year/year percentage)	2012	2013	2014	Jan-Mar 2014	Jan-Mar 2015
<b>Inventory Change %</b>		(18)	303		120

The inventory decreased by 18% in 2013 when compared to 2012, then it sharply increased by 303% in 2014 when compared to 2013, and in the first quarter of 2015 it sharply increased by 120% when compared to the same period in 2014.

**Causation**

In the light of the above, it shows that there has been a significant increase in imports of the product concerned in 2014 and in the first quarter of 2015 in absolute terms and significant increase in 2014 in relative terms. Such significant increase has led to a deterioration of the some indicators of the domestic industry that are represented in sharp decline in the profit, sales, decline in the market share of the domestic industry, sharp increase in inventory and a threat of imminent injury in other indicators of the domestic industry.

Therefore, the Investigating Authority found that there is a sufficient preliminary conclusion that there is a correlation between the significant increase in imports and threat of serious injury suffered by the domestic industry.

**Determining the existence of critical circumstances where delay would cause Damage, which will be difficult to repair**

A preliminary determination has been made that critical circumstances exist in which delay would cause damage that would be difficult to white sugar

As indicated above, the threat of serious injury suffered by the domestic industry has worsened during 2014 and in first quarter of 2015 with the ever-continuing increase in the volume of imports. Given the rate of increase of imports and the situation of the domestic industry, it is considered that the delay would cause damage, which will be difficult to repair in the absence of a provisional safeguard measure.

Therefore, bearing in mind that a sudden and significant increase in the imports of the product concerned in 2014 and in the first quarter of 2015 could negatively affect the domestic industry; the provisional safeguard measure is proposed to eliminate uncertainty that could come out with the ongoing investigation. To achieve this objective, the provisional measure shall be collected as a security.

#### **7. Offer of consultations under Article 12.4**

Consistent with Article 12.4 of the Agreement on Safeguards, Egypt is prepared to consult on the provisional safeguard measure with those Members having a substantial interest as exporters of the subject products.

#### **C. NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2 UPON TAKING A 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 shall not be subject to the proposed provisional safeguard measure as long as each Member's imports individually do not exceed three percent of total imports into Egypt and the share of the Members with less than three percent import share do not collectively account for more than nine per cent of total imports into Egypt.

The Address of the Competent Authority for correspondence is:

Ministry of Industry, Trade and Small and Medium Enterprises  
Trade Agreements Sector  
Central Department for International Trade Policies  
(Anti-dumping, Subsidy and Safeguard Department)  
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