



12 April 2019

(19-2421)

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Committee on Safeguards

Original: English

**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

(Semi-finished products of iron or non-alloy steel and Steel rebar (bars, rods and coils) for construction purposes)

The following communication, dated 11 April 2019, is being circulated at the request of the Delegation of Egypt.

The Arab Republic of Egypt hereby wishes to notify the Committee on Safeguards pursuant to Article 12.4 of the Agreement on Safeguards, before taking provisional safeguard measures on imports of Semi-finished products of iron or non-alloy steel and Steel rebar (bars, rods and coils) for construction purposes; and a notification pursuant to Article 9, footnote 2 of the Agreement on Safeguards, on taking a decision not to apply the measure to products originating in developing countries.

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

1. Specify the product subject to the proposed provisional safeguard measure

The products subject to the proposed safeguard measure are Semi-finished products of iron or non-alloy steel and Steel rebar (bars, rods and coils) for construction purposes (the products concerned), The products are classified under the following H.S. tariff item numbers within the Egyptian Customs Tariff Schedule. (72 13, 72 14 and 7207). The H.S. tariff item numbers are given for information purposes only.

2. Specify the Proposed Provisional Safeguard Measure

It is proposed to impose a provisional safeguard measure in the form of temporary additional duty as shown in the next table:

	Product	Tariff Item	Provisional measures
1	Semi-finished products of iron or non-alloy steel	7207	up to 15% of the CIF value
2	Bars, coils and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.	7213 - 7214	25% of the CIF value

3. Specify the proposed date of introduction of the proposed Provisional Safeguard Measure

The provisional safeguard measure is proposed to enter into force on 15/4/2019.

4. Specify the Expected Duration of the Provisional Safeguard Measure

The proposed provisional safeguard measure will be applied for 180 days.

5. Provide the Basis for:**5.1 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; and****Unforeseen Developments**

The investigating authority has preliminary determined that there have been sudden, recent, significant and sharp increases in imports of the concerned products in both absolute terms and relative to the domestic production. This increase in imports of the concerned products has been the result of unforeseen developments that finds its source in a number of facts establishing and aggravating imbalances in international trade of the products concerned.

First of all, the global steelmaking capacity has more than doubled since 2000. Consequently, there has been over the last years a major gap between global capacity and production and between production and demand, generating an unprecedented overcapacity in the global steel market which has persisted despite the measures adopted to narrow it.

Secondly, the above effect has been exacerbated by trade-restrictive practices in third country markets. Indeed, recently, in reaction to the above-mentioned oversupply of steel and the market-distorting practices, several countries have begun to make greater use of trade policy and trade defence instruments in the steel sector with a view to protecting their domestic producers.

Increase in Imports**Tons**

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Imports Volume/Ton	696176	607906	894043	908733
Index %	100	87	128	131
Index imports volume/domestic production %	100	73	113	117

The data currently available indicates that imports of the products concerned increased in absolute terms by 31% during the second half of 2018 when compared to the first half of 2017.

Furthermore, the volume of imports increased in relative terms to the domestic production by 17% during the second half of 2018 when compared to the first half of 2017.

Serious injury

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

(1) Domestic Sales

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Index of Domestic Sales	100	128	112	98

The domestic industry's sales were increased by 28% and 12% during the second half of 2017 and the first half of 2018 when compared to the first half of 2017. And then has decreased in the second half of 2018 by 2% when compared to the first half of 2017.

(2) Market Share

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in Market Share of the Domestic Industry%	100	107	94	90
Change in Market Share of Imports%	100	73	108	118

The domestic industry's market share was increased by 7% in the second half of 2017 comparing with the first half of 2017, and then decreased by 6% during the first half of 2018 comparing with the first half of 2017, then It decreased sharply in the second half of 2018 by 10% when compared to the first half of 2017.

The market share of imports was decreased by 27% in the second half of 2017 comparing with the first half of 2017, and then increased by 8% during the first half of 2018 comparing with the first half of 2017, and then It increased in the second half of 2018 by 18% when compared to the first half of 2017.

(3) Production and Capacity Utilization

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in Production%	100	123	116	116
Change in Capacity Utilization%	100	123	116	116

The domestic industry's production was increased by 23% in the second half of 2017 comparing with the first half of 2017, and by 16% during the first half of 2018. It increased in the second half of 2018 by 16% when compared to the first half of 2017. This increase has accompanied by sharp increase of inventory as a result of decrease of sales.

The capacity utilization was increased by 23% in the second half of 2017 comparing with the first half of 2017, and by 16% during the first half of 2018. It decreased in the second half of 2018 by 16% when compared to the first half of 2017.

(4) Workers and Worker's Productivity

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in Workers %	100	115	111	114
Change in Productivity %	100	109	108	94

The number of Workers was increased by 15% in the second half of 2017, and by 11% during the first half of 2018. It increased in the second half of 2018 by 14% when compared to the first half of 2017.

The Workers' productivity was increased by 9% in the second half of 2017, and by 8% during the first half of 2018 comparing with the first half of 2017. It decreased in the second half of 2018 by 6% when compared to the first half of 2017.

(5) Profit and Loss

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in profit & Losses%	100	(44)	(66)	219

The domestic industry achieves loss in the first half of 2017 and this loss had changed to profit in the second half of 2017 and in the first half of 2018 before achieving loss second half of 2018. the loss was increased by 119% in the second half of 2018 comparing with the first half of 2017.

(6) Inventory

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in inventory%	100	119	88	502

The quantity of inventory increased by 19% in the second half of 2017 comparing with the first half of 2017 and decreased by 12% during the first half of 2018. It increased sharply in the second half of 2018 by 402% when compared to the first half of 2017.

CONCLUSION

There has been a significant and sudden increase in the volume of imports of the products concerned in both absolute and relative terms to the domestic production. the volume of imports has increased in the second half of 2018 significantly when compared to the first half of 2017.

The sharp and sudden increase of imports caused serious injury to the domestic industry. The sales and market share of the domestic industry decreased sharply while the market share of imports increased significantly. Consequently, the quantity of inventory increased sharply, and the domestic industry achieved losses in the second half of 2018.

Causation

For the foregoing reasons, the preliminary conclusion is that there is a causal link between the significant increase in imports and the serious injury suffered by the domestic industry.

Other Known Factors

To ensure that the serious injury is not attributable to factors other than the increase in imports, the investigating authority has carried out a preliminary analysis to determine whether the other factors may have contributed to the serious injury suffered by the Egyptian producers. These factors include contraction in demand, change of patterns of consumption, technology progress, local competition, exports, and changes in exchange rates. The investigating authority found that these factors are not the cause of serious injury suffered by the Egyptian industry.

5.2 Determining the Existence of Critical Circumstances Where Delay Would Cause Damage Which Would 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 repair.

It is determined that critical circumstances exist, such that delay in imposing provisional safeguard measures would cause damage which would be difficult to repair. Such critical circumstances include the trade restrictive actions recently taken by several steel trading countries, which have created an imminent risk of diversion of steel imports into Egypt. A continued increase in imports would further impair the performance of the domestic industry, which is already in a fragile position. In some cases, there is a risk that producers may be forced to cease production.

6. 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.

B. 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 exports individually do not exceed 3% of total imports into Egypt. In addition, the share of the members with less than three% import share do not collectively account for more than 9% of total imports into Egypt.

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