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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 OF A PROPOSAL TO IMPOSE A MEASURE

EGYPT

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

The following communication, dated 10 October 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 Articles 12.1(b), and 12.1(c) of the Agreement on Safeguards, upon making findings of serious injury or threat thereof caused by the increased imports of certain steel products (Semi-finished products of iron or non-alloy steel and Steel rebar (bars, rods and coils) for construction purposes).

The investigation was initiated on 28 March 2019 pursuant to Article 20 of the Egyptian Regulation G/SG/N/6/EGY/14.

On April 15th2018, Egypt imposed provisional safeguard measures with regard to imports of Semi-finished products of iron or non-alloy steel and Steel rebar (bars, rods and coils) for construction purposes (G/SG/N/7/EGY/11 - G/SG/N/11/EGY/11).

1. Provide evidence, citing relevant data and the applicable period of investigation of injury or threat thereof caused by increased imports

The period of investigation is the period of investigation was established as 1 January 2017 until 31 December 2018 and divided into four equal tranches to allow for analysis of the intervening trends.

2. Provide evidence of serious injury or threat thereof caused by increased imports

- The injury assessment has been conducted on 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 where there's an increase in imports.
- The analysis was made with an assessment for the two products. This injury analysis below is based on the questionnaire replies submitted by the domestic industry.
- The analysis showed that the domestic industry for the two products is suffering from serious injury and it is in an extremely vulnerable position.

- The domestic industry is still in an insecure situation and under the threat of serious injury if the increasing trend in imports continued.

a) Information on whether there is an absolute increase in imports or an increase in imports relative to domestic production

Imports Volume (Tons)

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Imports Volume/Ton	696176	607906	895086	904112
Index %	100	87	129	130
Index imports volume (%) domestic production	100	71	111	112

- The above table shows a decline in the volume of imports of 13 percent in absolute terms during the second half of 2017 compared to the first half of 2017. In the first half of 2018 the significant increase in imports started and amounted to 29 percent and 30 percent during the first half and the second half of 2018 respectively compared to the first half of 2017 due to the unforeseen developments.
- There was thus a significant increase in absolute terms of 30%. This was also true relative to domestic production, which led to a loss of market share as further demonstrated in the following section. During the second half of 2017 imports declined as compared to domestic production by 29 percent compared to the first half of 2017. However, imports started to increase as compared to domestic production by 11 percent and 12 percent during the first half and second half of 2018 respectively compared to first half of 2017.

b) Evidence of serious injury or threat thereof caused by increased imports

In order to make a 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.

Domestic Sales

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in Sales Volume (%)	100	124	107	98

The sales of the domestic industry increased by 24% and 7% during the second half of 2017 and the first half of 2018 respectively compared to the first half of 2017. During the second half of 2018 and coinciding with the increase in imports domestic sales declined by 2% compared to the first half of 2017.

Market Share

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Index of Share of Domestic Industry (%)	100	106	94	92
Index of Share of Other Domestic Sales% (Rolling Companies)	100	106	110	108
Index of Imports Share (%)	100	74	112	122

During the first and second halves of 2018 and coinciding with the progressive increase in imports, the market share of domestic sales decline by 6 and 8 percent respectively compared to the first half of 2017. In spite of the increase in market volume. During the same period, the market share of other domestic sales increased by 10% and 8% respectively coinciding with the increase in the market share of imports of 12% and 22% respectively during the same comparable periods which means that the increase in imports had a negative effect on the market share of domestic sales in favor of the market share of other domestic sales (the sales of the rerollers).

Production and Capacity Utilization

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2017
Index production volume (%)	100	123	116	116
Index Capacity Utilization (%)	100	123	116	116

- The Above table shows an increase of 23% in volume of production during the second half of 2017 compared to the first half of 2017. The volume of production increased by 16% during the first and second halves of 2018 compared to the first half of 2017 albeit its decline compared to second half of 2017.
- While there was stability in production capacity during the injury analysis period, utilized capacity increased during the same period at the same rate of the increase in production. Utilized capacity increased by 23% during the second half of 2017 compared to the first half of 2017 and by 16% during the first and second halves of 2018 compared to the first half of 2017 albeit its decline compared to the second half of 2017.
- The Investigating Authority considers that due to the nature of the industry the increase in production is obligatory. The domestic industry is suffering from serious injury due to its inability to stop then re-operate furnaces which causes huge losses to the industry. Such increase cannot be considered a positive indicator especially with decline in sales and increase in inventory. The Investigating Authority found during the verification visit the inventory accumulated during the first half of 2019 and that capacity utilization increased due to the obligatory increase in production although the industry could not utilize more than third of its available capacity.

Workers and Worker's Productivity

	First half 2017	Second half 2017	First half 2018	Second half 2018
Labour Index (%)	100	109	108	109
Productivity (ton/worker)	100	113	107	106

- The above table shows that, during the period of investigation, there was an increase of labor of 9%, 8% and 9% during the second half of 2017, the first half of 2018 and the second half of 2018 respectively compared to the first half of 2017.
- The above table shows also that productivity per worker increased during the period of investigation by 13%, 7% and 6% during the second half of 2017, the first half of 2018 and the second half of 2018 respectively compared to the first half of 2017.
- The IA considers that the increase in productivity was due to the increase in production resulting from the inability of the industry to stop furnaces.

Profit and Loss

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in profit & Losses (%)	(100)	179	279	(195)

- The above table shows that the losses incurred by the industry during the first half of 2017 turned into profits of 179% and 279% during the second half of 2017 and the first half of 2018 respectively.
- During the second half of 2018, coinciding with the unforeseen development which led to the significant increase in the volume of imports as mentioned in Section 3, the profits of domestic industry turned into losses amounting more than those incurred during the first half of 2017 by 195%.

- The IA considers that the index of profits and losses is reflecting the outcome of the performance of the domestic industry and all other factors. Such index demonstrates the serious injury suffered by the domestic industry in general.

Inventory

	First half of 2017	Second half of 2017	First half of 2018	Second half of 2018
Change in inventory (%)	100	119	87	459

- The above table shows that the volume of inventory increased during the second half of 2017 by 19% compared to the first half of 2017 while declined by 13% during the first half of 2018 compared to the first half of 2017. During the second half of 2018 when imports increased substantially, the volume of inventory increased significantly by 359% compared to the first half of 2017 which confirms the finding of the Investigating Authority that the increase in production is not a positive indicator but rather the industry was forced to increase production because of its inability to stop furnaces.

3. Provide precise description of the product involved

The products under investigation are semi-finished products of iron or non-alloy steel (billets) and steel rebar (bars, rods and coils) for construction purposes, which is classified under H.S Tariff Codes: 72 07, 72 13 and 72 14.

4. Precise description of the proposed measure

The Investigating Authority proposed imposing safeguard measure for three years at the rate of additional duty 16% of the CIF, value for billets and 25% of CIF value for steel rebar.

5. Provide proposed date of introduction of the measure

The definitive measures should be introduced starting from 12 October 2019.

6. Provide expected duration of the measure

The measures should be in place for a period of three years including the period of imposition of the provisional measures.

7. 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 a date for the review has already been scheduled

Not applicable.

8. Offer of consultation

Consistent with article 12.3 of the agreement on safeguard. Egypt is prepared to consult on the proposed safeguard measure with those members having a substantial interest of the subject product.

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

The measures should be decreased gradually for each product over the three-year period as follows:

Duration	for six months	for one year	for one year
Steel Rebar under HS code (72 13, 72 14)			
Value	25% of CIF value – minimum limit 125 \$ per Ton	21% Of CIF value– minimum limit 105 \$ per Ton	17% of CIF value– minimum limit 85 \$ per Ton
Billet under HS code (72 07)			
Value	16% of CIF value– minimum limit 74 \$ per Ton	13% of CIF value– minimum limit 60 \$ per Ton	10 % of CIF value– minimum limit 46 \$ per Ton

10. 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 three percent of total imports into Egypt. In addition, the share of the members with less than three percent import share do not collectively account for more than nine percent of total imports into Egypt.

The address of the competent authority for correspondence is:

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