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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**

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

UKRAINE

*Wires*

The following communication, dated and received on 30 March 2021, is being circulated at the request of the delegation of Ukraine.

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Pursuant to Articles 12.1(b) of the Agreement on Safeguards, Ukraine notifies on finding a serious injury or threat thereof to the domestic industry producing wires and on proposed safeguard measures. This notification contains all pertinent information relating to the proposed safeguard measures in accordance with Article 12.2 of the Agreement on Safeguards and an offer for consultations pursuant to Article 12.3 of the Agreement on Safeguards.

On 24 July 2020 the Interdepartmental Commission on International Trade (hereinafter referred as the Commission) had taken the decision "On initiation and conduction of safeguard investigation on imports to Ukraine of wires regardless of country of origin and export" No. SP-458/2020/4411-03 (G/SG/N/6/UKR/19 of 09 September 2020, G/SG/N/6/UKR/19/Corr.1 of 21 September 2020).

On 28 July 2020 the abovementioned decision was published in the official newspaper "Uryadovyi Courier" No. 143.

The investigation was initiated pursuant to the application of the domestic industry in particular by PJSC "Odeskabel" and PJSC "Yuzhcable Works" (hereinafter referred as the Applicant).

**1 PROVIDE EVIDENCE, CITING RELEVANT DATA AND THE APPLICABLE PERIOD OF  
INVESTIGATION OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED  
IMPORTS**

Investigation period: 2017, 2018, 2019, 1 July 2019 – 30 June 2020.

The results of the analysis of the Applicant's economic situation show its unstable position on the domestic market. During 2017-2019 the Applicant's socio-economic indicators improved. However, with the increase in the volume of import of goods in the last period to the previous period, some indicators of the domestic producer's deteriorated:

- production volumes decreased by 7.28%;
- the sales of the product on the domestic market decreased by 25.34%;

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- the Applicant's share on the domestic market decreased by 8.57%;
  - the profit from the sale of the product on the domestic market decreased by 38.85% (UAH) and by 37,98% (USD);
  - the Applicant's share in consumption decreased by 8% while the consumption decreased by 30.92%;
  - sales prices of the Applicant for the product on the domestic market decreased by 9.17% while the cost increased by 3.03%;
  - profitability from the sale of the product on the domestic market decreased by 30.77%;
  - the level of labor productivity decreased by 6.20%;
  - stocks at the end of the period increased by 3.16% (by 29.02% during the investigation period);
  - liquidity conditions decreased by 5.09% (by 35.21% during the investigation period);
  - the employment decreased by 1.12%;
  - the amount of taxes and fees paid to the budgets of all levels decreased by 16.25%.

The cumulative assessment of the above factors led to the finding of the material injury to the national producer.

## **2 PROVIDE INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION**

According to the customs statistics of the State Customs Service during the investigation period:

- import volumes of the product increased by 128.84% in absolute terms;
- import volumes relative to production of the product in Ukraine increased by 180.42% and by 74.79% relative to consumption.

Based on the above-mentioned, it was found that during the investigation period there was a significant increase in the volume of imports of goods to Ukraine.

In accordance with Article XIX: 1 of GATT 1994, the investigating authority has considered unforeseen developments that led to a significant increase in the volume of import of goods, which caused significant injury to the domestic industry producing the like product.

The increase in the volume of import of goods was caused by unforeseen developments such as increased production volumes, increased stocks and exports of goods from the China, increased trade tensions between China and the US, decreased demand in Belarus, global trends in the development of renewable energy and the introduction of 4G technology.

According to the report of the analytical agency IBISWorld, in 2020, the volume of the Chinese market of wires and cables reached 327 billion dollars. About 13,308 enterprises are involved in production and 1,362,301 people are employed.<sup>1</sup>

From 2015 to 2019, exports of wires and cables from China increased by 977 million dollars and 249 thousand tons.<sup>2</sup> The volume of exports of cables and wires from China in 2019 amounted to 22.4 billion US dollars, which is 17.5% of global exports of cables and wires.<sup>3</sup>

According to the statement of the regional manager of Corning, one of the key players in the fiber market, one of the reasons for the increase in imports from China was overproduction. Thus, in

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<sup>1</sup> <https://www.ibisworld.com/china/market-research-reports/wire-cable-manufacturing-industry/>.

<sup>2</sup> <https://trendeconomy.com/data/h2/China/8544>.

<sup>3</sup> <http://www.worldstopexports.com/insulated-wire-exports-country/>.

2018, the world's largest telecom operator China Mobile had to hold two tenders each for more than 100 million kilometers optical cable. However, one of the tenders was canceled, which led to a considerable accumulation of stocks and an acute increase in exports.

In addition, the search for alternative markets is caused by increased trade tensions between China and the US and decreased exports to the US, where the consumption of cable and wire products is one of the strongest in the world.

Also, in 2019, the US Commission on International Trade decided that the export of aluminum wires and cables from China had caused serious injury to domestic producers and decided to apply high anti-dumping and anti-subsidy duties.<sup>4</sup>

According to Corning, in 2019 the demand for optical fiber products<sup>5</sup> decreased in the Republic of Belarus, which also led to active search for markets abroad, particularly, in Ukraine.

The growth of imports was caused by global trends in the development of renewable energy and the introduction of 4G technology.

In 2016, the Chinese government introduced the Thirteenth Five-Year Plan for Renewable Energy Development (2016-2020), which is part of the Thirteenth Five-Year Plan for Social and Economic Development, which aims to increase the share of clean energy to 20% by 2030.

At the same time, due to the construction of a significant number of environmentally friendly power plants, China has faced the problem of overproduction and irrational territorial distribution of energy capacity. Thus, in 2017 more than 30% of renewable energy in Xinjiang and Gansu provinces was not used at all.

Regarding the introduction of 4G technology and expansion of coverage, in 2020 South Korea, Japan, Norway, Hong Kong, USA, Netherlands, Taiwan, Hungary, Sweden, India, Czech Republic, Belgium, Australia, Singapore and Kuwait had more than 90% coverage. In another 25 countries, including Poland, coverage ranges from 80% to 90%. In 32 countries, including Italy, Germany, Romania and Turkey, coverage is between 70% and 80%.<sup>6</sup>

At the same time, 4G was launched in Ukraine for the first time only in 2018.<sup>7</sup> During the official briefing of the Ministry of Digital Transformation and the three largest mobile operators, which took place at the end of 2020, it was announced that from 1 July 2020 only 5.4 million Ukrainians had access to 4G connection. During the briefing the intention to provide access to 4G for 95% of the population of Ukraine and cover 95% of roads of national importance was also announced.<sup>8</sup>

As a result of a combination of factors, foreign producers began to reorient their markets, which affected the volume of imports of goods to Ukraine.

In addition, the threat of increased imports of cables originating from China is confirmed by recent EU-initiated anti-dumping and anti-subsidy investigations into imports of cable and wire products originating from China. In particular, the European Commission considers that the Chinese government has adopted several comprehensive strategies and policies applicable to telecommunications and fiber-optic cable sectors, including "The China Broadband Strategy", "The Made in China 2020 Plan", and "The 13th Five-Year Plan". In addition, China has introduced specific subsidy schemes applicable to Chinese fiber optic cable industry, in the form of direct transfers, restrictions on the collection of government revenues, the provision of goods and services at a reduced price, and so on.

Also, during the investigation period, the growth trends of imports correlated with the growth trends of their share in consumption (by 74.79%) and in the production of goods in Ukraine (by 180.42%). This trend occurs while the consumption of goods in Ukraine decreased by 30.92% and the

<sup>4</sup> <https://www.reuters.com/article/us-usa-trade-china-aluminum-idUSKBN1XU2DX>.

<sup>5</sup> <https://www.cableman.ru/content/mirovoi-rynok-opticheskogo-kabelya-i-volokna-perenasyshtchen>.

<sup>6</sup> [https://www.opensignal.com/sites/opensignal-com/files/data/reports/global/data-2019-05/the\\_state\\_of\\_mobile\\_experience\\_may\\_2019\\_0.pdf](https://www.opensignal.com/sites/opensignal-com/files/data/reports/global/data-2019-05/the_state_of_mobile_experience_may_2019_0.pdf).

<sup>7</sup> <http://www.visnuk.com.ua/uk/publication/100008435-pid-znakom-4g>.

<sup>8</sup> <https://itechua.com/news/125238>.

Applicant's share decreased by almost 8%. At the same time, in the last period to the previous one there is a much larger decrease in the price of imports to the price of similar goods in Ukraine.

Considering the above, the investigating authority concluded that these factors led to a recent unpredictable increase in imports into Ukraine and, as a consequence, caused serious injury to domestic producers and an imbalance in favor of foreign producers and suppliers of goods. Also, the above facts indicate the existence of a causal link between the growing imports of goods into Ukraine and the fact of deteriorating financial and economic situation of the domestic producer and the lack of influence of other factors.

#### **The major exporting countries of imports of the product involved**

<b>Countries of imports</b>	<b>1<sup>st</sup> period</b>	<b>2<sup>nd</sup> period</b>	<b>3<sup>rd</sup> period</b>	<b>4<sup>th</sup> period</b>
China, tons	<b>3 059</b>	<b>4 605</b>	<b>4 465</b>	<b>6 101</b>
EU, tons	<b>1 266</b>	<b>2 898</b>	<b>4 694</b>	<b>3 423</b>
Belarus, tons	<b>654</b>	<b>1 300</b>	<b>2 429</b>	<b>2 258</b>
Turkey, tons	<b>51</b>	<b>195</b>	<b>596</b>	<b>1 202</b>
Russian Federation, tons	<b>835</b>	<b>652</b>	<b>229</b>	<b>214</b>

### **3 PROVIDE PRECISE DESCRIPTION OF THE PRODUCT INVOLVED**

Insulated wires, cables and other insulated electric conductors not fitted with connectors; optical fiber cables, made up of individually sheathed fibers which can be classified under UKTZED codes 8544 49 20 00, 8544 49 91 00, 8544 60 10 10, 8544 60 10 98, 8544 60 90 10, 8544 60 90 90, 8544 70 00 10, 8544 70 00 90.

During the investigation the description of the product was clarified:

Insulated wires, cables and other insulated electric conductors not fitted with connectors which can be classified under UKTZED codes 8544 49 20 00, 8544 49 91 00, 8544 60 10 10, 8544 60 10 98, 8544 60 90 10, 8544 60 90 90; optical fiber cables, made up of individually sheathed fibers connectors which can be classified under UKTZED codes 8544 70 00 10, 8544 70 00 90.

### **4 PROVIDE PRECISE DESCRIPTION OF THE PROPOSED MEASURE**

Safeguard duty of 23.5%.

### **5 PROVIDE PROPOSED DATE OF INTRODUCTION OF THE MEASURE**

April 2021.

### **6 PROVIDE EXPECTED DURATION OF THE MEASURE**

Safeguard measures are planned to be imposed for a period of 3 years.

### **7 PROVIDE FOR A MEASURE WITH A DURATION OF MORE THAN THREE YEARS 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 IF THE EXPECTED DURATION IS OVER ONE YEAR, TO PROVIDE EXPECTED TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE**

The duty level should be decreased by 5% annually during measures validity.

1st year (from the date of application) — 23.5%;  
 2nd year (12 months from the date of application) — 22.3%;  
 3rd year (24 months from the date of application) — 21.2%.

**9 TO PROVIDE INFORMATION RELATING TO THE EXTENSION OF A SAFEGUARD MEASURE**

Not applicable.

**10 EXCLUSION OF CERTAIN COUNTRIES FROM THE SCOPE OF THE DEFINITIVE MEASURES**

According to Article 9.1 of the Agreements on Safeguards (List of the Least Developed Countries of the United Nations) and Article 21 of the Law of Ukraine "On the application of special measures regarding imports to Ukraine", Free Trade Agreement between the EFTA States and Ukraine dated June 24 2010, Free Trade Agreement between the Government of Ukraine and the Government of Montenegro dated November 18 2011, Free Trade Agreement of the Commonwealth of Independent States, dated October 18 2011 and taking into account Chapter 8 of Article XXIV of General Agreement on Tariffs and Trade 1994 imports of goods described in paragraph 3 of this notification to Ukraine originating from the following countries should be excluded from the application of the definitive measures: the Republic of Iceland, the Principality of Liechtenstein, the Kingdom of Norway, the Swiss Confederation, the Republic of Montenegro, the Republic of Azerbaijan, the Republic of Armenia, the Republic of Kazakhstan, the Republic of Kyrgyzstan, the Republic of Moldova, the Republic of Uzbekistan, the Republic of Tajikistan, Turkmenistan, the Islamic Republic of Afghanistan, the Republic of Angola, the People's Republic of Bangladesh, the Republic of Benin, the Kingdom of Bhutan, the Republic of Burkina Faso, the Republic of Burundi, the Kingdom of Cambodia, the Central African Republic, the Republic of Chad, the Union of the Comoros, the Democratic Republic of the Congo, the Republic of Djibouti, the State of Eritrea, the Federal Democratic Republic of Ethiopia, the Islamic Republic of Gambia, the Republic of Guinea, the Republic of Guinea-Bissau, the Republic of Haiti, the Republic of Kiribati, the Lao People's Democratic Republic, the Kingdom of Lesotho, the Republic of Liberia, the Republic of Madagascar, the Republic of Malawi, the Republic of Mali, the Islamic Republic of Mauritania, the Republic of Mozambique, the Republic of the Union of Myanmar, the Federal Democratic Republic of Nepal, the Republic of Niger, the Republic of Rwanda, the Democratic Republic of Sao Tome and Principe, the Republic of Senegal, the Republic of Sierra Leone, Solomon Islands, the Federal Republic of Somalia, the Republic of South Sudan, the Republic of the Sudan, the Democratic Republic of Timor-Leste, the Republic of Togo, Tuvalu, the Republic of Uganda, the United Republic of Tanzania, Vanuatu, the Republic of Yemen, the Republic of Zambia, the Federative Republic of Brazil, the United Mexican States, the Republic of Indonesia.

**11 PROCEDURES RELEVANT TO THE DECISION ON APPLICATION OF THE MEASURES AND INFORMATION REGARDING PROCEDURES FOR PRIOR CONSULTATIONS WITH THOSE MEMBERS HAVING A SUBSTANTIAL INTEREST AS EXPORTERS OF THE PRODUCT CONCERNED**

As a measure to prevent the extension of COVID-19, Ukraine proposes, if necessary, to hold consultations substantially in the form of an exchange of views by providing the information in writing or by means of videoconference.

Members having a substantial interest as exporters of the product subject to the investigation that would like to consult with Ukraine are encouraged to send their position papers to [meconomy@me.gov.ua](mailto:meconomy@me.gov.ua) (for official registration) and to e-mail address of the individuals, responsible for investigation [suhanov@me.gov.ua](mailto:suhanov@me.gov.ua) before **April 09 2021** or request a videoconference to be held before **April 09 2021**.