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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 EXTEND THE EXISTING MEASURE

UKRAINE

Sulfuric acid and oleum

Supplement

The following communication, dated and received on 20 August 2021, is being circulated at the request of the delegation of Ukraine.

Pursuant to Article 12.1(b) of the Agreement on Safeguards Ukraine submits a notification on proposal to extend a safeguard measure on imports of sulfuric acid and oleum. This notification contains all pertinent information relating to the proposed safeguard measures in accordance with Article 12.2 of the Agreement on Safeguards and a request for consultations pursuant to Article 12.3 of the Agreement on Safeguards.

On 5 August 2021 the Interdepartmental Commission for International Trade took the Decision No SP – 498/2021/4411-03 on initiation of a review of safeguard measures on imports to Ukraine of sulfuric acid and oleum regardless of country of origin and export (G/SG/N/6/UKR/12/Suppl.1 of 12 August 2021).

On 7 August 2021 the abovementioned decision was published in the official newspaper "Uryadoviy Courier" No. 152.

1 EVIDENCE THAT THE SAFEGUARD MEASURE CONTINUES TO BE NECESSARY TO PREVENT OR REMEDY SERIOUS INJURY OR THREAT THEREOF AND THAT THE INDUSTRY CONCERNED IS ADJUSTING

In order to determine serious injury to the domestic industry as a result of increased imports into Ukraine, an assessment of all relevant factors of objective and quantifiable nature affecting the situation in this industry was undertaken.

To determine the serious damage to the domestic industry as a result of increased imports to Ukraine, an assessment of all relevant factors of objective and quantifiable nature that affect the situation in this industry was carried out

The period considered covers 2018 -- 1st half of 2021. This period consists of four comparable periods: 2018 (1st period), 2019 (2nd period), 2020 (3rd period), 2nd half of 2020 – 1st half of 2021 (4th period).

Table 1

Item	1 st period	2 nd period	3 rd period	4 th period
Volume of production				
<i>Dynamics compared to base period, %</i>	-	-11,6	-15,3	10,3
<i>Dynamics compared to previous period, %</i>	-	-11,6	-4,2	30,2
Capacity utilization				
<i>Dynamics compared to base period, %</i>	-	2,7	3,7	14,4
<i>Dynamics compared to previous period, %</i>	-	2,7	1,0	10,3
Total amount of stock of goods at the end of period				
<i>Dynamics compared to base period, %</i>	-	556,9	195,1	-82,2
<i>Dynamics compared to previous period, %</i>	-	556,9	-55,1	-94,0
Sales volume on the domestic market of Ukraine				
<i>Dynamics compared to base period, %</i>	-	-9,1	-15,4	11,7
<i>Dynamics compared to previous period, %</i>	-	-9,1	-7,0	32,1
Price on the domestic market of Ukraine				
<i>Dynamics compared to base period, %</i>	-	35,5	59,6	53,7
<i>Dynamics compared to previous period, %</i>	-	35,5	17,9	-3,7
Investments				
<i>Dynamics compared to base period, %</i>	-	-33,3	-15,9	1,7
<i>Dynamics compared to previous period, %</i>	-	-33,3	26,1	20,8
Employment				
<i>Dynamics compared to base period, %</i>	-	-2,8	-11,0	-12,8
<i>Dynamics compared to previous period, %</i>	-	-2,8	-8,5	-2,0
Labor productivity				
<i>Dynamics compared to base period, %</i>	-	5,7	16,6	31,3
<i>Dynamics compared to previous period, %</i>	-	5,7	10,3	12,6
Profit/loss				
Profit/loss	loss	profit	profit	profit
<i>Dynamics compared to base period, %</i>	-	-168,0	-870,3	-1155,5
<i>Dynamics compared to previous period, %</i>	-	-168,0	1033,1	37,0
Consumption				
<i>Dynamics compared to base period, %</i>	-	-12,5	-16,9	-1,3
<i>Dynamics compared to previous period, %</i>	-	-12,5	-5,1	18,8
Share in consumption				
<i>Dynamics compared to base period, %</i>	-	3,9	1,8	13,2
<i>Dynamics compared to previous period, %</i>	-	3,9	-2,0	11,3

Table 1 shows that the main indicators of the domestic industry's performance have improved during the period of the application of safeguard measures. In the 4th period compared to the base period:

- Applicant's production increased with trend 10.3 %;
- Applicant's sales of goods on the domestic market increased by 11.7 %;
- Applicant's activity became profitable;
- Total amount of stock of goods decreased by 82.2 %;
- Applicant's capital investments increased by 1.7 %;
- Applicant's labor productivity increased by 31.3 %;
- Applicant's share in consumption increased by 13.2 %.

This trend indicates the positive effect of the measures on the domestic industry. At the same time, it should be noted that the main indicators started to grow only in the 4th period.

The reorientation of Belarusian and Russian producers to export to Ukraine due to reduced exports to third countries and significant unused production capacity of foreign producers threatens a sharp increase in imports, which requires the continued application of special measures on imports sulfuric acid and oleum to Ukraine.

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

Table 2

Indicators	1 st period	2 nd period	3 rd period	4 th period
Volume of imports, ton	50 754,3	38 709,60	39 696,40	28 107,20
<i>Dynamics compared to base period, %</i>	-	-23,7	-21,8	-44,6
<i>Dynamics compared to previous period, %</i>	-	-23,7	2,5	-29,2
Import price, US dollars/ton	51,4	65,2	64,3	60,4
<i>Dynamics compared to base period, %</i>	-	26,9	25,1	17,6
<i>Dynamics compared to previous period, %</i>	-	26,9	-1,4	-6,0
Like products price on the domestic market of Ukraine, US dollars/tons				
<i>Dynamics compared to base period, %</i>	-	35,5	59,6	53,7
<i>Dynamics compared to previous period, %</i>	-	35,5	17,9	-3,7
Like product production cost				
<i>Dynamics compared to base period, %</i>	-	31,1	38,3	30,6
<i>Dynamics compared to previous period, %</i>	-	31,1	4,8	-4,9
Imports relative to production of domestic industry				
<i>Dynamics compared to base period, %</i>	-	-13,7	-7,7	-49,8
<i>Dynamics compared to previous period, %</i>	-	-13,7	7,0	-45,6

According to the findings investigation authority, during the 1st period of the application of safeguard measures imports of product under review decreased in absolute terms and relative to domestic production.

The price level of imports to Ukraine was lower than the price level of like product and even lower than the cost of production of like products of domestic producers.

3 PRECISE DESCRIPTION OF THE PRODUCT INVOLVED

Sulfuric acid and oleum classified under UKT ZED code 2807 00 00 00.

4 DESCRIPTION OF ANY PART OF THE IMPORTED GOODS THAT WILL NO LONGER BE SUBJECT TO THE MEASURE

Not applicable.

5 PRECISE DESCRIPTION OF THE PROPOSED MEASURE

The level of the quota should be increased by 5 % annually during measures validity.

Table 3

Quota for the 1 st year period	Quota for the 2 nd year period	Quota for the 3 rd year period
50 607 ton	53 137 ton	55 974 ton

6 PROPOSED DATE OF INTRODUCTION OF THE MEASURE

1 September 2021.

7 EXPECTED DURATION OF THE MEASURE

The safeguard measures are planned to be extended for the period of 3 years:

1st year period – 1 September 2021 – 31 August 2022;
2nd year period – 1 September 2022 – 31 August 2023;
3rd year period – 1 September 2023 – 31 August 2024.

8 PROPOSED DATE FOR THE REVIEW OF A MEASURES WITH A DURATION OF MORE THAN THREE YEARS

Not applicable.

9 PROVIDE EXPECTED TIMETABLE FOR PROGRESSIVE LIBERALIZATION OF THE MEASURE

According to Article 18 of the Law of Ukraine "On Application of Safeguard Measures against Imports to Ukraine" and Article 7.4 of the Agreement on Safeguards, the measure will be liberalized as stated in the Section 5. The level of the quota should be increased by 5 % annually during measures validity.

10 INVITATION FOR CONSULTATIONS

In accordance with Article 12.3 of the Safeguards Agreement, Ukraine is ready to consult with those Members that have a substantial interest as exporters of the product concerned to exchange views on the measure proposed.

The consultations will be held virtually before 27 August 2021. Members wishing to attend the consultation should contact directly at:

postolnikova@me.gov.ua, tradedefence@me.gov.ua, meconomy@me.gov.ua.

11 INFORMATION PROVIDED IN CASE OF PROLONGATION OF THE MEASURES

- i. Evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury

Analysis of data of the domestic industry shows that the application of safeguard measures positively influence the adjusting process to the competition conditions. In 2018- 1st half of 2021, the domestic industry partially modernized production equipment, introduced new technologies to improve competitiveness. Continue of special measures is necessary for the reconstruction of the exhaust gas cleaning system from environmentally harmful substances, the construction of a new gas treatment plant; implementation of an investment projects for the construction of a new shops for the production of sulfuric acid with a capacity of 750 thousand tons per year and 40 thousand tons per year.

However, the established period of the application of the mentioned measures has found to be insufficient for the adjusting process.

- ii. Reference to the WTO document that notified the initial application of the measure G/SG/N/8/UKR/6 - G/SG/N/10/UKR/6 - G/SG/N/11/UKR/4 of 13 July 2018.

- iii. Duration of the measure from initial application till the date at which it will be extended

Three years.

iv. Precise description of the measure in place prior to the date of extension:

The safeguard measures in respect of import to Ukraine of sulfuric acid and oleum regardless the country of origin and export was applied due to the decision of the Interdepartmental Commission for International Trade No. SP-391/2018/4411-05 of 2 July 2018.

The notice on the mentioned decision was published in the official newspaper "Uryadoviy Courier" No. 122 of 4 July 2018 (<https://goo.gl/enM6tG>).

On 2 September 2020 Ukraine made the decision No SP-459/2020/4411-03 to review and liberalize the safeguard measures applied by the Decision No SP - 391/2018/4411-05 of 2 July 2018, by establishing total import volume at 48,197 tons for all countries for a 3rd year period, that starts from 1 September 2020 and ends on 31 August 2021 (official newspaper "Uryadoviy Courier" <https://tinyurl.com/yxvdwh38>).

12 INFORMATION ON MAJOR EXPORTING COUNTRIES AND EXCLUSIONS FOR REASONS OTHER THAN THOSE MENTIONED IN ARTICLE 9.1 OF THE SAFEGUARDS AGREEMENT

i. Major exporting countries

The share of the total imports into Ukraine of products subject under review indicated in Table 4.

Table 4

Country of origin	4 th period
Republic of Belarus	50,8 %
Russian Federation	49,1 %
Other countries	0,1 %

13 PUBLICLY AVAILABLE DOCUMENT CONTAINING THE RELEVANT DECISION MADE BY THE COMPETENT AUTHORITY IS ATTACHED, IN AN ELECTRONIC FORM, AND CAN BE FOUND BY THE FOLLOWING LINK

Not applicable.