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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**

SOUTH AFRICA

The following communication, dated 6 November 2020, is being circulated at the request of the delegation of South Africa.

Pursuant to Article 12.1(b) of the Agreement on Safeguards, the Government of South Africa hereby gives notification upon making a finding of serious injury.

1 THE PRODUCT SUBJECT TO THE INVESTIGATION

The subject product is described as U, I, H, L and T sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more and other angles, shapes and sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded steel products (structural steel), imported under tariff subheadings 7216.31, 7216.32, 7216.33, 7216.40, 7216.50 and 7228.70.

2 PROVIDE THE BASIS FOR:

- (i) Making a preliminary determination, as provided for in Article 6, that increased imports have caused serious injury.

The International Trade Administration Commission of South Africa (the Commission) initiated an investigation pursuant to an application by Highveld Structural Mill (Pty) Ltd (Highveld Structural Mill) and ArcelorMittal South Africa Limited (AMSA) (Applicant) in order to determine whether increased imports have caused serious injury to the SACU industry, within the meaning of the Agreement on Safeguards, in connection with U, I, H, L and T sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more and other angles, shapes and sections of iron or non-alloy steel, not further worked than hot-rolled, hot-drawn or extruded steel products (structural steel).

The Commission made a preliminary determination on the following:

(a) Unforeseen Developments

The Commission made a preliminary determination on the following unforeseen developments:

- The unprecedented steep rate of increase in steel production capacity;
- The significant market downturns in emerging (and other) economies resulting in contraction of demand for steel;
- Record export volumes by countries with excess capacity, fuelled by excess steel supply;

- Recent trade measures by other countries worsen the situation of increased imports into the SACU where there are no trade measures in place;
- The oversupply of steel (including the subject products) has led to a deterioration in the financial situation of steelmakers globally and also the SACU; and
- Despite slowing demand growth and the existing excess capacity, there are several new investment projects underway and planned (especially in current net-importing countries) in the steel industry that will result in global steelmaking capacity to continue to expand and causing the SACU to expect further increases of imports of the subject products.

The Commission made a preliminary determination that there are unforeseen developments and that these unforeseen developments and the effect of the obligations incurred under the GATT 1994 led to the surge of imports of the subject product.

(b) Increased Imports

The data evaluation for the purposes of determining increased imports covered the period 01 January 2014 to 31 December 2019.

The Commission made a preliminary determination that a reversal in the trend of import volumes has taken place, with the volume of imports decreasing significantly in recent years. The requirements set out by the World Trade Organisation (WTO) and the Amended Safeguard Regulations (SGR) with regard to a surge in imports, are therefore not met.

(c) Serious Injury

The data evaluation for the purposes of determining serious injury covered the period 01 January 2014 to 31 December 2019.

The injury analysis relates to information submitted by Highveld for the period 01 January 2014 to 31 July 2015 and by AMSA for the period 01 March 2017 to 31 December 2019. AMSA represents 100 per cent of the SACU industry by production volume.

The SACU industry experienced serious injury in the form of decline in sales volume, decline in output, decline in productivity, decline in market share and a decline in capacity utilization when analyzing serious injury information for the period 01 January 2014 to 31 December 2019.

The Commission made a preliminary determination that the SACU industry experienced serious injury during the period of investigation.

(d) Causal Link between Increased Import and Serious Injury

The Commission made a preliminary determination that the serious injury experienced by the SACU industry can be attributable to factors *other* than the alleged surge in the volume of imports and that these factors sufficiently detract from the causal link between the increased imports and the injury experienced by the industry.

(e) Preliminary determination

The Commission made a preliminary determination that the events cited by the Applicant can be regarded as unforeseen developments. The Commission made a preliminary determination that a reversal in the trend of import volumes has taken place, with the volume of imports decreasing significantly in recent years. The requirements set out by the WTO and the SGR with regard to a surge in imports, are therefore not met.

The Commission further made a preliminary determination that although the SACU industry experienced serious injury during the period of investigation, the injury experienced by the Applicant can be attributed to factors *other* than the increase in imports and these factors sufficiently detract from the causal link between the imports and the injury experienced by the industry.

The Commission therefore made a preliminary determination to recommend to the Minister of Trade, Industry and Competition that the investigation be terminated.
