



1 March 2024

(24-1957)

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Committee on Safeguards

Original: English

**NOTIFICATION UNDER ARTICLE 12.1(A) OF THE AGREEMENT
ON SAFEGUARDS ON INITIATION OF AN INVESTIGATION
AND THE REASONS FOR IT**

SOUTH AFRICA

*Certain flat-rolled products of iron, non-alloy steel, or other alloy steel
(not including stainless steel)*

The following communication, dated and received on 29 February 2024, is being circulated at the request of the delegation of South Africa.

Pursuant to Article 12.1(a) of the Agreement on Safeguards, South Africa hereby gives notification of the initiation of a safeguard investigation on the imports of certain flat-rolled products of iron, non-alloy steel, or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel.

1. The date when the investigation was initiated

The investigation was initiated on 23 February 2024. The notice of initiation by the investigating authority was published through Notice No 2333 of 2024 in *Government Gazette* No 50164 on 23 February 2024.¹

2. The product subject to the investigation

The subject product is described as certain flat-rolled products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel imported under the following tariff headings: 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.40, 7208.51, 7208.52, 7208.53, 7208.54, 7208.90, 7211.14, 7225.30, 7225.40, 7225.99, 7226.99.

The Applicant stated that an analysis of the import statistics and the tariff subheadings used to import the subject product indicates that importers are also using the tariff subheadings 7211.13, 7211.19, and 7226.91 as loopholes to import hot-rolled products into the SACU. The Applicant therefore requested the Commission to include these tariff subheadings when imposing the safeguard measures.

The Commission decided that should the safeguard measures be imposed on hot-rolled steel products classifiable under tariff headings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.40, 7208.51, 7208.52, 7208.53, 7208.54, 7208.90, 7211.14, 7225.30,

¹ This Notice has been submitted electronically. To consult it, please contact Ms Anne Richards of the Rules Division (anne.richards@wto.org).

7225.40, 7225.99, 7226.99, they will also be imposed on hot-rolled steel products classifiable under tariff subheadings 7211.13, 7211.19, and 7226.91, to prevent any potential loopholes.

3. The reasons for the initiation of investigation

- (i) The application was lodged by South African Iron & Steel Institute ("SAISI") an industry body, on behalf of ArcelorMittal South Africa ("AMSA"), the major producer of the subject products.

The claim is that the subject product is being imported into the Southern African Customs Union("SACU") market in such increasing quantities in absolute terms and relative to SACU production and under such conditions, to be causing serious injury to the SACU industry.

- (ii) *Prima facie* information on which the investigation was initiated:

The Commission found that the applicant submitted *prima facie* information to indicate a sharp, sudden, recent and significant increase in imports of certain flat-rolled products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including products cut-to-length and 'narrow strip'), not further worked than hot-rolled (hot-rolled flat), not clad, plated or coated, excluding grain-oriented silicon electrical steel imports in July 2021 to June 2023 period.

Serious injury and causal link

The period of investigation for data evaluation for the purposes of determining the allegation of serious injury is from 1 July 2020 to 30 June 2023. Furthermore, this application contains information with regard to increased quantities of imports for the period 1 July 2020 to 30 June 2023.

The injury analysis relates to information submitted by AMSA being the major producer of the subject product in the SACU.

The Applicant alleged and submitted *prima facie* evidence indicating that it is experiencing a serious injury in the form of a decline in output, net profit, market share, capacity utilisation, and employment, during the period of surge from 01 July 2021 to 30 June 2023.

Furthermore, an analysis for the period of investigation from 2020 July to June 2023, indicates that the Applicant has experienced a serious injury in the form of a decline in sales, output, net profit, market share, capacity utilisation, and employment.

On this basis, the Commission found that *prima facie* evidence was submitted to indicate that the SACU industry was experiencing serious injury which could be causally linked to the recent, sudden, serious, and significant surge in imports of the subject products.

Unforeseen developments and the effect of obligations incurred under the GATT 1994

The Applicant submitted that a confluence of events forms the basis of the unforeseen development that supports this application. That is, ultimately the considerable oversupply of steel, and specifically the subject products, in the world today causing a surge in the volumes of imports into the SACU.

The Applicant stated that during the Uruguay Round of negotiations, South Africa did not foresee the following events:

- Studies show that China did not become a fully-fledged market economy as it assured World Trade Organisation Members it would during negotiations;
- The unprecedented steep rate of increase in crude steel and hot rolled steel production capacity after the Uruguay Round of negotiations. This mainly took place to support growing construction, automotive, and manufacturing activity, as well as to help build infrastructure, particularly in emerging economies. This growth in global capacity was mainly fueled by the growth of the Chinese and Asian steel markets;

- Chinese economic activity has consistently declined since 1994 and large steel producers follow aggressive export strategies, fuelled by an oversupply of steel products; China's extraordinary economic growth is slowing down dramatically, and the Chinese domestic market for steel is retracting;
- The significant downturn of the steel market as a result of the slowdown of economic growth in China contributed to the imbalance between capacity and demand, that is the global oversupply of steel. This led to a significant increase in export volumes by countries with excess capacity;
- As a result of all of these factors, Chinese producers have to increase their exports further, at reduced prices, to rid themselves of excess stocks;
- Worldwide, countries are taking urgent action to raise tariffs and impose trade remedies to protect their domestic steel industries; and it is expected that the surge in imports that the SACU has been experiencing will be augmented by the recent economic slowdown in China and by the fact that China's export markets are contracting rapidly; and
- An increase in trade remedy actions is being taken on steel products, including hot rolled steel, by several countries, notably the European Union, the United Kingdom, the United States of America, and Viet Nam, which are significant export markets for these products. Given the fact that hot-rolled steel is a commodity product, excess capacity in one region can, with relative ease, displace production in other regions, thus harming producers in those regions.

The Commission decided that the Applicant submitted *prima facie* information to indicate that there were unforeseen developments and that these unforeseen developments and the effect of the obligations incurred under the GATT 1994, led to the increased volume of imports.

4. Further information

Interested parties must make themselves known within a period of 20 days after the initiation of the investigation.

Any information that the interested parties may wish to submit in writing and any request for a hearing before the Commission that they may wish to put forward should be submitted within 20 days following the initiation of this investigation to the Directorate: Trade Remedies II at the following address: The DTI Campus, 77 Meintjies Street, Sunnyside Pretoria, Block Uuzaji, Ground Floor, tel: +27 12 394 3600, fax +27 12 394 0518.

If part of the information provided is of a confidential nature, the party concerned should give the grounds justifying confidentiality and furnish public summaries of such information, which should be as detailed as possible. In instances that a public summary cannot be provided a sworn statement must be provided stating the reasons why the information cannot be summarized. This requirement is designed to secure transparency and due access by all parties to the information relating to this investigation. If the summaries are not duly provided and in the absence of just cause, ITAC may disregard the information deemed to be confidential.
