

DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION

NOTICE 2333 OF 2024

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

NOTICE OF AN INITIATION OF THE INVESTIGATION FOR REMEDIAL ACTION IN THE FORM OF SAFEGUARD MEASURE AGAINST THE INCREASED 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.

The International Trade Administration Commission of South Africa ("the Commission") decided to proceed with an investigation for remedial action in the form of a safeguard measure against the increased 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, hereinafter referred to as ("hot-rolled steel products").

Based on the information submitted, the Commission decided that the applicant submitted *prima facie* evidence to indicate:

- The events cited can be regarded as unforeseen developments and these unforeseen developments and the effect of the obligations incurred under the GATT 1994 led to the increased volume of imports in absolute and relative terms;
- The surge in the volume of imports is recent, sharp, significant, and sudden enough;
- The SACU industry is experiencing serious injury; and

- This is causally linked to the surge in imports.

THE APPLICANT

The South African Iron & Steel Institute ("SAISI" or the "Applicant") an industry association, applied on behalf of ArcelorMittal South Africa Limited ("AMSA"), being the major producer of the subject product in the Southern African Customs Union ("SACU").

A non-confidential version of the application is available for inspection at the Commission's offices.

DESCRIPTION OF THE SUBJECT PRODUCT UNDER 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. The subject product is 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 requests 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, 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.

DESCRIPTION OF THE LIKE OR DIRECTLY COMPETITIVE SACU PRODUCT

The SACU 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.

ALLEGATION OF SERIOUS INJURY AND CAUSAL LINK

The period of investigation for data evaluation for the purposes of determining the allegation of serious injury is from 01 July 2020 to 30 June 2023. Furthermore, this application contains information with regard to increased quantities of imports and serious injury for the period 01 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

The Applicant stated that a confluence of events forms the basis of the unforeseen development that supports this application, which is, ultimately the considerable oversupply of steel, and specifically the hot-rolled steel products, in the world today causing a surge in the volume of imports into the SACU.

The Applicant stated that during the Uruguay Round negotiations in 1986-1994, 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 Vietnam, 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 indicating that events cited by the Applicant are regarded as unforeseen developments which, with the effects of the obligations incurred under GATT 1994, led to the alleged surge of imports of the subject product, as per the provisions of Article XIX of GATT 1994.

LEGAL FRAMEWORK

This investigation will be conducted in accordance with the International Trade Administration Act, 2002 ("ITA Act") and the International Trade Administration Commission Safeguard Regulations ("SGR") read with the World Trade Organization

Agreement on Safeguards (“the Safeguard Agreement”).

Please note that if any information is considered to be confidential, a non-confidential version of the information must be submitted for the public file, simultaneously with the confidential version. In submitting a non-confidential version, the following rules are strictly applicable and parties must indicate:

- where confidential information has been omitted and the nature of such information;
- reasons for such confidentiality;
- a summary of the confidential information which permits a reasonable understanding of the substance of the confidential information; and
- in exceptional cases, where information is not susceptible to summary, reasons must be submitted to this effect.

This rule applies to all parties and to all correspondence with and submissions to the Commission, which unless indicated to be confidential and filed together with a non-confidential version, will be placed on the public file and be made available to other interested parties.

If a party considers that any document of another party, on which that party is submitting representations, does not comply with the above rules and that such deficiency affects that party's ability to make meaningful representations, the details of the deficiency and the reasons why that party's rights are so affected must be submitted to the Commission in writing forthwith (and at the latest 14 days prior to the date on which that party's submission is due). Failure to do so timeously will seriously hamper the proper administration of the investigation, and such party will not be able to subsequently claim an inability to make meaningful representations on the basis of the failure of such other party to meet the requirements.

Subsection 33(1) of the ITA Act provides that any person claiming confidentiality of information should identify whether such information is *confidential by nature* or is *otherwise confidential* and any such claims must be supported by a written statement, in each case, setting out how the information satisfies the requirements of the claim to confidentiality. In the alternative, a sworn statement should be made, setting out reasons why it is impossible to comply with these requirements.

PROCEDURES AND TIME LIMITS

All information submitted, including non-confidential copies thereof, should be received by the Senior Manager: Trade Remedies I by no later than 20 days from the date hereof. Late submissions will not be accepted.

Interested parties are invited to submit comments on the initiation of the investigation or any information regarding this matter to the following address:

Physical address

Senior Manager: Trade Remedies I
International Trade Administration Commission
Block E – The DTI Campus
77 Meintjies Street
SUNNYSIDE
PRETORIA
SOUTH AFRICA

Postal address

Senior Manager: Trade Remedies I
Private Bag X753
PRETORIA
0001
SOUTH AFRICA

Any interested party may request an oral hearing provided that reasons are given for not relying on written submissions only. No request for an oral hearing will be considered more than 60 days from the date of this publication. The Commission may refuse an oral hearing if granting such a hearing will unduly delay the finalisation of the investigation.

Parties requesting an oral hearing shall provide the Commission with a detailed agenda

for, and a detailed version, including a non-confidential version, of the information to be discussed at the oral hearing at the time of the request.

Should you have any queries, please do not hesitate to contact Mr. Zuko Ntsangani at email address zntsangani@itac.org.za, Ms. Charity Mudzwiri at email address cramaposa@itac.org.za and Mr. Brian Same at email address bsame@itac.org.za.