

Mr Marius Crocamp  
Solidarity  
C.O.DF Malan & Eendracht Street  
KLOOFSIG

Dear Mr Crocamp

**SAFEGUARD INVESTIGATION AGAINST 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: ESSENTIAL FACTS LETTER – SOLIDARITY**

As you are aware, the International Trade Administration Commission of South Africa (the Commission) published its preliminary determination in this matter in Notice No. 440 of *Government Gazette* No. 40153 dated 22 July 2016. Subsequently the Commission issued report No. 533 (Preliminary Report) explaining in detail the basis in fact and in law of its finding.

The Commission further invited interested parties that wish to make submissions on public interest matters related to the investigation. Interested parties made written submissions and those that wished to participate during the public hearings held on 30 August 2016 indicated such, thereafter made presentations during the hearings. The public interest submissions are available in the public interest file.

The Commission considered all information submitted by all the interested parties in making its final before essential facts determination. Non-confidential versions of all information submitted are available on the public file and are available for perusal. Where an issue is not specifically addressed, the Commission is considering confirming its preliminary determination as set out in its preliminary report. The final determination will be based on all the information submitted during the course of the investigation, together with comments received from interested parties.

This letter therefore serves to inform you that the following “essential facts” as set out below, are being considered by the Commission for purposes of its final determination:

**1. Unforeseen Developments**

The Commission is considering making a final determination that the events cited by the applicant can be regarded as unforeseen developments which led to the surge in imports of the subject product, as per the provisions of Article XIX of GATT 1994.

**2. Surge in volume of imports**

For purposes of the final determination, the Commission is considering the following information on imports for determining a surge in import volumes.

**Table 2.1: Import volumes (Full year period)**

	2012	2013	2014
<b>Country</b>	<b>Volumes (kg)</b>	<b>Volumes (kg)</b>	<b>Volumes (kg)</b>
Total imports	253 115 270	575 340 163	438 705 024

**Table 2.2: Import volumes (Jan -July year period)**

	2012 (Jan-July)	2013 (Jan-July)	2014 (Jan-July)	2015 (Jan-July)
Country	Volumes (kg)	Volumes (kg)	Volumes (kg)	Volumes (kg)
Total imports	159 576 195	360 469 813	240 532 714	425 115 657

The Commission noted that the surge in imports took place in 2013, in both the full year and 7 months period with imports surging from 2012 to 2013 by 127% and 126% respectively. The 2014 period saw a slight decline for both full year and half year periods, however, this decline still surpassed the period prior to the surge. The 7 month period 2015 saw a steep rise, which was higher than all the other 7 months in the POI.

The Commission is considering making a final determination that there is a surge in the volume of imports of the subject product.

### **3. Serious injury**

The injury information indicates that the SACU industry is suffering serious injury as shown by following indicators:

- Increase in imports (In relative and absolute terms);
- Sales volumes;
- Net profits;
- Output;
- Market share;
- Capacity utilisation;
- Productivity (7 months period); and
- Employment

The Commission is considering making a final determination that the information provided indicates that the SACU industry is suffering serious injury.

#### **4. Causal link**

The Commission found that there are no other factors that sufficiently detract from the causal link.

The Commission is considering making final determination that the information provided indicates that there is a causal link between the alleged recent, sudden, sharp and significant enough surge in imports of the subject product and the alleged serious injury suffered by the SACU industry.

#### **5. Public interest**

The commission invited interested parties to make submissions on public interest issues. Following the invite, various interested parties made submissions on public interest issues that need to be considered prior to the Commission making its final determination. The submissions on public interest issues are all contained in the public file.

The Commission in its evaluation of the current global and domestic market developments as well as the price impact downstream is considering making a final determination that it will not be in the public interest to impose safeguard duties on flat hot-rolled steel products for reasons that include the following:

- The initiation and later imposition of the 10% general rate of customs duty on the subject product has contributed to a decline in imports in the first half of 2016 with a positive impact in restoring effective competition;
- Imports also declined in 2016 partly because China, the single largest producer of steel and biggest exporter to South Africa introduced policy changes aimed at cutting back production and exports;

- Prices of steel in 2016 have been trending upwards globally and so has been the case domestically with AMSA announcing further increases in the prices of hot-rolled steel of 10% by the end of 2016;
- AMSA is the only domestic supplier of the subject product which accounts for the major part of the input costs of the re-rollers that in turn compete with AMSA on the finished product. Additional safeguard duties to the existing 10% general rate of customs duty would have a negative impact for the re-rollers in particular and the downstream in general;
- The downstream steel industry is under serious pressure from competing imports, which has necessitated the Commission to initiate during July and September 2016 a review of import tariffs for the downstream; and
- The Commission has sought to take a balanced approach so that the entire value chain is economically viable and production, investment and jobs are sustained in the whole value chain.

## **6. Final determination**

The Commission is considering making a final determination that:

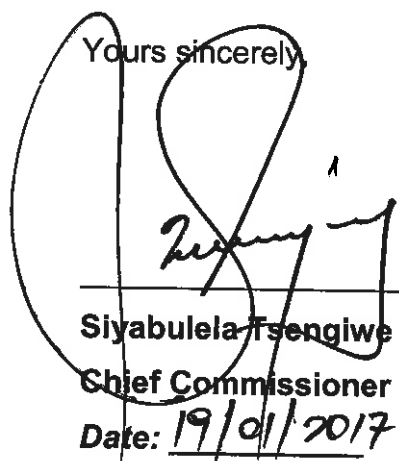
- Events cited can be regarded as unforeseen developments that led to the increased volume of imports;
- Surge in volume of imports is recent, sudden, sharp and significant enough; and
- SACU industry is suffering serious injury;
- There is a causal link between the serious injury suffered by the applicant and the surge in volumes of imports resulting from the unforeseen development; and
- Notwithstanding the above, it is not in the public interest to impose safeguard measures.

It should be emphasized that the Commission has not yet made its final determination and nothing in this letter should be construed as such. The final determination will only be made once the Commission has considered all the parties' comments on this essential facts letter.

Any comments on the above "essential facts" should be submitted within 14 days from the date of this letter to the Senior Manager: Trade Remedies II, in order for the Commission to be in a position to take such comments into consideration before making its final determination and recommendation to the Minister of Trade and Industry.

Should you have any queries, please do not hesitate to contact the investigating officers, Mr Siphumelele Edwin Mkwana at +27 12 394 3742 or Ms Mercy Mutheiwana at 012 394 3907, or at fax number 012 394 0518.

Yours sincerely,



**Siyabulela Tsengiwe**  
Chief Commissioner  
Date: 19/01/2017