

**DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION
NOTICE 335 OF 2020**

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

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

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 against the increased imports of 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.

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 that 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 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 application was lodged by Evraz Highveld Steel and Vanadium Corporation Limited (Highveld), Highveld structural Mill (Pty) Ltd (Highveld Structural Mill) and ArcelorMittal South Africa Limited (AMSA), being the only producer of the subject product in the 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 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 (structural steel). The subject product is imported under the following tariff headings: 7216.31, 7216.32, 7216.33, 7216.40, 7216.50 and 7228.70.

DESCRIPTION OF THE LIKE OR DIRECTLY COMPETITIVE SACU PRODUCT

The SACU 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; and angles, shapes and sections, of other alloy 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 01 January 2014 to 31 December 2019. Furthermore, this application contains information with regard to increased quantities of imports and serious injury for the period 1 January 2014 to 31 December 2019.

The injury analysis relates to information submitted by Evraz Highveld Steel and Vanadium Corporation Limited (Highveld) for the period 01 January 2014 to July 2015 and information submitted by ArcelorMittal South Africa Limited (AMSA's) for the period 01 March 2017 to 31 December 2019. Highveld was the only manufacturer of the subject product until July 2015 when it closed shop. AMSA started manufacturing the subject product from 01 March 2017 to date. Currently AMSA is the only producer of the subject product.

The Applicant alleged and submitted *prima facie* evidence indicating that it is experiencing serious injury in the form of a decline in sales volumes, output, market share, utilisation of capacity and employment for the period 1 January 2014 to 31 December 2019. AMSA also experienced net losses during the period of investigation.

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 subject product, in the world today causing a surge in the volume of imports into the SACU. These events are listed below:

The Applicant stated that during the Uruguay Round negotiations in 1986-1994, South Africa did not foresee the following events:

- The unprecedented steep rate of increase in steel production capacity (including the subject product) over the ensuing two decades (more than doubled since 1994) to support growing construction and manufacturing activity, as well as to help build infrastructure, particularly in emerging economies;
- The significant market downturns in emerging (and other) economies and the resultant contraction of demand for steel that contribute to the imbalance between capacity and demand, that is, the global oversupply of steel (including the subject product);
- Record export volumes by countries with excess capacity, fuelled by excess steel supply;
- Given the global nature of the steel industry, excess capacity in one region can potentially displace production in other regions, thus harming producers in those markets. This has already led to several trade actions by major steel markets. Recent trade measures by those countries are a result of all the above named over capacity and a flood in the market of low priced products, and the fact that their markets are now protected contracts the global demand for steel even further, exasperating the problem of increased imports into the SACU;
- The oversupply of steel (including the subject product) has led to deterioration in the financial situation of steelmakers globally and also the SACU. The excess capacity is considered as one of the main challenges facing the global steel sector today; 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 product.

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 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. Busman Makakola at telephone number +27 12 394 3380 or Ms. Charity Mudzwiri at telephone number + 27 394 1817 or at fax +27 12 394 0518.