

**REPORT NO. 576**

**CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY  
CUSTOMS AND SAFEGUARD DUTIES APPLICABLE TO CERTAIN  
HOT-ROLLED STEEL CLASSIFIABLE UNDER TARIFF HEADINGS  
72.08 AND 72.25**

The International Trade Administration Commission herewith presents its Report No. 576: **CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY CUSTOMS AND SAFEGUARD DUTIES APPLICABLE TO CERTAIN HOT-ROLLED STEEL CLASSIFIABLE UNDER TARIFF HEADINGS 72.08 AND 72.25**, with recommendations.

  
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**MELULEKI NZIMANDE**  
**CHIEF COMMISSIONER**

**PRETORIA**

**19/04/2018**

**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**REPORT NO. 576**

**CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY CUSTOMS  
AND SAFEGUARD DUTIES APPLICABLE TO CERTAIN HOT-ROLLED STEEL  
CLASSIFIABLE UNDER TARIFF HEADINGS 72.08 AND 72.25**

**Synopsis**

SSAB South Africa (Pty) Ltd applied for the creation of a temporary rebate provision of safeguard duties applicable to certain hot-rolled steel, classifiable under tariff headings 72.08 and 72.25. The subject products are generally referred to as, wear resistant, armored steel and weather resistant steel.

The subject products do not attract ordinary customs duties when imported from the European Union (EU). However; it was noted that the products are not only imported from EU. Accordingly, the scope of the investigation was expanded to include the applicable ordinary customs duties.

The Commission considered all the relevant information at its disposal. The Commission found that the subject products are not manufactured domestically. As such, the applicable safeguard duty and ordinary customs duty have an unnecessary cost-raising effect.

The duty relief, through the creation of a rebate provision, will contribute to a reduction in production cost and improvement in the competitive position of the domestic industry manufacturing various downstream products which are manufactured using the subject product as an input material.

The rebate provision will be made subject to an ITAC permit issued in terms of guidelines, rules and conditions.

In light of the foregoing, the Commission recommended the creation of a temporary rebate provision of the ordinary customs and safeguard duties applicable to certain hot-rolled steel classifiable under tariff headings 72.08 and 72.25, as outlined in paragraph 22.

## **THE APPLICATION AND TARIFF POSITION**

1. SSAB South Africa (Pty) Ltd (“SSAB SA”) applied for the creation of a temporary rebate provision of safeguard duties applicable to certain hot-rolled steel, classifiable under tariff headings 72.08 and 72.25. The subject products are generally referred to as wear resistant, armored steel and weather resistant steel.
2. The subject products do not attract ordinary customs duties when imported from the European Union (EU). However it was noted that the products are not only imported from EU. Accordingly, the scope of the investigation was expanded to include the applicable ordinary customs duties.
3. The applicant is a subsidiary of a Swedish Company SSAB AB. The applicant’s storage and handling facilities are located in Germiston, Gauteng.
4. The subject hot-rolled steel has technical specifications required in the manufacture of various downstream steel products such as: mobile crane booms and support legs, loader cranes, aerial work platforms, dumpers and tipper bodies, mining equipment, chassis for trailers and trucks, axels, buckets and wear parts for machinery.
5. As motivation of the application, the applicant, among others, stated that the subject products are currently not manufactured in the SACU region.

6. The existing tariff structure for the subject product is as follows:

**Table 1: Ordinary customs duty for the subject products**

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
72.08		<b>Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated:</b>						
	7208.10	In coils, not further worked than hot-rolled, with patterns in relief	kg	10%	Free	Free	Free	10%
7208.2		<b>Other, in coils, not further worked than hot-rolled, pickled:</b>						
	7208.25	Of a thickness of 4,75 mm or more	kg	10%	Free	Free	Free	10%
	7208.26	Of a thickness of 3 mm or more but less than 4,75 mm	kg	10%	Free	Free	Free	10%
	7208.27	Of a thickness of less than 3 mm	kg	10%	Free	Free	Free	10%
7208.3		<b>Other, in coils, not further worked than hot-rolled:</b>						
	7208.36	Of a thickness exceeding 10 mm	kg	10%	Free	Free	Free	10%
	7208.37	Of a thickness of 4,75 mm or more but not exceeding 10 mm	kg	10%	Free	Free	Free	10%
	7208.38	Of a thickness of 3 mm or more but less than 4,75 mm	kg	10%	Free	Free	Free	10%
	7208.39	Of a thickness of less than 3 mm	kg	10%	Free	Free	Free	10%
	7208.40	Not in coils, not further worked than hot-rolled, with patterns in relief	kg	10%	Free	Free	Free	10%
7208.5		<b>Other, not in coils, not further worked than hot-rolled:</b>						
	7208.51	Of a thickness exceeding 10 mm	kg	10%	Free	Free	Free	10%
	7208.52	Of a thickness of 4,75 mm or more but not exceeding 10 mm	kg	10%	Free	Free	Free	10%
	7208.53	Of a thickness of 3 mm or more but less than 4,75 mm	kg	10%	Free	Free	Free	10%
	7208.54	Of a thickness of less than 3 mm	kg	10%	Free	Free	Free	10%
	7208.90	Other	kg	10%	Free	Free	Free	10%
72.25		<b>Flat-rolled products of other alloy steel, of a width of 600 mm or more:</b>						
	7225.40	Other, not further worked than hot-rolled, not in coils	kg	10%	Free	Free	Free	10%

Source: SARS, 2018

7. The general rate of ordinary customs duty applicable to the subject products is 10% *ad valorem*. The WTO bound rate is 10% *ad valorem*.

8. The existing safeguard duty structure for the subject products is as follows:

Table 2: Safeguard duty on the subject products

Item	Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating in	Rate of Safeguard
260.00	BASE METALS AND ARTICLES OF BASE METAL						
260.03	72.08	01.04	47	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00; 401.00-499.00 (excluding 460.15/7208.5/ 01.05; 460.15/7208.5/ 02.05; 460.15/7208.5/ 03.05)	All countries	12%
260.03	7225.40	01.06	67	Other, not further worked than hot-rolled, not in coils(excluding that imported from or originating in: Afghanistan, Albania, Algeria,	301.00-399.00; 401.00-499.00 ( excluding	All countries	12%

			<p>American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)</p>	<p>460.15/7225.40 /01.06; 460.15/7225.40 /02.06; 460.15/7225.40 /03.06)</p>	
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Source: SARS, 2018

9. The subject products attract 12% safeguard duty. The safeguard duty will be liberalised to 10%, 8% and free of duty on 11 August 2018; 11 August 2019 and 11 August 2020, respectively.
10. The application was published in the Government Gazette on 20 October 2017 as follows:

The creation of a temporary rebate provision of safeguard duty for the importation of certain hot-rolled steel classifiable under tariff headings 72.08 and 72.25, as follows:

**a) Structural Steel (STRENX)**

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a yield strength of 550 MPa or more but not exceeding 960 MPa and having an impact strength of 27 Joules or more but not exceeding 69 Joules at -20°C or less but not less than -60°C, classifiable in tariff subheading 7208.5, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a yield strength of 550 MPa or more but not exceeding 960 MPa and having an impact strength of 27 Joules or more but not exceeding 69 Joules at -20°C or less but not less than -60°C, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

**b) Wear Resistant (HARDOX)**

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a Brinell hardness of 400 HBW or more but not exceeding 700 HBW and having an impact strength of 15 Joules or more but not exceeding 95 Joules at -40°C, classifiable in tariff subheading 7208.5, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a Brinell hardness of 400 HBW or more but not exceeding 700 HBW and having an impact strength of 15 Joules or more but not exceeding 95 Joules at -40°C, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*



*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 40 mm or more but not exceeding 160 mm, with a Brinell hardness of 350 HBW and having an impact strength of 95 Joules at -40°C, classifiable in tariff subheading 7208.5, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 40 mm or more but not exceeding 160 mm, with a Brinell hardness of 350 HBW and having an impact strength of 95 Joules at -40°C, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 5 mm or more but not exceeding 50 mm, with a Brinell hardness of 350 HBW and having an impact strength of 60 Joules at -40°C, classifiable in tariff subheading 7208.5, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 5 mm or more but not exceeding 50 mm, with a Brinell hardness of 350 HBW and having an impact strength of 60 Joules at -40°C, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

**c) Armored Steel**

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not further worked than hot-rolled, not in coils, with a thickness of 2 mm or more but not exceeding 100 mm, with a nickel content of 1.8 per cent by mass or more but not exceeding 3 per cent, a molybdenum content of 0.7 per cent by mass or more but not exceeding 0.8 per cent and a chrome content of 1.0 per cent by mass or more but not exceeding 2.0 per cent, with a Brinell hardness of 260 HBW or more but not exceeding 640 HBW, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market; and*

**d) Weather Resistant Steel**

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not further worked than hot-rolled, not in coils, with a thickness of 2 mm or more but not exceeding 20 mm, with a copper content of 0.25 per cent by mass or more but not exceeding 0.40 per cent and a chromium content of 1.0 per cent by mass or more but not exceeding 2.0 per cent, with a yield strength of 550 MPa or more but not exceeding 960 MPa, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market.*

11. The subject products do not attract ordinary customs duties when imported from the European Union (EU). However, it was noted that the products are not only imported from EU. Accordingly, the scope of the investigation was expanded to include the applicable ordinary customs duties.

**INDUSTRY AND MARKET**

12. The subject products are certain hot-rolled steel products with distinct strength, bending, welding, cutting and machining properties required in the manufacture of various downstream steel products, such as mobile crane booms and support legs, loader cranes, aerial work platforms, dumpers and tipper bodies, mining equipment, chassis for trailers and trucks, axels, buckets and wear parts for machinery.
13. The subject products are used in various sectors such as automotive and logistics industries, construction machinery, industrial and military applications.
14. There are no known manufacturers of the subject hot-rolled steel in the SACU region.
15. The known importers of the subject products include: BSi Steel Ltd, Leong Jin Corporation, Macsteel Services Center SA (Pty) Ltd, Voestalpine Steel Service Center, and VR Steel Services (Pty) Ltd.

## **COMPETITIVE POSITION**

16. The rebate provision will contribute to a reduction in the cost of production and improvement in the competitive position of the domestic industry manufacturing various downstream products.

## **COMMENTS**

17. ArcelorMittal South Africa Limited (AMSA) submitted comments in support of the application citing that it currently does not manufacture the subject products. Furthermore, AMSA emphasized that a control mechanism will be required to minimize the risk of circumvention of the applicable duties. This will be a mechanism to ensure that the products applied for meet the description of the temporary rebate provision.

18. Comments in support of the application were also received from Macsteel Services Centre SA (Pty) Ltd on the grounds that the subject products are not manufactured by the domestic industry.

## **FINDINGS**

19. The Commission found that the subject products are not manufactured domestically. As such, the applicable ordinary customs duty and safeguard duty have an unnecessary cost-raising effect on the downstream industry.

20. The duty relief, through the creation of a rebate provision, will contribute to a reduction in production cost and improvement in the competitive position of the domestic industry manufacturing various downstream products.

21. The rebate provision will be made subject to an ITAC permit issued in terms of guidelines, rules and conditions.

## RECOMMENDATION

22. In light of the foregoing, the Commission recommended the creation of a temporary rebate provision of ordinary customs and safeguard duties applicable to certain hot-rolled steel, classifiable under tariff headings 72.08 and 72.25 as follows:

**a) Structural Steel (STRENX)**

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a yield strength of 550 MPa or more but not exceeding 960 MPa and having an impact strength of 27 Joules or more but not exceeding 69 Joules at -20°C or less but not less than -60°C, classifiable in tariff subheading 7208.5, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a yield strength of 550 MPa or more but not exceeding 960 MPa and having an impact strength of 27 Joules or more but not exceeding 69 Joules at -20°C or less but not less than -60°C, classifiable in tariff subheading 7225.40, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

**b) Wear Resistant (HARDOX)**

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a Brinell hardness of 400 HBW or more but not exceeding 700 HBW and having an impact strength of 15 Joules or more but not exceeding 95 Joules at -40°C, classifiable in tariff subheading 7208.5, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 2 mm or more but not exceeding 160 mm, with a Brinell hardness of 400 HBW or more but not exceeding 700 HBW and having an impact strength of 15 Joules or more but not exceeding 95 Joules at -40°C, classifiable in tariff subheading 7225.40 at such times, in such quantities, and subject to such conditions as the*

*International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 40 mm or more but not exceeding 160 mm, with a Brinell hardness of 350 HBW and having an impact strength of 95 Joules at -40°C, classifiable in tariff subheading 7208.5, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 40 mm or more but not exceeding 160 mm, with a Brinell hardness of 350 HBW and having an impact strength of 95 Joules at -40°C, classifiable in tariff subheading 7225.40, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 5 mm or more but not exceeding 50 mm, with a Brinell hardness of 350 HBW and having an impact strength of 60 Joules at -40°C, classifiable in tariff subheading 7208.5, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled and of a thickness of 5 mm or more but not exceeding 50 mm, with a Brinell hardness of 350 HBW and having an impact strength of 60 Joules at -40°C, classifiable in tariff subheading 7225.40, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

**c) Armored Steel**

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not further worked than hot-rolled, not in coils, with a thickness of 2 mm or more but not exceeding 100 mm, with a nickel content of 1.8 per cent by mass or more but not exceeding 3 per cent, a molybdenum content of 0.7 per cent by mass or more but not exceeding 0.8 per cent and a chrome content of 1.0 per cent by mass or more but not exceeding 2.0 per cent, with a Brinell hardness of 260 HBW or more but not exceeding 640 HBW, classifiable in tariff subheading 7225.40, at such times, in such quantities, and subject to such conditions as the International Trade*

*Administration Commission may allow by specific permit, provided the products are not available in the SACU market;*

**d) Weather Resistant Steel**

*Flat-rolled products of other alloy steel, of a width of 600 mm or more, not further worked than hot-rolled, not in coils, with a thickness of 2 mm or more but not exceeding 20 mm, with a copper content of 0.25 per cent by mass or more but not exceeding 0.40 per cent and a chromium content of 1.0 per cent by mass or more but not exceeding 2.0 per cent, with a yield strength of 550 MPa or more but not exceeding 960 MPa, classifiable in tariff subheading 7225.40, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market.*