



**NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON SAFEGUARDS
ON FINDING A SERIOUS INJURY OR THREAT THEREOF
CAUSED BY INCREASED IMPORTS**

NOTIFICATION OF A PROPOSAL TO IMPOSE A MEASURE

**NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2
OF THE AGREEMENT ON SAFEGUARDS**

BAHRAIN, KINGDOM OF; KUWAIT, THE STATE OF; OMAN, THE SULTANATE OF; QATAR,
THE STATE OF; SAUDI ARABIA, KINGDOM OF; AND UNITED ARAB EMIRATES
(COOPERATION COUNCIL FOR THE ARAB STATES OF THE GULF "GCC")

(Flat-rolled products of iron or non-alloy steel)

The following communication, dated 8 June 2017, is being circulated at the request of the Kingdom of Bahrain as President of the GCC on behalf of the GCC Member States: Bahrain, Kingdom of; Kuwait, the State of; Oman, the Sultanate of; Qatar, the State of; Saudi Arabia, Kingdom of; and United Arab Emirates.

In continuation to WTO documents G/SG/N/6/BHR/1-G/SG/N/6/KWT/1-G/SG/N/6/OMN/1-G/SG/N/6/QAT/1-G/SG/N/6/SAU/1-G/SG/N/6/ARE/1 dated 10 June 2016 and G/SG/N/8/ARE/1-G/SG/N/8/BHR/1-G/SG/N/8/KWT/1-G/SG/N/8/OMN/1-G/SG/N/8/QAT/1-G/SG/N/8/SAU/1 dated 17 January 2017 and G/SG/N/8/ARE/1/Corr.1-G/SG/N/8/BHR/1/Corr.1-G/SG/N/8/KWT/1/Corr.1-G/SG/N/8/OMN/1/Corr.1-G/SG/N/8/QAT/1/Corr.1-G/SG/N/8/SAU/1/Corr.1 dated 31 January 2017.

1. Evidence of serious injury or threat thereof caused by increased imports

The final determination of serious injury is based on the evaluation of the overall position of the GCC industry in light of all relevant factors having a bearing on the situation of that industry, which shows a significant overall impairment and thus it is concluded that GCC industry has suffered serious injury and that the increase of GCC imports under investigation has caused serious injury to the GCC industry as follows:

| | Index 2012=100 | | | |
|--------------------------------|-----------------------|-------------|-------------|-------------|
| | 2012 | 2013 | 2014 | 2015 |
| Production volume | 100 | 107.53 | 79.72 | 79.14 |
| Capacity utilization | 100 | 107.53 | 79.72 | 79.14 |
| Sales volume | 100 | 105.84 | 79.35 | 72.62 |
| Market share of domestic sales | 100 | 92.95 | 62.63 | 46.74 |
| Market share of imports | 100 | 104.63 | 124.53 | 134.95 |
| Inventory volume | 100 | 84.29 | 32.01 | 231.16 |
| Employment | 100 | 101.12 | 84.76 | 77.32 |
| Productivity | 100 | 106.34 | 94.05 | 102.35 |
| Losses | 100 | 5.86 | 38.65 | 52.74 |

(a) Production and production utilization

From the above table it is evident that the production decreased during 2012-2015 by 20.86% and the production utilization followed the same trend by a decline of 20.86% which demonstrates that the available capacity was not fully utilized during the period of investigation.

(b) Sales and market share of GCC industry

The above table shows that the sales volume of the GCC industry decreased by 27.38% during the period 2012-2015 which led to a decline of the its market share during the same period by 53.26% in favor of the GCC imports that acquired a large share of the GCC market during the period of investigation.

(c) Market share of imports

It is evident form the table above that the market share of imports under investigation increased significantly during the period 2012-2015 by about 35% whereas the market share of GCC industry declined as shown above.

(d) Inventory

It is evident that the inventory increased sharply during the period 2012-2015 by 131.16% which indicates a difficulty for GCC industry to sell its product inside GCC market.

(e) Employment

The employment decreased during the period 2012-2015 by 22.68% which means that GCC industry let off more employees so that it can contain the loss incurred during this period.

(f) Productivity

The productivity recorded a slight increase of 2.35% during the period 2012-2015 and this is due to the layoffs of more employees compared to the production volume.

(g) Losses

The GCC industry recorded a decrease of its losses during the period 2012-2015 by 47.26%, but despite the relative improvement in the amount of loss during 2014 and 2015 compared with 2012, the GCC industry losses have aggravated again during 2014 and 2015: despite the achievement of significant losses in 2012, the GCC industry was able to reduce significantly its losses during the year 2013 due to the increase in production and sales during this year which recorded a slight evolution of imports, but because of the significant increase in imports in both absolute and relative terms from the year 2014 until the year 2015, the GCC industry has recorded again significant losses especially in light of decline of production and sales during the same period.

(h) Unforeseen developments

The GCC-TSAIP examined data on unforeseen developments either provided by the complainant or collected during the investigation and made the following determinations:

- The increase rate in world steel production capacity mostly driven by increase in Chinese output;
- Global Excess steel supply (including the subject products);
- Steel demand contracts in the world creating a gap between supply and demand resulting in excess steel supply;
- Economic recession occurred in China had a negative impact on the other countries' economies with excessive steel supply to switch their steel exports to GCC states market;
- The depreciation of many currencies to record low against the dollar;

- Trade remedies measures applied by many WTO members forces countries with excess capacities to export the excessive supply to the GCC states market where there are no trade measures in place.

The GCC-TSAIP therefore concluded that the increase in imports of the product under investigation occurred as a result of unforeseen developments.

(i) Causal Link

Based on the final determination, GCC-TSAIP has examined the impact of other factors, other than the massive increase in imports that might cause serious injury to the GCC industry, such as trade restrictive practices, consumption, export performance and technology; however, these factors did not contribute to the serious injury suffered by the GCC industry. Therefore, GCC-TSAIP found that there is sufficient evidence to the existence of the causal link between the serious injury caused to the GCC industry and the increase of imports of the product under investigation.

2. Information on whether there is an absolute increase in imports or an increase in imports relative to domestic production

The product under investigation is being imported into GCC countries in such increased quantities in absolute terms and relative to GCC production as follows:

| | Index 2012=100 | | | |
|---------------------------------|-----------------------|-------------|-------------|-------------|
| | 2012 | 2013 | 2014 | 2015 |
| Imports Volume (ton) | 193,552.27 | 230,613.33 | 305,381.85 | 405,809.82 |
| Index | 100 | 119.15 | 157.78 | 209.66 |
| Imports/production ratio | 100 | 110.81 | 197.92 | 264.94 |

From the above table it is evident that the volume of imports increased significantly either in absolute terms or in relation to the production during the period 2012-2015, where imports increased absolutely by 109.66%. Compared with production, the imports increased during the same period by 164.94%, which indicates clearly the existence of recent, sudden, sharp and significant increase in GCC imports during the period of investigation.

3. Adjustment plan

The GCC industry has provided a viable adjustment plan for restructuring and adjusting its position so that it can develop its performance and competitiveness within the GCC and international markets so that it can compete with foreign imports after expiration of the safeguard measure imposition.

4. Description of the product involved

- Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated. // -Painted, varnished or coated with plastics;
- Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated. // -Other.

These products are imported, respectively, to GCC member countries under HS Code: 721070 and 721090.

5. Description of the proposed measure

The Permanent Committee has recommended imposing safeguard duty for three years at the rate of additional duty 31% *ad valorem* of the CIF value on the imports of the products under investigation. See point (8) regarding progressive liberalization of the proposed measure.

6. Proposed date of introduction of the measure

The date of introduction of the measure will be determined in the TSAIP- Official Gazette which will be published once the Ministerial Committee approves the imposition of the measure.

7. expected duration of the measure

The safeguard measure, if adopted, will remain in force for three years.

8. For a measure with a duration of more than three years, provide the proposed date for the review (under Article 7.4) to be held not later than the mid-term of the measure, if such date for the review has already been scheduled

Not applicable.

9. If the expected duration is over one year, provide the expected timetable for progressive liberalization of the measure

| Duration | Definitive safeguard duty |
|-----------------|----------------------------------|
| First year | 31% |
| Second year | 28% |
| Third year | 25% |

10. If the measure is being extended, also provide: (i) evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury

Not applicable.

11. Specify the developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards, and the import shares of these countries individually and collectively

The following developing countries are excluded from the measure as they export less than 3% individually and less than 9% collectively to GCC countries:

Afghanistan; Albania; Angola; Antigua and Barbuda; Argentina; Armenia; Bangladesh; Barbados; Belize; Benin; Bolivia, Plurinational State of; Botswana; Brazil; Brunei Darussalam; Burkina Faso; Burundi; Cabo Verde; Cambodia; Cameroon; Central African Republic; Chad; Chile; Colombia; Congo; Congo, Democratic Republic of The; Costa Rica; Côte D'Ivoire; Croatia; Cuba; Djibouti; Dominica; Dominican Republic; Ecuador; Egypt; El Salvador; Fiji; Gabon; The Gambia; Georgia; Ghana; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Hong Kong, China; Indonesia; Jamaica; Jordan; Kenya; Kyrgyz Republic; Lao People's Democratic Republic; Lesotho; Macao, China; Macedonia, The Former Yugoslav Republic of; Madagascar; Malawi; Malaysia; Maldives; Mali; Mauritania; Mauritius; Mexico; Moldova, Republic of; Mongolia; Montenegro; Morocco; Mozambique; Myanmar; Namibia; Nepal; Nicaragua; Niger; Nigeria; Pakistan; Panama; Papua New Guinea; Paraguay; Peru; Philippines; Rwanda; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and The Grenadines; Samoa; Senegal; Sierra Leone; Singapore; Solomon Islands; South Africa; Sri Lanka; Suriname; Swaziland; Tajikistan; Tanzania; Thailand; Togo; Tonga; Trinidad and Tobago; Tunisia; Turkey; Uganda; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Viet Nam; Yemen; Zambia; and Zimbabwe