



21 October 2016

(16-5733)

Page: 1/4

Committee on Safeguards

Original: English

**NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT
ON SAFEGUARDS BEFORE TAKING A PROVISIONAL
MEASURE REFERRED TO IN ARTICLE 6**

**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")

(Ferro Silico Manganese)

The following communication, dated on 17 October 2016, is being circulated at the request of the Kingdom of Saudi Arabia 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.

The Kingdom of Saudi Arabia notifies the Committee on Safeguards, on behalf of GCC Member States, pursuant to Article 12.4 of the Agreement on Safeguards, and footnote 2 of Article 9 of the Agreement on Safeguards that the GCC Bureau of Technical Secretariat for Anti Injurious Practices in International Trade (GCC-TSAIP) hereafter referred as "the Competent Authority" submits its notification before taking a provisional safeguard measure on GCC imports of Ferro Silico Manganese.

1. Background

As stated in WTO document (G/SG/N/6/ARE/2-G/SG/N/6/BHR/2-G/SG/N/6/KWT/2-G/SG/N/6/OMN/2-G/SG/N/6/QAT/2-G/SG/N/6/SAU/2) a safeguard investigation on Ferro Silico Manganese was initiated on 3 October 2016.

2. The product subject to the proposed provisional safeguard measure

The product subject to the proposed provisional safeguard measure is Ferro-silico-manganese. This product is imported to GCC member countries under HS CODE (72023000).

3. The proposed provisional safeguard measure

It is proposed to impose a provisional safeguard measure in the form of additional duty, which is 21% of the CIF value.

4. Entry into force of the proposed provisional safeguard measure

The provisional safeguard measure will come into force from the date determined in the Official Gazette of the GCC-TSAIP. The notice of imposing the provisional safeguard measure is published in the Official Gazette of the GCC-TSAIP Volume (9) on 17 October 2016.

5. The expected duration of the provisional safeguard measure

The provisional safeguard measure will be applied for two hundred (200) days from the date determined in the Official Gazette of the GCC-TSAIP Volume (9) dated on 17 October 2016.

6. (i) Provide Basis for making a preliminary determination, as provided for in Article 6, based upon the fact that increased imports have caused or are threatening to cause serious injury as follows:

ABSOLUTE RELATIVE INCREASE IN IMPORTS

(Base year 2012)	2012	2013	2014	2015
Imports Volume (ton)	34,273.74	40,799.08	112,673.15	125,786.84
Index	100	119.04	328.74	367.01
Imports/production ratio	100	154.11	299.97	451.48

The above table shows that there has been a big increase in the imports during the period of 2012-2015 by more than 267% in absolute term. Relatively to the domestic production, the increase of imports grew by 351.48% during the same period. In addition, the increase in import was recent, sharp, sudden and significant.

ECONOMIC IMPACTS

Domestic sales

(Base year 2012)	2012	2013	2014	2015
Sales Volume	100	90.96	120.76	91.53

The above table shows that the domestic sales decreased during the period 2012-2015 by 8.47%, which affected its market share given the increase in the consumption.

Market share

(Base year 2012)	2012	2013	2014	2015
Market Share of the Domestic Sales	100	90.31	64.77	50.51
Market Share of Imports	100	118.19	176.34	202.52

The above table shows that the market share of the domestic sales decreased in 2015 by 49.49% compared to 2012, while the market share of the imports increased by 102.52% during the same period. Therefore, the increased imports have taken over most of the GCC market, and have caused a serious injury to the domestic industry.

Profit and loss

(Base year 2012)	2012	2013	2014	2015
Profit & Loss	100	43.92	32.56	(-225.92)

The above table shows that the profit has sharply decreased in 2015 by 325.92% compared to 2012, marking a significant loss for the complainant in 2015.

Return on investment

(Base year 2012)	2012	2013	2014	2015
Return on Investment	100	43.93	33.05	(-247)

The above table shows that the return on investment has sharply decreased during the period 2012-2015 by 347%.

Production & capacity utilization

(Base year 2012)	2012	2013	2014	2015
Production	100	77.24	109.59	81.29
Capacity Utilization	100	77.24	109.59	81.29

The above table shows that the production decreased by 18.71% in 2015 compared to 2012. On the other hand, the capacity utilization has also decreased during the period of 2012-2015 by 18.71%, which explain the decreasing in the production volume.

Cash flow

(Base year 2012)	2012	2013	2014	2015
Cash flow	100	(-260.90)	(-74.10)	(-411.16)

The above table shows that the cash flow decreased significantly by 511.16% in 2015 compared to 2012.

Employment

(Base year 2012)	2012	2013	2014	2015
Employees	100	93.49	92.09	60.93

The above table shows that the number of employees has sharply decreased by 39.07% in 2015 compared to 2012.

Inventory

(Base year 2012)	2012	2013	2014	2015
Inventory	100	117.21	123.96	144.63

The above table shows that the Inventory increased by 44.63% in 2015 compared to 2012, which indicates that the complainant could not sell its own products inside the GCC market.

EVIDENCE OF SERIOUS INJURY CAUSED BY INCREASED IMPORTS (CAUSATION)

In light of the above, the Competent Authority in the preliminary analysis has concluded that the product concerned is being imported to the GCC market in quantities that have increased suddenly, sharply and significantly in the recent past, both in absolute term and relative to the production. The Competent Authority has examined the correlation between the increase in imports and the serious injury suffered by the domestic industry such as the decline of sales, market share, profits, return on investment, production, capacity utilization, cash flow, and employment, as well as the large increase in inventory. Competent Authority has also examined the impact of other factors, other than the massive increase in imports that might cause serious injury to the domestic industry, such as trade restrictive practices, consumption, export performance and technology. Therefore, the Competent Authority found that there is sufficient preliminary evidence to the existence of the causal link between the serious injury caused to the domestic industry and the increase of imports of Ferro Silico Manganese.

(ii) Determining the existence of critical circumstances where delay would cause damage, which will be difficult to repair

When examining the injury factors, the Competent Authority found that there is an overall deterioration of economic indicators and worsening of financial crises of the domestic industry during the period of 2012-2015. The data showed a significant decline in the production and sales volume, as well as a significant increase in inventory volume, prompting the domestic industry to sell at low prices not covering its cost of production, which contributed to the accumulation of the debt in the short term and the inability of the complainant to meet its financial obligations. This is an addition to the board of Directors decision dated on 2 May 2015 about the suspension of production and the closure of the plant in case no solution is found.

Accordingly, it is revealed to the Competent Authority through the data and the evidence submitted in the complaint that there are critical circumstances which may lead the domestic industry to bankruptcy and plant closure and layoffs. Therefore, any delay of adopting a provisional safeguard measure would cause damage which would be difficult to repair. This situation requires the application of the provisions of Article 6 of the Agreement on Safeguards and Article 73 of the Regulation, in order to remedy the serious injury faced by the domestic industry.

7. The major exporting countries of imports of the product concerned

Republic of India and Ukraine.

8. Offer of consultations under Article 12.4

Consistent with Article 12.4 of the Agreement on Safeguards, GCC-TSAIP is prepared and ready to consult on the provisional safeguard measure with those Members having a substantial interest as exporters of the subject products.

9. List of developing countries exempted from the safeguard measure

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; China; Chinese Taipei; 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; Korea, Republic of; 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.
