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Committee on Safeguards

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**NOTIFICATION PURSUANT TO ARTICLE 12.1(C) OF  
THE AGREEMENT ON SAFEGUARDS**

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

THAILAND

*(Hot Rolled Steel Flat Products with Certain Amounts of Alloying Elements)*

*Supplement*

The following communication, dated 2 March 2016, is being circulated at the request of the Delegation of Thailand.

With reference to Thailand's notification on the initiation of a review pursuant to Article 7.2 of the Agreement on Safeguards regarding the extension of the safeguard measure (WTO Document G/SG/N/6/THA/2/Suppl.1-G/SG/N/14/THA/2) dated 27 July 2015 and the proposal to extend a measure under Article 12.1(b) of the Agreement on Safeguards (WTO Document G/SG/N/10/THA/2/Suppl.2-G/SG/N/11/THA/2/Suppl.4) dated 6 January 2016, Thailand hereby provides notification to the Committee on Safeguards pursuant to Article 12.1(c) and Article 9, footnote 2 of the Agreement on Safeguards, on its decision to extend a safeguard measure that is being applied against imports of hot-rolled steel flat products with certain amounts of alloying elements.

Consistent with Article 12.2 of the Agreement on Safeguards, this notification contains all pertinent information relating to the decision to extend the safeguard measure on product concerned.

**1 THE SAFEGUARD MEASURE CONTINUES TO BE NECESSARY TO PREVENT OR REMEDY  
SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS AND THERE IS  
EVIDENCE THAT THE INDUSTRY CONCERNED IS ADJUSTING**

**a. Basic industry indicators**

Item	2011	2012	2013	2014	2014 (Jan-Jun)	2015 (Jan-Jun)
Sales (MT)*	100	95.65	88.23	83.49	100	98.19
Market share (%)	80	66	86	92	93	89
Import Share (%)	20	34	14	8	7	11
Consumption (MT)*	100	115.82	81.63	72.27	100	102.66
Production (MT)*	100	89.78	88.79	83.40	100	92.87
Capacity Utilisation (%)	40	36	36	34	33	31
Productivity (%)	96	96	96	98	97	97
Profit/Loss (million baht)	(2,868)	(7,573)	(3,431)	(2,677)	(888)	(2,844)
Employment (number)*	100	90.82	89.00	95.08	100	105.02

\* Index: Year 2011 = 100, 2014 (Jan-Jun) = 100

In year 2011 and 2012, imports of product concerned dramatically increased inflicting serious injury on the domestic industry. Notably the market share of the domestic industry dropped from 80% in year 2011 to 66% in year 2012 and the domestic industry faced 2.5 folds losses in 2012 compared with the previous year.

Following the imposition of provisional measures on 27 February 2013, the domestic industry was able to regain market share in 2013 and 2014 which resulted in a reduction of losses and stabilizing sales and production at a reduced level even though the domestic consumption moderately declined. Most importantly, one of the domestic-industry companies, G Steel PCL., was able to resume its production in April 2014 after it temporary shut down since mid-2012 due to its huge losses caused by the surge of imports of the product concerned before the measure was imposed.

However, from January to June 2015, imports increased compared to the same period of 2014, and the market share of the domestic industry declined even though consumption slightly expanded as imports increased both in absolute terms and relative to consumption. Although the sales slightly decreased the domestic industry encountered great losses compared with the same period in 2014, showing the devastation of its profit-making ability largely due to import prices that have remained well below those of the domestic industry.

The authorities also considered factors other than increased imports that might be causing serious injury of domestic industry including the decrease of domestic demand caused by the effect of the global economic slowdown and Thai political unrest, management ability of the domestic industry, productivity of domestic industry, investment in SSI UK of Sahaviriya Steel Industry PCL., etc., by segregating and analysing each injurious indicator that may be affected by these factors. The authorities analysed those injurious effect so that any injury caused by these factors was not attributed to the flux of imports.

In fact, the domestic industry currently has 7.9 million tons total production capacity which is more than enough to meet the domestic demand. Moreover, it maintains productivity (output/input) at the 96% - 98% level. Therefore, the lack of capability to supply the domestic demand is not the reason for the need of importation. In addition, the product concerned which had received special exemption i.e. for cold rolling process; for the automobile industry; for hardening process and as special grade steels granted to certain importers already precluded from this analysis by names of exempted importers.

In view of the clearly established coincidence in time between, on the one hand, the level of imports at low prices and, on the other hand, the domestic industry's loss of sales volume and decreasing profitability, it is concluded that the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof caused by increased imports.

#### **b. Condition of imports**

As imports increased in 2015, the ability to maintain market share in spite of the measures in force was undermined largely due to import prices of product concerned that were well below those of the domestic industry. As a result, the domestic industry continued to face losses in 2013-2014 and these tripled during January to June 2015 when imports started to increase once more.

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2014 (Jan-Jun)</b>	<b>2015 (Jan-Jun)</b>
Import Share (%)	20	34	14	8	7	11
Profit/Loss (million baht)	(2,868)	(7,573)	(3,431)	(2,677)	(888)	(2,844)

#### **c. Unforeseen developments**

The unforeseen development issues were explained in the disclosure of finding of the initial investigation. In particular, the significant increase of imports was attributable to the adverse effects of the steel products' oversupply situations in many countries, which were the world steel producers, combined with the global economic slowdown resulting from the Euro-Zone crisis causing the reduction of world steel usage's demand. As a result, excessive amount of steel products were exported from those major steel producer countries, especially from the People's

Republic of China, to any other possible markets, in this case, Thailand, at the undercutting prices which were well below the prices of Thai domestic industry, in order to absorb the oversupply products available in their home countries and to utilize their excess capacities.

In addition, the increase in imports volumes was attributable to the effects of Thailand's obligations incurred under WTO as Thailand undertook to apply 5% MFN tariff rate to all WTO Members for the product concerned.

It was concluded that increased imports of product concerned were the result of unforeseen developments mentioned above and of the effect of Thailand's obligations incurred under WTO, in accordance with the Agreement on Safeguards and Article XIX:1(a) GATT 1994.

#### **d. Evidence that the industry concerned is adjusting**

The Committee on Safeguard Measure of Thailand appointed the working group of steel industry experts to closely monitor the adjustment plan in phase I and evaluated the achievement of the domestic industry. This working group will also monitor the adjustment plan in phase II.

##### **1. Initial Adjustment Plan for 2013 - 2015 (Phase I)**

Since February 2013 until September 2015 when the safeguard measure was in force, the domestic industry exercised several programs aiming at the overall cost reduction, product development and production efficiency in order to increase its competitiveness. The programs included:

- a. Increase production efficiency including new machine installation, with the investment of over 240 million baht, for higher production within a shorten time;
- b. Cost reduction programs: the domestic industry exercised 25 cost reduction programs by investing over 87 million baht in the machine and equipment resulting in a cost reduction of over 1.3 billion baht;
- c. Product development: the domestic industry invested over 340 million baht for installation of new machine to produce thicker and wider products to meet customer specifications and expand new market segments. At this stage, focusing on product quality, several items of domestic products were accepted by the automobile industry as its approved source.

##### **2. Adjustment Plan for 2016 - 2019 (Phase II)**

After the huge investment in Phase I and several programs being underway, this second phase involves the continuous implementation of the programs in Phase I by lowering the production cost, increasing production efficiency, development of new product standards and grades to meet wider customers' expectation, improving the competency of human resources especially in production control and improving customer satisfaction.

In sum, Phase II of the adjustment plan, which is the continuation of Phase I plan, involves the investment by the domestic industry over 1 billion baht which will result in cost reduction of almost the same level but which will improve the overall competency of the domestic industry.

#### **e. Public interests**

During the course of the investigation, concern has been expressed that measure was against the public interest in that the safeguard measure will increase cost of production of the down steam productions. As a result, those products would not be able to compete with low price finished products from the People's Republic of China.

In this respect, the authorities conclude that it is in the long term public interest to extend the temporary protection to allow the industry to complete the adjustment process and regain competitiveness so as to provide the consumer with a variety of quality products at a reasonable price.

## **2 INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION**

See points 1.a and 1.b above.

## **3 PRECISE DESCRIPTION OF THE PRODUCTS CONCERNED**

The products concerned are hot rolled steel flat products with certain amounts of alloying elements such as boron, chromium, etc., in coils and not in coils, with or without patterns in relief, of a thickness of 0.9 – 50.0 mm. and a width 100 – 3,048 mm. The products concerned are currently classified under the Thai Customs Tariff Code at 36 subheadings: 7225.30.90.011, 7225.30.90.012, 7225.30.90.013, 7225.30.90.014, 7225.30.90.021, 7225.30.90.022, 7225.30.90.023, 7225.30.90.024, 7225.30.90.090, 7225.40.90.011, 7225.40.90.012, 7225.40.90.013, 7225.40.90.014, 7225.40.90.021, 7225.40.90.022, 7225.40.90.023, 7225.40.90.024, 7225.40.90.090, 7226.91.10.011, 7226.91.10.012, 7226.91.10.013, 7226.91.10.014, 7226.91.10.021, 7226.91.10.022, 7226.91.10.023, 7226.91.10.024, 7226.91.10.090, 7226.91.90.011, 7226.91.90.012, 7226.91.90.013, 7226.91.90.014, 7226.91.90.021, 7226.91.90.022, 7226.91.90.023, 7226.91.90.024, 7226.91.90.090, originating in or exported from various countries.

## **4 IF THE FINAL MEASURE REPLACES A PROVISIONAL MEASURE, OR IF A FINAL MEASURE IS EXTENDED, A MEMBER IS ENCOURAGED TO PROVIDE A WRITTEN DESCRIPTION OF ANY PART OF THE IMPORTED PRODUCT THAT WILL NO LONGER BE SUBJECT TO THE MEASURE**

Not applicable.

## **5 PRECISE DESCRIPTION OF THE EXTENDED MEASURE**

It was concluded that the safeguard measure continues to be necessary to prevent or remedy serious injury or threat thereof caused by increase imports while the domestic industry is adjusting.

The extended safeguard measure would be applied in the form of a tariff increase for three years starting from 27 February 2016 until 26 February 2019.

In accordance with the relevant provisions of the Thai Safeguard Measures on Increased Imports Act B.E.2550 (2007), which refer to Thailand's obligations under Article XIX of the GATT 1994 and the WTO Agreement on Safeguards, the Committee on Safeguard Measures of Thailand has decided to impose a safeguard duty which continues to be progressively liberalized during the period of its validity as follows:

<b>Extended Duration</b>	<b>Extended Safeguard Duty</b>
27 February 2016 – 26 February 2017	41.67% of C.I.F. price
27 February 2017 – 26 February 2018	40.42% of C.I.F. price
27 February 2018 – 26 February 2019	39.21% of C.I.F. price

The measure will not be applied against the products concerned originating in or exported from any developing country as long as its share of imports of the products concerned into Thailand does not exceed 3%. In this regard, as the list of developing countries whose share of imports of the products concerned into Thailand does not exceed 3% has remained unchanged since the last WTO notification under Article 9 footnote 2 (WTO Document G/SG/N/10/THA/2/Suppl.1-G/SG/N/11/THA/2/Suppl.3 dated 6 November 2014), the list of developing countries excluded from the measure remains the same and is attached in the Annex below.

In addition, the exemption from the imposition of the extended safeguard measure will be granted to certain importers importing the products concerned into Thailand for cold rolling process; for the

automobile industry; for hardening process and as special grade steels; and, import for export, i.e., the imported products that are intended to be manufactured, further processed or incorporated into a finished product that will be exported from Thailand under the Industrial Estate Authority of Thailand Act; or, the Investment Promotion Act; or, the Customs Act.

## **6 PROPOSED DATE OF INTRODUCTION OF THE MEASURE**

The measure is expected to come into effect on 27 February 2016.

## **7 EXPECTED DURATION OF THE MEASURE**

The measure would be effective from 27 February 2016 until 26 February 2019.

## **8 PROPOSED DATE FOR THE REVIEW**

Not applicable.

## **9 INFORMATION RELATED TO THE EXTENSION OF A SAFEGUARD MEASURE**

- i. Evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury is provided under 1 a) and d) as mentioned above.
- ii. Reference to the WTO document that notified the initial application of the measure:
  - Initiation of the original investigation, G/SG/N/6/THA/2 (4 December 2012);
  - Imposition of provisional measures, G/SG/N/7/THA/2-G/SG/N/8/THA/2-G/SG/N/11/THA/2 (13 February 2013);
  - Proposed definitive measure G/SG/N/7/THA/2/Suppl.2-G/SG/N/8/THA/2/Suppl.2-G/SG/N/11/THA/2/Suppl.1 (2 August 2013);
  - Imposition of definitive measure G/SG/N/8/THA/2/Suppl.3-G/SG/N/10/THA/2-G/SG/N/11/THA/2/Suppl.2 (25 September 2013);
  - Notifications under Article 9 footnote 2, G/SG/N/7/THA/2/Suppl.1-G/SG/N/8/THA/2/Suppl.1 (24 June 2013) and G/SG/N/10/THA/2/Suppl.1-G/SG/N/11/THA/2/Suppl.3 (6 November 2014).
- iii. Duration of the measure from initial application till the date at which it will be extended;  
27 February 2013 (provisional measure) - 26 February 2019.
- iv. Precise description of the measure in place prior to the date of extension:  
Duty of 42.95% of c.i.f. price during 27 February 2015 - 26 February 2016.

## **10 INFORMATION RELATING TO EXPORTING MEMBERS**

- a. The main exporting countries to Thailand are the People's Republic of China, the Republic of Korea, Japan and the Republic of India.
- b. There are no exporting Members to which the measure does not apply for any reason other than the application of Article 9.1.

## **11 PUBLIC HEARING AND PRIOR CONSULTATION WITH THOSE MEMBERS HAVING A SUBSTANTIAL INTEREST AS EXPORTERS OF THE PRODUCT CONCERNED**

The public hearing was held on 13 January 2016 at the Department of Foreign Trade (DFT), Ministry of Commerce of Thailand and the prior consultations were scheduled to be held, upon

request, for the interested parties with substantial interest on 14-15 January 2016 at the DFT. However, only the Government of India requested a time slot for prior consultation with DFT on Friday 15 January 2016 and the opportunity for consultation was granted even though the appointment was later cancelled by India. Therefore, there were no consultations between Thailand and any Members who have substantial interest as exporters of the product concerned.

## **12 FURTHER INFORMATION**

The Committee on Safeguard Measure of Thailand's notification on the extension of safeguard measure was published in the Royal Thai Government Gazette on 26 February 2016.

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**ANNEX**

**LIST OF DEVELOPING COUNTRIES AND SEPARATE CUSTOMS TERRITORIES EXCLUDED FROM  
THE IMPOSITION OF EXTENDED SAFEGUARD MEASURE ON HOT ROLLED STEEL FLAT  
PRODUCTS WITH CERTAIN AMOUNTS OF ALLOYING ELEMENTS SUCH AS BORON,  
CHROMIUM, ETC., IN COILS AND NOT IN COILS**

<b>No.</b>	<b>Developing Countries exempted from the Imposition of Safeguard Measure</b>	<b>No.</b>	<b>Developing Countries exempted from the Imposition of Safeguard Measure</b>
1.	The Republic of Angola	51.	The Arab Republic of Egypt
2.	The Republic of Botswana	52.	The Great Socialist People's Libyan Arab Jamahiriya
3.	The Republic of Burundi	53.	The Kingdom of Morocco
4.	The Union of the Comoros	54.	The Republic of Tunisia
5.	The Democratic Republic of the Congo	55.	The Islamic Republic of Afghanistan
6.	The Republic of Djibouti	56.	The People's Republic of Bangladesh
7.	The State of Eritrea	57.	The Kingdom of Bhutan
8.	The Federal Democratic Republic of Ethiopia	58.	British Indian Ocean Territory
9.	The Republic of Kenya	59.	The Democratic Republic of Timor-Leste
10.	Kingdom of Lesotho	60.	The Republic of Maldives
11.	The Republic of Madagascar	61.	The Democratic Republic of Nepal
12.	The Republic of Malawi	62.	The Islamic Republic of Pakistan
13.	The Republic of Mauritius	63.	The Democratic Socialist Republic of Sri Lanka
14.	Mayotte	64.	The Republic of Albania
15.	The Republic of Mozambique	65.	The Republic of Armenia
16.	The Republic of Namibia	66.	The Republic of Azerbaijan
17.	La Réunion	67.	The Republic of Belarus
18.	The Republic of Rwanda	68.	Bosnia & Herzegovina
19.	The Republic of Seychelles	69.	The Republic of Bulgaria
20.	Somalia	70.	Georgia
21.	The Republic of South Africa	71.	The Republic of Kazakhstan
22.	The Republic of Sudan	72.	The Kingdom of Kosovo
23.	Kingdom of Swaziland	73.	The Kyrgyz Republic
24.	The United Republic of Tanzania	74.	The Republic of Lithuania
25.	The Republic of Uganda	75.	The Republic of Macedonia
26.	The Republic of Zambia	76.	The Republic of Moldova
27.	The Republic of Zimbabwe	77.	Montenegro
28.	The Republic of Benin	78.	The Republic of Romania
29.	Burkina Faso	79.	The Republic of Serbia
30.	The Republic of Cameroon	80.	The Republic of Tajikistan
31.	The Republic of Cape Verde	81.	Turkmenistan
32.	Central African Republic	82.	Ukraine
33.	The Republic of Chad	83.	The Republic of Uzbekistan
34.	The Republic of the Congo	84.	The Socialist Federal Republic of Yugoslavia
35.	The Republic of Cote d'Ivoire	85.	The Islamic Republic of Iran
36.	The Republic of Gabon	86.	The Republic of Iraq
37.	The Republic of Gambia	87.	Hashemite Kingdom of Jordan
38.	The Republic of Ghana	88.	The Republic of Lebanon
39.	The Republic of Guinea	89.	The Syrian Arab Republic
40.	The Republic of Guinea-Bissau	90.	West Bank & Gaza
41.	The Republic of Liberia	91.	The Republic of Yemen
42.	The Republic of Mali	92.	Anguilla
43.	Islamic Republic of Mauritania	93.	Antigua & Barbuda
44.	The Republic of Niger	94.	The Republic of Argentina
45.	Federal Republic of Nigeria	95.	Belize
46.	The Democratic Republic of Sao Tome & Principe	96.	The Plurinational State of Bolivia
47.	The Republic of Senegal	97.	The Federative Republic of Brazil
48.	The Republic of Sierra Leone	98.	British Virgin Islands
49.	The Republic of Togo	99.	The Republic of Chile
50.	The People's Democratic Republic of Algeria	100.	The Republic of Colombia

<b>No.</b>	<b>Developing Countries exempted from the Imposition of Safeguard Measure</b>	<b>No.</b>	<b>Developing Countries exempted from the Imposition of Safeguard Measure</b>
101.	The Republic of Costa Rica	133.	The Kingdom of Cambodia
102.	The Republic of Cuba	134.	Chinese Taipei
103.	The Commonwealth of Dominica	135.	Christmas Islands
104.	Dominican Republic	136.	Cocos (Keeling) Islands
105.	The Republic of Ecuador	137.	Cook Islands
106.	The Republic of El Salvador	138.	The Republic of Fiji
107.	Falkland Islands (Malvinas)	139.	The Republic of Indonesia
108.	French Guiana	140.	Johnston Islands
109.	Grenada	141.	The Republic of Kiribati
110.	Guadeloupe	142.	The Democratic People's Republic of Korea
111.	The Republic of Guatemala	143.	The Lao People's Democratic Republic
112.	The Cooperative Republic of Guyana	144.	Malaysia
113.	The Republic of Haiti	145.	The Republic of the Marshall Islands
114.	The Republic of Honduras	146.	The Federated States of Micronesia
115.	Jamaica	147.	Midway Islands
116.	Martinique	148.	Mongolia
117.	The United Mexican States	149.	The Republic of the Union of Myanmar
118.	Montserrat	150.	The Republic of Nauru
119.	The Republic of Nicaragua	151.	Niue
120.	Norfolk Island	152.	The Republic of Palau
121.	The Republic of Panama	153.	Pitcairn Islands
122.	The Republic of Paraguay	154.	Papua New Guinea
123.	The Republic of Peru	155.	The Republic of the Philippines
124.	Saint Helena	156.	Independent State of Samoa
125.	The Federation of Saint Kitts & Nevis	157.	Solomon Islands
126.	Saint Lucia	158.	Tokelau
127.	Saint Pierre & Miquelon	159.	The Kingdom of Tonga
128.	Saint Vincent & the Grenadines	160.	Tuvalu
129.	The Republic of Suriname	161.	The Republic of Vanuatu
130.	The Republic of Uruguay	162.	The Socialist Republic of Vietnam
131.	The Bolivarian Republic of Venezuela	163.	Wake Island
132.	American Samoa	164.	Wallis & Futuna Island