

Report No 763

INVESTIGATION FOR REMEDIAL ACTION IN THE FORM OF A SAFEGUARD MEASURE AGAINST THE INCREASED IMPORTS OF FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600 MM OR MORE, CLAD, PLATED OR COATED, WITH ALUMINIUM-ZINC ALLOYS, OF A THICKNESS OF 0.45MM OR MORE, CLASSIFIABLE IN TARIFF SUBHEADINGS 7210.61.40 AND 7210.61.90 AND FLAT-ROLLED PRODUCTS OF NON-ALLOY OR OTHER ALLOY STEEL, OF A WIDTH OF 600 MM OR MORE, OTHERWISE PLATED OR COATED WITH ZINC, OF A THICKNESS OF 0.45MM OR MORE, CLASSIFIABLE IN TARIFF SUBHEADINGS 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 AND 7225.92.90: PRELIMINARY REPORT

The International Trade Administration Commission of South Africa herewith presents its **Report No 763: INVESTIGATION FOR REMEDIAL ACTION IN THE FORM OF A SAFEGUARD MEASURE AGAINST THE INCREASED IMPORTS OF FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600 MM OR MORE, CLAD, PLATED OR COATED, WITH ALUMINIUM-ZINC ALLOYS, OF A THICKNESS OF 0.45MM OR MORE, CLASSIFIABLE IN TARIFF SUBHEADINGS 7210.61.40 AND 7210.61.90 AND FLAT-ROLLED PRODUCTS OF NON-ALLOY OR OTHER ALLOY STEEL, OF A WIDTH OF 600 MM OR MORE, OTHERWISE PLATED OR COATED WITH ZINC, OF A THICKNESS OF 0.45MM OR MORE, CLASSIFIABLE IN TARIFF SUBHEADINGS 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 AND 7225.92.90: PRELIMINARY REPORT**



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CHIEF COMMISSIONER**

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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

INVESTIGATION FOR REMEDIAL ACTION IN THE FORM OF A SAFEGUARD MEASURE AGAINST THE INCREASED IMPORTS OF FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600 MM OR MORE, CLAD, PLATED OR COATED, WITH ALUMINIUM-ZINC ALLOYS, OF A THICKNESS OF 0.45MM OR MORE, CLASSIFIABLE IN TARIFF SUBHEADINGS 7210.61.40 AND 7210.61.90 AND FLAT-ROLLED PRODUCTS OF NON-ALLOY OR OTHER ALLOY STEEL, OF A WIDTH OF 600 MM OR MORE, OTHERWISE PLATED OR COATED WITH ZINC, OF A THICKNESS OF 0.45MM OR MORE, CLASSIFIABLE IN TARIFF SUBHEADINGS 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 AND 7225.92.90 (“CORROSION RESISTANT THICK STEEL COIL” OR “SUBJECT PRODUCT”): PRELIMINARY REPORT

SYNOPSIS

On 25 July 2025, the International Trade Administration Commission of South Africa (“the Commission”) initiated an investigation for remedial action against increased imports of corrosion resistant thick steel coil through Notice No. 3389 in *Government Gazette* No. 53038.

The application was lodged by ArcelorMittal South Africa Limited (“the Applicant” or “AMSA”), being the major producer of the subject product in the Southern African Customs Union (“SACU”), supported by SAFAL Steel (Pty) Ltd (“SAFAL”), the other manufacturer of the subject product.

The investigation was initiated after the Commission considered that there was *prima facie* evidence to show that events cited by the Applicant can be regarded as unforeseen developments, which resulted in a surge in imports of the subject product, causing serious injury to the SACU industry.

On initiation of the investigation, the World Trade Organisation (“WTO”) and the countries with a significant interest in the exports of the subject product were notified

of the initiation of the investigation.

Interested parties responded by submitting comments on the initiation of the investigation, which were taken into consideration by the Commission in making a preliminary determination.

The Commission made a preliminary determination that the events cited can be regarded as unforeseen developments and 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 and that the surge in the volume of imports is recent, sharp, significant, and sudden enough. The Commission also made a preliminary determination that the SACU industry is experiencing serious injury; and there is a causal link between the serious injury experienced by the SACU Industry and the surge in volumes of imports resulting from the unforeseen developments. The Commission considered that although the SACU Industry is experiencing injury, there are no critical circumstances that justify the imposition of provisional measures. The Commission, therefore, decided to not request the Commissioner for the South African Revenue Service (SARS) to impose provisional measures whilst the investigation continues.

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002 (“ITA Act”), the Commission’s Safeguard Regulations (“SGR”) and giving due regard to the World Trade Organisation’s Agreement on Safeguards (“the Safeguard Agreement”).

1.2 APPLICANT

ArcelorMittal South Africa Limited (“the Applicant” or “AMSA”), the major producer of the subject product in the Southern African Customs Union (“SACU”) lodged the application on behalf of the SACU Industry, supported by SAFAL, a manufacturer of the subject product.

1.3 ALLEGATIONS BY THE APPLICANT

The Applicant alleged that the increased imports, as a result of unforeseen developments and of the effect of obligations incurred under the GATT 1994, are causing serious injury to the SACU industry. The Applicant submits that a confluence of events forms the basis of the unforeseen development that supports the application, which is, ultimately, the considerable oversupply of steel, and specifically the subject product, in the world today causing a surge in imports into the SACU.

1.4 INVESTIGATION PERIOD

The data evaluation for the purposes of determining increased imports and serious injury covers information for the period 01 December 2021 to 30 November 2024.

1.5 INVESTIGATION PROCESS

1.5.1 The information submitted by the Applicant was verified on 19 March 2025.

1.5.2 The application was accepted as being properly documented on 01 July 2025.

1.5.3 The investigation was initiated on 25 of July 2025.

1.5.4 The SACU importers of the subject product known to the Applicant are:

- Macsteel Roofing;
- Roofco Steel;
- Steelworld Roofing Systems (Pty) Ltd;
- SS Profiling (Pty) Ltd;
- Newcastle Steel (Pty) Ltd; and
- Heunis Steel (Pty) Ltd.

1.5.5 The exporters and foreign producers of the products exported to SACU known to the Applicant are:

- Angang Steel Co. Ltd;
- Shandong Longhai Steel Co., Ltd;
- Shandong Xinyinrui Iron and Steel Co., Ltd;
- Baoshan Iron and Steel Co. Ltd;
- Shandong Junbaocheng Metal Manufacturing Co., Ltd;
- ShougangJingtang United Iron and Steel Co; and
- Jiangyin Zong Cheng Steel Co Limited.

1.5.6 The following interested parties responded and provided comments on the investigation:

- Government of Botswana
- the Government of Indonesia (“GOI”);
- the Trade Representation of the Russian Federation in the Republic of South Africa (“Russia”);
- Salzgitter AG
- BlueScope Steel Southern Africa (Pty) Ltd (“BlueScope”)
- Defy Appliances Proprietary Limited (“Defy”)
- Ford Motor Company of Southern Africa (Manufacturing) (Pty) Ltd (“FMCSA”)
- Lumax Energy (Pty) Ltd (“Lumax”)
- The Automotive Business Council (“NAAMSA”)
- Tata Steel Nederland (“TSN”)

- Toyota South Africa Motors Proprietary Limited ("TSAM")
- The trade union Solidarity ("Solidarity")
- Trident Steel Africa (Pty) Ltd. ("Trident Steel")
- Unique Ventilation Support Systems ("UVSS")
- Hendok Group - incorporating Hendok Distribution, Henroof, Clear Creek t/a Wireforce ("Hendok")
- BSI Steel ("BSI"); and
- SS Profiling (Pty) Ltd, Steelworld (Pty) Ltd, Inter steel (Pty) Ltd, Roofco Steel (Pty) Ltd ("The Consortium")

1.5.7 In this report the following periods will apply:

01 December 2021 – 30 November 2022 will be referred to as **2022**;

01 December 2022 – 30 November 2023 will be referred to as **2023** (period of the surge); and

01 December 2023 – 30 November 2024 will be referred to as **2024**

1.6 COMMENTS FROM INTERESTED PARTIES

The Commission considered comments received from interested parties prior to making its preliminary determination. All submissions made by interested parties are contained in the Commission's public file for this investigation and are available for perusal. It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some of the salient comments received from interested parties and the Commission's consideration of these comments are specifically included in this report.

Comments on initiation of the investigation

Comments by Steel Bank Group

Steel Bank Group stated that it is noted that the period of investigation for purposes of claiming the alleged serious injury is for the period December 2021 to November 2024. The investigation was initiated on 25 July 2025 thus the claimed serious injury is eight months old.

Comments by Trade Representation of the Russian Federation in the Republic of South Africa (“Russia”) on initiation of the investigation

Russia indicated that it did not export the subject product to the SACU during the period of injury. The Government of Russia requested that the Commission consider not imposing a safeguard against them and thus exclude them from imposition of any potential measure as they did not cause injury to the SACU Industry.

Commission’s consideration

Article 9 of the Safeguard Agreement states that:

Safeguard measures shall not be applied against a product originating in a developing country Member as long as its share of imports of the product concerned in the importing Member does not exceed 3 per cent, provided that developing country Members with less than 3 per cent import share collectively account for not more than 9 per cent of total imports of the product concerned.

Our interpretation of Article 9 of the SGA is that there are some exceptions for developing country members, where safeguard measures are not applied against a product originating in a developing country member as long as its share of imports of the subject product in the importing member does not exceed 3%, provided that developing country members with less than 3% import share collectively account for not more than 9% of total imports of the subject product. Therefore, Russia will only be exempted if it is considered to be a developing country and its imports are less than 3% and collectively not more than 9%. The fact that Russia did not export the subject product to the SACU during the POI does not exempt it from the safeguard measures should the Commission make a determination to impose. As Russia is deemed to be a developing country for the purpose of safeguard investigations, imports originating in developing countries, including those of Russia, will be exempted from the provisional payments.

Comments by Salzgitter AG

Salzgitter AG stated that based on the information contained in the notice of initiation, it submits that the conditions for initiating a safeguard investigation are not met. Furthermore, the proceeding undermines the economic prosperity of the South African automotive industry and a more targeted measure would be sufficient to remedy the alleged injury suffered by the domestic industry. The initiation does not contain any information confirming the allegation of serious injury and a sharp and sudden increase in imports. According to Salzgitter AG, the Commission fails to provide evidence that supports the claims of the domestic industry.

Commission's consideration

The Commission is of the view that the assertion that the requirements for initiating a safeguard investigation were not met cannot be substantiated solely by reference to the initiation notice. The initiation notice serves as a public summary of the investigation's commencement and does not contain the full scope of evidence and analysis considered by the Commission.

It is important to note that all known interested parties were furnished with the non-confidential application, which formed the basis of the Commission's decision to initiate the investigation. This application contained detailed information and supporting evidence that the Commission evaluated in accordance with the relevant legal framework.

The Commission finds no factual or legal basis for the assertion that a safeguard measure would undermine the economic prosperity of the South African automotive industry, or that a more targeted measure would be sufficient to remedy the serious injury alleged. The trade-remedy instruments provided for under the applicable legal framework are available to the SACU industry to address injurious import competition and to restore fair conditions of trade.

Comments by BlueScope Steel Southern Africa (Pty) Ltd ("BlueScope")

BlueScope stated that it is recognized internationally as a market leader in the

development of corrosion resistant steel products, primarily for the construction industry. BlueScope has been a reliable supplier to the South African market for over 25 years, primarily focused on colorbond steel, our flagship painted steel brand which we supply to a limited number of valued, long term channel partners.

It further stated that throughout this period, its product has consistently commanded a premium over local market offerings, which clearly indicates no harm to the domestic industry. Its presence has supported the establishment of the SA quality standards and contributed to healthy competition without damaging local suppliers. It is important to note that BlueScope's imports account for less than 3% of the total related steel products in the market. This figure alone illustrates that BlueScope does not pose any material threat to the domestic industry and should not be targeted under safeguard measures intended to address serious injury or the threat thereof. BlueScope believes the real concern lies in the injurious behaviour of other suppliers, who are using the South African market transactionally to channel surplus steel production without care for the ongoing health of the local industry. BlueScope strongly suggests this is where the efforts of the Commission should be focused. BlueScope respectfully urge the Commission to consider the long-standing record of BlueScope in South Africa, and to exclude it from any safeguard actions. BlueScope position that not doing so would inadvertently damage successful businesses that depend upon premium quality steel supply and ultimately, challenge the prospects of the broader South African steel industry, by constraining product innovation and development.

Commission's consideration

Safeguard investigations are conducted against imports from all countries and not from individual companies, therefore BlueScope cannot be excluded from the safeguard measures should the Commission impose any duties when making its determination.

1.7 PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

- The events cited can be regarded as unforeseen developments and 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 the volume of imports is recent, sharp, significant, and sudden enough;
- The SACU industry is experiencing serious injury; and
- There is a causal link between the serious injury experienced by the SACU Industry and the surge in volumes of imports resulting from the unforeseen developments.

The Commission considered that although the SACU Industry is experiencing injury, there are no critical circumstances that justify the imposition of provisional measures. The Commission, therefore, made a preliminary determination not to request the Commissioner for SARS to impose provisional measures.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The Applicant described the imported product as flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated, with aluminium-zinc alloys, of a thickness of 0.45mm or more, classifiable in tariff subheadings 7210.61.40 and 7210.61.90 and flat-rolled products of non-alloy or other alloy steel, of a width of 600 mm or more, otherwise plated or coated with zinc, of a thickness of 0.45mm or more, classifiable in tariff subheadings 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 and 7225.92.90 (“corrosion resistant steel coil” or “the subject product”).

Corrosion resistant steel coil



Typical end-use:

The imported product is predominantly used as an intermediary input in the production of corrugated metal roof cladding, classifiable under HS Code 7210.49.10. Although the thinner gauges from 0,45mm down to 0.3mm are used in building projects such as low-cost housing, the less than 0,3mm coating thickness will also be sold to the informal (self-help) segment, mainly for the erection of informal settlements. The overall trend in the coated steel market is for lighter gauge material especially in the self-help and informal roofing and cladding markets.

2.1.2 Tariff classification and WTO obligations

The subject product is imported under the following tariff headings:

Table 2.1.2

Heading / Subheading	CD	Article Description	Statistical Unit	Rate of Duty						
				General	EU / UK	EFTA	SADC	MERCOSUR	AfCFTA	
72.10		Flat-rolled products of iron or non-clad, plated or coated: alloy steel, of a width of 600 mm or more								
7210.1		- Plated or coated with tin:								
7210.11	5	--	Of a thickness of 0,5 mm or more	kg	10%	free	free	free	10%	free
7210.12		-- Of a thickness of less than 0,5 mm:								
7210.12.10	9	---	Other, of a thickness less than 0,3 mm	kg	10%	free	free	free	10%	free
7210.12.20	6	---	Other, of a width exceeding 950 mm	kg	free	free	free	free	free	free
7210.12.90	7	---	Other	kg	10%	free	free	free	10%	free
7210.20	3	-	Plated or coated with lead, including terne-plate	kg	10%	free	free	free	10%	free
7210.30	8	-	Electrolytically plated or coated with zinc	kg	10%	free	free	free	10%	free
7210.4		- Otherwise plated or coated with zinc:								
7210.41		-- Corrugated:								
7210.41.10	6	---	Of a thickness of less than 0,45 mm	kg	10%	free	free	free	10%	5%
7210.41.90	4	---	Other	kg	10%	free	free	free	10%	5%
7210.49		-- Other:								
7210.49.10	7	---	Of a thickness of less than 0.45 mm	kg	10%	free	free	free	10%	5%
7210.49.40	9	---	Of a thickness of 0,45 mm or more but not exceeding 0,80 mm	kg	10%	free	free	free	10%	5%
7210.49.50	6	---	Of a thickness exceeding 0,80 mm but not exceeding 1,60 mm	kg	10%	free	free	free	10%	5%
7210.49.90	5	---	Other	kg	10%	free	free	free	10%	5%
7210.50	7	-	Plated or coated with chromium oxides or with chromium and chromium oxides	kg	10%	free	free	free	10%	free
7210.6		- Plated or coated with aluminium:								

72.25		Flat-rolled products of other alloy steel, of a width of 600 mm or more:									
7225.1	-	Of silicon-electrical steel:									
7225.11	6	--	Grain-oriented	kg	free	free	free	free	free	free	
7225.19	7	--	Other	kg	free	free	free	free	free	free	
7225.30	9	-	Other, not further worked than hot-rolled, in coils	kg	10%	free	free	free	10%	5%	
7225.40	3	-	Other, not further worked than hot-rolled, not in coils	kg	10%	free	free	free	10%	5%	
7225.50	8	-	Other, not further worked than cold-rolled (cold-reduced)	kg	10%	free	free	free	10%	5%	
7225.9		-	Other:								
7225.91	2	--	Electrolytically plated or coated with zinc	kg	10%	free	free	free	10%	free	
7225.92		--	Otherwise plated or coated with zinc:								
7225.92.25	4	---	Of a thickness not exceeding 0,20 mm	kg	10%	free	free	free	10%	free	
7225.92.35	1	---	Of a thickness exceeding 0,20 mm but not exceeding 0,45 mm	kg	10%	free	free	free	10%	free	
7225.92.45	9	---	Of a thickness exceeding 0,45 mm but not exceeding 0,80 mm	kg	10%	free	free	free	10%	free	
7225.92.55	6	---	Of a thickness exceeding 0,80 mm but not exceeding 1,60 mm	kg	10%	free	free	free	10%	free	
7225.92.90	4	---	Other	kg	10%	free	free	free	10%	free	
7225.99	3	--	Other	kg	10%	free	free	free	10%	5%	

The Applicant stated that the obligations incurred under the GATT 1994, refers to the binding of duty rates to 10% on the subject product. Prior to the new obligations incurred under the GATT 1994, the following formula duty applied: 5% ad valorem duty, or 95% of the difference between the accepted benchmark price and lower import price, whichever was higher. With South Africa's ascension to the GATT 1994, the formula duty fell away, leaving only a 5% ad valorem duty. This duty was then reduced to 0% in 2005, and ultimately increased to 10% in 2016.

2.1.3 Possible tariff loopholes

The Applicant stated that it is not aware of any tariff loopholes at the moment.

2.1.4 Production process

The production process flow setting out the generic production process, which would be similar to that in China which starts from the cold rolling pickled hot rolled coil is illustrated below:

The Applicant indicated that the production process is as follows:

- Corrosion resistant steel coil is manufactured according to relatively standardized processes and machinery. Consequently, the Applicant submits that there is no difference in the basic production methods used globally and specifically in the country subject to this investigation.
- The manufacturing process for corrosion resistant steel coil consists of the following steps:
- Hot Rolled Coil (“HRC”) goes through a pickling process, which refers to a treatment that is used to remove impurities, rust, and scale from the surface of a material, after which the coil goes to the rolling mill for thickness deformation where HRC becomes Full Hard Cold Rolled Coil (CRC).
- The CRC then goes through hot dip galvanizing or an aluminium-zinc alloy bath. This is the process of coating steel with a layer of zinc or aluminium-zinc alloys by immersing the metal in a bath of molten zinc or aluminium-zinc.
- Skin passing is then done to reduce strain marks and ensure a uniform surface. The coil then goes through tension leveller which reduces any shape defects and ensures flatness through elongation of steel.
- A thin coat of chromate – a rust inhibitor, is then applied to the coated product. The coil is then packed for despatch to customers.

2.2 SACU PRODUCT

2.2.1 Description

The Applicant described the SACU product as flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated, with aluminium-zinc alloys, of a thickness of 0.45mm or more, classifiable in tariff subheadings 7210.61.40 and 7210.61.90 and flat-rolled products of non-alloy or other alloy steel, of a width of 600 mm or more, otherwise plated or coated with zinc, of a thickness of 0.45mm or more, classifiable in tariff subheadings 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 and 7225.92.90.

2.2.2 Production process

The production process is as follows;

- Hot Rolled Coil (“HRC”) goes through a pickling process, which refers to a treatment that is used to remove impurities, rust, and scale from the surface of a material, after which the coil goes to the rolling mill for thickness deformation where HRC becomes Full Hard Cold Rolled Coil (CRC).
- The CRC then goes through hot dip galvanizing or an aluminium-zinc alloy bath. This is the process of coating steel with a layer of zinc by immersing the metal in a bath of molten zinc or aluminium-zinc.
- Skin passing is then done to reduce strain marks and ensure a uniform surface. The coil then goes through tension leveller which reduces any shape defects and ensures flatness through elongation of steel.
- A thin coat of chromate – a rust inhibitor, is then applied to the coated product. The coil is then packed for despatch to customers.

2.2.3 Application or end use

The domestically manufactured product is predominantly used in either the construction/housing or automotive industry.

2.2.4 Categories of users

The domestically manufactured product is predominantly used in either the construction/housing or automotive industry.

2.3 LIKE OR DIRECTLY COMPETITIVE PRODUCTS ANALYSIS

In terms of SGR 2, a like product is "a product which is identical, i.e. is alike in all respects to the product under consideration, or in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the product under consideration", while a directly competitive product is a product, other than a like product, that competes directly with the product under investigation.

In determining the likeness or directly competitiveness of the product the Commission uses the following criteria:

	Imported product	SACU product
Tariff Headings	7210.61.40, 7210.61.90, 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 and 7225.92.90	7210.61.40, 7210.61.90, 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 and 7225.92.90
Raw materials	The main raw material used is carbon/alloy steel, hot-rolled coil.	The main raw material used is carbon/alloy steel, hot-rolled coil.
Production process	The production process of the imported product is outlined in detail above.	The SACU product production process is outlined in detail above.

Physical appearance		
Categories of users	The imported product is mainly used by re-rollers and fabricators in the manufacture of corrugated roof cladding.	The SACU product is mainly used by re-rollers and fabricators in the manufacture of corrugated roof cladding.
Application or end-use	The imported subject product is predominantly used in either the construction/housing or automotive industry.	The domestically manufactured product is predominantly used in either the construction/housing or automotive industry.
Substitutability	The imported products are fully substitutable with the SACU products.	The SACU products are fully substitutable with the imported products.

Commission's consideration

The definition of like product in the SGR is as follows:

- (a) a product which is identical, i.e. alike in all respects to the product under consideration; or*
- (b) in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of that product under consideration.*

Differences between zinc coated and Aluzinc coated steel

Aluzinc-coated steel, with its aluminium and zinc alloy coating, offers superior corrosion resistance and durability compared to galvanized steel, making it suitable for demanding environments like roofing and cladding, while galvanized steel, coated with zinc, is often used in construction for structural elements and where cost-effectiveness is a priority.

Below is a more detailed comparison:

Galvanized Steel:

- Coating: Primarily coated with zinc.

- Corrosion Resistance: Offers good protection against rust and corrosion, but may be less durable in harsh environments.
- Applications: Construction: Structural steel frames, support beams, staircases, railings, and walkways. Durable furniture: Park and bus-stop benches, playground equipment. Automotive industry: Body parts and undercarriages for enhanced resistance against rust.
- Advantages: Cost-effective, readily available, and provides good protection in many environments.
- Disadvantages: May be less durable than Aluzinc in very harsh conditions.

Aluzinc-Coated Steel (also known as Galvalume or Zinalume):

- Coating: Coated with an alloy of aluminium (55%), zinc (43.5%), and silicon (1.5%).
- Corrosion Resistance: Offers significantly better corrosion resistance than galvanized steel, especially in harsh environments.
- Applications: Roofing and wall cladding: Durable and long-lasting in demanding weather conditions. Automotive parts, appliances, and other products requiring strength and durability. Insulation and ventilation industries.
- Advantages: Longer lifespan, excellent heat and corrosion resistance, and a good surface for paint application.
- Disadvantages: May be more expensive than galvanized steel.

Based on the above differences it can be concluded that the zinc-coated and the Aluzinc-coated steel can be used interchangeably. The issue is on the strength and durability. It is the Commission's view that it is a matter of preference and the intended end-use of the product.

Furthermore, the Genesis report on steel highlights the following:

Galvanised/zinc-coated flat steel refers to a flat rolled product of steel, plated or coated with zinc to prevent erosion. Aluminium-zinc coated steel refers to a flat-rolled product of steel, coated with aluminium-zinc alloys. The aluminium component of the coating provides a physical barrier between extreme atmospheric conditions and the inner

core of the steel. The zinc provides sacrificial protection and prevents corrosion.

Although there is a difference in terms of Zinc coated and Aluminium-zinc coated steel, the difference is generally on the durability of the products. As Alu-zinc sacrifices itself to provide protection and prevent corrosion, zinc only prevents erosion. The two products are substitutable.

The Commission decided that the zinc-coated and the Alu-zinc coated steel are like and directly competitive products in terms of the definition of “like and competitive products” in the Safeguard Regulations.

Comments by Defy Appliances Proprietary Limited (“Defy”)

Defy stated that it is currently the end user of imported steel raw material classified under tariff subheadings 7210.49.40, 7210.49.50 and 7210.49.90, which materials are primarily used of the manufacturing of ovens, as well as for limited washing machines, auto dryers and refrigeration manufacturing.

Defy also stated that the raw material imports under tariff subheadings 7210.49.40, 7210.49.50 and 7210.49.90 are done because there is no SACU producer that can manufacture galvanised zero spangle steel to the required specification.

Defy further stated that Electro-galvanized DC04 ZE material is a cold-rolled steel electroplated zinc coating that has been suggested as an alternative for galvanised zero spangle the steel. Although electrogalvanized DC04 ZE steel and hot-dip galvanized "zero spangle" DX54/DX52 steel are both used for corrosion protection, these materials differ in their manufacturing process, appearance and suitability for different applications. The hot-dip galvanized zero spangle low-carbon steel have a textured appearance with visible spangles or a minimized spangle finish, is renowned for its corrosion resistance, its excellent formability and high strength, which is the raw material that Defy requires. Additionally, local DX52 spangle “equivalent material” does not meet the technical requirements and quality, so Defy faces production losses, for example, local material cracks during forming. DX54 material is not produced locally and therefore should not have duty applied to it since local capability is unable. The local material is unable to meet the requirement of the draw and forming that is

required in Defy's DX54 applications.

Defy concluded that should any safeguard duties be imposed, it will have an undue cost raising effect on Defy's competitiveness and operations, threatening the sustainability of Defy's operations and so also its workforce.

Response by the Applicant to the comments made by Defy

Tariff subheadings 7210.49.40, 7210.49.50 and 7210.49.90

The Applicant stated that Defy queried the inclusion of tariff subheadings 7210.49.40, 7210.49.50 and 7210.49.90. The Applicant stated that they allege that these headings did not contribute to any serious injury the industry has suffered.

The Applicant also stated that they do so but then proceed to explain products which are electro-galvanised. The Applicant submitted that it appears that Defy's raw materials fall under a different tariff sub-heading.

In the event that they are included in the scope, the Applicant assert that imports under headings 7210.49.40, 7210.49.50 and 7210.49.90 have contributed to serious injury. Industry is producing products under these headings which are like and directly competitive as proven in the Application.

According to the Applicant, Defy has not argued that these are not like products. Instead, it made submissions regarding a rebate which already exists (and is being revised under the steel review).

The Applicant further stated that, on Defy's own admission, Defy is not importing large volumes under these headings. The Applicant submits that Defy's specific import behaviour cannot be used to dismantle the causal link. Imports surged, Defy allegedly contributed less to the surge, but this does not reflect what should happen with the scope of the Application.

The Applicant concluded that imports under the scope as defined are undeniably causally linked to the serious injury experienced by the domestic industry.

Comments by SS Profiling PTY (LTD), Steelworld Roofing Systems PTY (LTD), Intersteel, Roofco (“The Consortium”)

The Consortium stated that a safeguard duty on thick galvanised coil is likely to cause significant disruption in the supply chain. This is particularly concerning given the multiple issues that the Applicant itself has acknowledged. From an industry perspective, procuring from the Applicant presents its own challenges that impact operations and lead to inefficiencies. The following are but a few examples:

- **Long lead times and uncertain supply:** *Currently, it can take up to eight weeks to receive chromadek from the Applicant, with no certainty regarding delivery timelines. This unpredictability makes planning extremely difficult for downstream users, particularly for large construction or manufacturing projects that rely on timely delivery to stay on schedule. Even if a safeguard duty were imposed, resulting in an increase in domestic orders, this would not suddenly resolve the underlying supply constraints. The existing delays and production limitations would continue to affect the market, meaning downstream users would still face uncertainty and potential disruption, which lead to inefficiencies.*
- **Colour-specific production delays:** *Applicant changes colours infrequently because switching colours incurs additional costs. They wait to accumulate as many orders as possible for a single colour before producing it. This means that the availability of a product is directly dependent on Applicant’s batching process. Large orders are produced all at once and then distributed to multiple buyers simultaneously. While efficient for Applicant, this creates disruption for the downstream roofing industry and end-users. For example, if a specific colour runs out during a major project, it can halt progress entirely and force buyers to either wait or pay a premium elsewhere.*
- **Impact on roofing industry and employment:** *The downstream industry relies on consistent monthly volumes to cover overheads and maintain staff levels. If the Applicant is unable to reliably deliver the required volumes, the companies cannot meet their monthly targets. This directly reduces the number of employees they can sustain. Essentially, supply chain inefficiencies at the primary production level cascade down the steel value chain, impacting jobs, project timelines, and overall market stability.*

The Consortium further stated that imposing a safeguard duty on thick galvanised coil could exacerbate these existing supply chain issues. It will not only create delays and uncertainty for downstream users but also threaten the sustainability of the downstream sector and the job security of the workforce.

Comments by Trident Steel Africa (Pty) Ltd (“Trident”)

Trident stated that there are different methods of applying zinc coating to steel for corrosion protection and they differ significantly in the process, coating thickness, and resulting properties:

- **Hot-dip galvanizing (HDG/GI)** involves immersing the steel in a bath of molten zinc, creating a metallurgical bond between the zinc and steel. It provides a thicker, more durable coating, making it better for outdoor and high-corrosion environments, as well as automotive structural components. The automotive industry shifted more towards hot-dip galvanization from electro-galvanization due to superior corrosion protection and durability offered. Hot dip galvanizing technologies over the years developed to offer a smooth and aesthetically pleasing finish suitable for the exterior body panels of vehicles.
- **Electro-galvanizing (EG)** is an electrolytic process where a zinc coating is applied to steel through an electric current in an electrolytic solution. It offers a thinner, more uniform coating suitable for indoor or less corrosive applications. Often used for automotive parts, appliances, and other applications where a good finish and paint adhesion are important. While electro-galvanizing offers a smooth, aesthetically pleasing finish, it provides a thinner coating that is more susceptible to damage and corrosion in harsh environments.
- **Galv-annealing (GA)** involves an extra heating process that creates a zinc-iron alloy coating, enhancing weldability, paint adhesion, and hardness. Commonly used in automotive applications where paintability, weldability, and durability are important.
- **Hot-dip aluminized silicon steel (HDA)** is a type of coated steel that is created by immersing carbon steel in a bath of alloyed molten zinc, aluminum and silicon. This process results in a coating that offers excellent resistance to high temperatures and corrosion, particularly in oxidizing environments.

This type of coating is excellent for steels used for automotive components, especially if the steel must be hot formed. Aluminized steel outperforms galvanized steel in high-temperature applications due to its superior oxidation resistance

Trident stated that of the above coatings, the Applicant only offers Electro-galvanizing (EG) material as described above to the automotive industry, whilst most requirements by the automotive industry are from alternative technologies.

The tariff sub-headings dealing directly with the Applicant's EG range are not listed in the investigation. This supports Trident's belief that the current EG imports do not injure local production.

Trident stated that the Applicant offers HDG only to the general industry market (roofing and cladding). Trident's HDG, GA and HDA imports, all destined for automotive consumption, can therefore not injure the Applicant's HDG production that is only offered to the general industry.

Comments by BSI Steel ("BSI")

BSI stated that the product in question Zinc-Aluminum-Magnesium (ZAM) is not produced by or available from the Applicant. While the Applicant manufactures a loosely comparable product (Galvanized steel), ZAM offers significantly superior benefits in many important categories. As a result, many fabricators have transitioned to using products with a ZAM coating in order to produce far superior products. BSI stated that it does not agree with the applicants' comments on the tug and pull effect regarding ZAM coated steel. ZAM is a new product class of steel that allows mild steel users to compete, in some cases, with stainless steel products and is not simply a substituted for Galvanised or Zincal/Aluzinc coated steel.

BSI further stated that the South African market cannot be solely reliant on the Applicant and Safal to produce their corrosion resistant steel. Safal can only produce up to 0.80mm thick corrosion resistant steel which only covers a small portion of the market. Applicant has had setbacks over the recent years with production. In early 2025 the pickling line went down causing a 2 to 5 month supply delay in some

corrosion resistant steels. With Duferco steel processing no longer able to supply the local market due to their hot rolled input steel being so heavily taxed, manufacturers must be allowed a cost-effective alternative to supplement the local production of corrosion resistant steel and ZAM presents this opportunity.

BSI concluded by stating that it acknowledges the need for protection for our local steel producers and it support the notion of safeguard duties being imposed on the following HS codes: 7210.61.40, 7210.49.40, 7210.49.50, 7210.49.90, 7225.92.45, 7225.92.55 and 7225.92.90. However, it kindly request that the Commission consider the following factors that necessitated its import bookings Applicant experienced operational issues with their pickling line earlier this year (Jan–Feb 2025). These disruptions caused substantial delays in their downstream product supply, particularly Galvanised steel. The resulting backlog and ongoing order restrictions persisted well into June 2025. BSI stated that to ensure continuous and reliable supply to its customers, they were compelled to secure imports during this period. As a result, a delivery of this material was expected in the coming months. Given these exceptional circumstances, BSI requested that the Commission take the necessity of these imports into account and consider implementing the duties from 2026.

BSI Steel does not support the blocking of ZAM imports on 7210.61.90 as it believe that this will have more of a negative effect on the South African economy than a positive effect. Until such a time that ZAM steel is produced locally or in the SACU region, BSI Steel believes that HS code 7210.61.90 should remain open without additional safeguard duties.

Comments by Ford Motor Company of Southern Africa (Manufacturing) (Pty) Ltd (“FMCSA”)

FMCSA stated that steel is an integral product and input material in a vehicle body structure and automotive components value chain. FMCSA stated that it has made considerable efforts to source steel directly from local steel supplier companies, such as the Applicant, as part of its commitment to achieving the objectives of the South African Automotive Masterplan (SAAM 2035), particularly the localisation objective of 60%. However, it is worth noting that the local steel market producers have limited capacity to service the automotive market at the required quantity and quality needed,

as such, the business has had to employ contingency measures such as making use of imported steel to substitute for the steel demand and gaps where applicable.

FMCSA stated that a vehicle uses an average of 600 kilograms of hot-rolled steel and 300 kilograms of cold-rolled steel. The use of steel products in the vehicle is as follows:

- Considerable percentage for body structure, panels, doors, under body, and trunk covers to prevent high intensity and provide high energy absorption during a collision.*
- Minimal percentage on powertrain consists of cast iron for the engine block and machined carbon steel for the wear-resistant gears.*
- A lesser percentage on suspension, use high strength rolled steel strip; and the rest is in the wheels, tires, fuel tanks, steering, fasteners, and braking systems.*

FMCSA also stated that it sources 16% of the required hot-rolled steel and 84% cold-rolled steel from the Applicant, which is largely influenced by the Applicant's capacity to deliver on order, wherein quality (grade of steel) and quantity has historically been a challenge in this regard dating back to the previous Ford Ranger programme (P375 which was in production from 2011-2021). To compensate for the remaining demand, FMCSA uses imported steel, primarily from Europe. Similarly, several of FMCSA's Tier 1 automotive structural suppliers have had to rely on and incorporate imported steel in the manufacturing process to make and mould various automotive components of the vehicle interior and exterior panels and closures, engine compartments, underbody parts, brakes, wheels, cross members, panels, etc.

Key concerns and rationale for sourcing steel from Europe and abroad

FMCSA has significant concerns regarding the reliability and suitability of sourcing steel exclusively from AMSA. These concerns, detailed below, have regrettably led FMCSA to procure steel from international suppliers to mitigate substantial risks to their production and competitiveness:

- **No automotive-grade Hot-Dip Galvanised Steel available in South Africa:** HDG automotive grade steel is currently not available in South Africa. The current HDG steel is only produced for the construction and sheeting industry.*

- **Leveraging on the SADC-EU and SACUM-UK Economic Partnership Agreement (EPA) essential sourcing:**

FMCSA need to utilise European and UK steel so that our vehicles can qualify under the SADC-EU and SACUM-UK EPA. The SADC-EU and SACUM-UK Economic Partnership Agreement (EPA) would be jeopardised under Article 33 of the EPA (contravention of the principles under Article XIX of the GATT 1994, the WTO Agreement on Safeguards) should safeguards be implemented on European Steel exports outside of South Africa especially if the European exports are not the key contributor to AMSA's injury.

- **Unreliable supply and quality:**

Based on both current and previous experiences, AMSA have been marred by unstable supply, characterized by inconsistent delivery schedules and unacceptable quality levels. AMSA's hot-rolled steel, in particular, does not consistently meet the stringent quality standards required for critical chassis, body panel, and underbody components. Furthermore, AMSA does not produce the full range of imports corrosion resistant thick steel coil necessary for FMCSA vehicle production, necessitating the import of the subject steel. FMCSA cannot afford to have any production line stoppages due to AMSA's inability to supply sufficient quantities of steel.

- **Technological limitations:**

AMSA's existing manufacturing facilities lack the advanced technological capabilities necessary to produce all the specialized steel grades demanded by the modern automotive industry. Significant investment, estimated in the billions, would be required to upgrade AMSA's facilities with technologies such as electric furnaces and advanced machinery. Even with such investment, these upgrades would take a minimum of six years to implement, a timeline that is further jeopardized by AMSA's current financial challenges.

- **Operational constraints:**

AMSA's production capacity is further constrained by external factors, including frequent power outages (loadshedding), inadequate rail infrastructure for coal delivery, and limited access to capital for investment in new technologies. These operational

challenges exacerbate AMSA's inability to meet the automotive industry's demands and force local vehicle manufacturers to import steel to avoid costly production disruptions.

- **Project viability constraints:**

While FMCSA has approved AMSA as a supplier for other limited steel items that meet Material Safety and Steel Quality Specifications. As mentioned above, ongoing localization studies have revealed significant constraints to project viability. Specifically, AMSA's limited flexibility in coil size, limited size range, coupled with associated incremental costs, often renders potential business cases non-viable.

- **Price disadvantages:**

AMSA's pricing structure is negatively impacted by higher scrap rates resulting from outdated technology. These increased scrap costs are passed on to local consumers, resulting in elevated steel prices. In contrast, European steel mills, which benefit from more efficient technologies and a competitive market landscape, can offer more competitive pricing. The lack of competition within the South African steel market prevents FMCSA from securing the most favourable pricing and terms.

- **Fords commitment to environmental sustainability:**

Ford is actively pursuing a range of environmental commitments, primarily focused on achieving carbon neutrality and promoting sustainable practices across its operations and products. These commitments are part of Ford's "Road to Better" sustainability strategy. As European mills are making huge investments on green steel manufacturing improvements, AMSA has not been actively improving their carbon footprint thus the identification of EU CBAM as a risk for AMSA local production.

Comments by Lumax Energy Pty (Ltd) (“Lumax”)

Lumax stated that it manufactures downstream components that require aluminium-zinc coated flat steel (including S550GD, ZMA450, ZAM) in 1.4–1.6 mm and 2.9–3.0 mm thicknesses for complex cold-form profiles used in corrosive environments (notably renewable energy installations). This specification is not available in SACU, and the domestic producer cannot supply an equivalent to ZMA450 (galvanised is limited to ≈ Z600)

Comments by Toyota South Africa Motors Proprietary Limited ("TSAM")

TSAM stated that when conducting its investigation, the Commission must consider three critical factors listed below that impact TSAM's approach to steel imports and which, TSAM believes, cannot be remedied by blanket safeguard measures in respect of the flat-rolled steel products specified in the Notice:

- TSAM uses a range of safety-critical steel products not domestically produced for the automotive industry. Where some of these products are domestically produced, there is insufficient capacity to meet total demand.*
- Domestic producers of steel products frequently do not consistently supply or do not consistently meet the required specifications for safety-critical steel products.*
- In some cases, the quality of safety-critical steel products supplied by domestic producers remains deficient despite TSAM's efforts to assist domestic producers in improving quality.*

TSAM further stated specific critical steel grades used in automotive production, such as coated, galvanised, and ultra-high-strength steels, are not produced or sufficiently or adequately produced in South Africa. These products are essential for vehicles' structural integrity and safety-critical components.

Comments by Salzgitter AG

Salzgitter AG stated that it is factually not true that the split between non-alloy steel and other alloy steel products did not exist prior to 1994. Salzgitter AG stated that the EU Combined Nomenclature already included different sub chapters on non-alloy and other alloy steel in 1994. It is also not true that other-alloy steel can be substituted by non-alloy steel. Applications are substantially different and not interchangeable. Hence, a shift from one to the other is not possible or to a very marginal extend. e.g., using certain other-alloyed steel for welding applications if boron is added can result in failure of construction parts.

Salzgitter AG further stated that to the best of its knowledge, the only coated material for automotive use that is produced in South Africa is electro-galvanized material and

the electro-galvanized tariff headings are not included in the investigation. From a Salzgitter perspective, it did not compete with other hot-dipped galvanized imports but with electro galvanized steel, it supplies hot-dip galvanized material that is not available from local steel mills. By threatening these imports with safeguard measures, South Africa is undermining long standing supply relations and the supply of its domestic automotive industry. Thus, respectfully request to terminate the investigation with regard to automotive grade products.

Comments by the Automotive Business Council (NAAMSA)

Key concerns

NAAMSA stated that the imposition of safeguard duties, particularly where no local alternatives exist or where local supply is inadequate or inconsistent, threatens the operational viability of numerous automotive production activities. NAAMSA detailed their concerns as follows:

a) Material not produced locally

*Corrosion Resistant Thick Steel Coil, otherwise referred to as Galvanised Annealed (GA) steel, is a material essential to produce automotive body panels. GA steel undergoes a dual process—**zinc coating** for corrosion protection (galvanising) followed by **annealing** to enhance ductility and workability. This makes it especially suitable for components requiring precision shaping and resistance to corrosion, such as interior and exterior skin panels.*

*Currently, there is limited capability within South African mills to produce GA steel that meets the automotive industry's technical and quality standards—particularly for applications involving exposed panel surfaces where superior formability and finish are critical. As a result, the industry must rely on imported GA steel to maintain production standards. It is estimated that approximately **60,000 tons of GA steel** are imported annually on average by each OEM to meet these requirements. GA Steels are not produced or are inadequately produced in South Africa. These materials are essential for structural integrity and safety-critical components, and they must be imported to meet required standards. The local mills currently do not offer consistent supply or required specifications for these safety-critical applications.*

With no other local suppliers of auto-grade long steel immediately available at OEM certified standards and volume, component suppliers will either need significant buffer stock or must import steel to keep plants operational this year. This will have a cascading effect on the manufacturing value chain. Steel importation can increase costs by up to 25% due to longer lead times, logistics, and forex exposure. Added to this is the loss of local content derived from local steel, reducing APDP incentives to vehicle and component manufacturers, and placing SA at risk of failing to meet export rules of origin (RoO) requirements.

b) Quality deficiencies in local material

Where local production exists, the quality of supply remains a persistent challenge. Issues such as mill stains, material splitting, and cracking have been recorded, rendering the material unfit for automotive applications. As such, imported alternatives remain the only viable option to maintain production standards and safety compliance.

Response by the Applicant to the comments made by interested parties

The Applicant stated that interested parties allege that certain steel products are not manufactured locally, particularly for automotive and/or other specific application.

Some parties attempt to argue that the safeguard cannot be applicable to these products on the basis that they are not ‘like’ or ‘directly competitive’. Notably, the majority of respondents either have a rebate in place or have applied for one under the appropriate channels.

The Applicant reminded the Commission that while there is no definition of what a ‘like’ or ‘directly competitive’ product is, it has been accepted by the WTO Panel and Appellate body that four criteria apply in determining whether products could be considered “like” or “directly competitive”:

- i the physical properties of the products;*
- ii the extent to which the products are capable of serving the same or similar end-uses;*
- iii the extent to which consumers perceive and treat the products as alternative means of performing particular functions in order to satisfy a particular want or*

demand; and

iv the international classification of the products for tariff purposes.

The Applicant further stated that the SGA requires that even though the imported product may not be “like” in all respects to what is produced domestically, it may be substitutable or directly in competition with the domestically produced good.

The Applicant stated that save for rebated items, none of the above criterion was challenged regarding the tariff sub-headings representing the subject product. The Applicant stated that it, therefore, look forward to a positive determination on the product scope from the Commission.

The Applicant went on to say some interested parties’ concerns focus on Article 5.1 of the SGA which states that, if the safeguard is granted it shall not exceed the proportionality requirements of Art XIX of GATT 1994:

“A member shall apply safeguard measures only to the extent necessary to prevent or remedy serious injury and to facilitate adjustment.”

The Applicant denies that this section can be used to determine/interpret the scope of an investigation. This article deals with the requirement that the relief sought must be applied to prevent serious injury and facilitate adjustment. This is clear from reading the Appellate bodies report in US-line pipe in full.

Interested parties have quoted the Appellate Body report of US-Line Pipe as follows: “The phrase ‘only to the extent necessary’ in Article 5.1 of the Agreement on Safeguards sets a limit on the scope of the safeguard measures...etc.”

The Applicant stated that it submits that no such paragraph exists in the Appellate body decision. Although the Appellate body engaged in lengthy arguments about the interpretation of Article 5.1, never once did it draw a connection between the product scope (line pipe in that instance) and Article 5.1.

Accordingly, interested parties are attributing the application of Article 5.1 incorrectly and in a deliberately misleading way.

Notwithstanding the aforementioned, interested parties' argue that by including rebated items which they allege do not compete with industry, the eventual measure will apply to a greater extent than what is allowed for in the Agreement.

In this regard, the Applicant reminds the Commission of the steel review initiated in March of 2025. It was determined there that rebates under HS codes 7210.61, 7210.70, and 7225.99 were problematic and having 'unintended negative consequences on domestic manufacturing'.

These unintended consequences are an exacerbating factor to the surge as abuse of these rebates, allows product to enter the country duty free (even free from bound rate). It was discovered that most if not all products under these headings could be produced locally.

Products that are not manufactured in SACU retain eligibility for rebate relief, this is something in principle the Applicant does not object to.

The Applicant stated that in summary, the Commission should take special care and precaution when granting rebate provisions and it is the Applicant's position that there are very limited circumstances where they are applicable. The Applicant reiterated that due to the existence of certain rebates, the products will be exempt from duties and there is no need to narrow the scope and/or exclude these products from the scope of application of the measures.

Commission's consideration

The Commission is of the view that the interested parties have made a compelling case that there are products that fall within the scope of this investigation that are not produced domestically. If they are produced, the material is unable to meet the specific requirements, be it in automotive or the appliances sector. The Commission noted that there are other challenges that have been highlighted as being experienced by the Applicant such as outdated technology, long lead times and uncertain supply. When issues of such nature are raised by a number of interested parties that are users of the subject product it becomes difficult for the Commission to look the other way.

The Commission considered that there are rebate provisions in place that interested parties can apply for in instances where duties are imposed on products that are not produced locally, however, in this case, the Commission found that a large number of the downstream users of the subject product will be affected by the imposition of the provisional measures. The Commission noted the response by the Applicant to the comments by interested parties that the products that are not available can be imported under a rebate provision, the Commission considered that it is safer not to impose any provisional measures to minimise cost raising effect to the downstream users, as the provisional measures cannot be rebated according to SARS.

After considering all the above, the Commission has made a preliminary determination that the SACU product and the imported products qualify as “like products” or, at minimum, directly competitive products for purposes of comparison under the SGR. While these products are broadly comparable, the Commission also noted that certain end-users have specific technical requirements that cannot be met by generic zinc-coated or alu-zinc-coated steel. This distinction highlights that, despite overall similarity, product differentiation exists for specialized applications.

3. INDUSTRY STANDING

3.1 DOMESTIC INDUSTRY

The Application was lodged by ArcelorMittal South Africa Limited (“the Applicant” or “AMSA”), being the major producer of the subject product in the Southern African Customs Union (“SACU”) supported by SAFAL.

Comments by Metpar (Pty) Ltd t/a Steelbank Gauteng and Steelbank Merchants (Pty) Ltd (“Steelbank Group”)

Steelbank Group stated that Duferco is also a manufacturer of the subject product and thus forms part of the SACU manufacturing industry and ought to have been included in the Application.

Commission’s consideration

The Commission is aware that Duferco forms a part of the SACU Industry, the Commission does not have Duferco’s production volumes at this stage as Duferco did not provide a response to the Commission’s initiation of this investigation. The Commission considered that in other investigations it was found that Duferco’s production volumes was less than that of the Applicant and SAFAL. The Commission concluded that the application was made by or on behalf of the SACU Industry.

Considering the above, the Commission made a preliminary determination that the application can be regarded as being made “by or on behalf of the domestic industry”.

4. UNFORESEEN DEVELOPMENTS

4.1 Requirements of Article XIX of GATT – Effect of WTO Obligations

Article XIX of the GATT provides as follows:

“If, as a result of unforeseen developments and of the effect of obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.”

In terms of the WTO, the provision is interpreted to mean that the developments in the market should have been unforeseen at the time of negotiation of the relevant tariff concessions.

The Commission analysed the effects of the obligations incurred with regard to the subject product under the GATT 1994.

4.2 Information submitted by the Applicant

The Applicant submitted the following information to support its allegation on unforeseen development:

The Applicant stated that the relative size of the SACU market must be considered to fully understand the rapid and severe impact that increased imports—driven by unforeseen global developments and GATT obligations—can have on the domestic industry. In 2022, South Africa, the largest SACU member, imported non-alloy steel products under HS 7210.49 valued at USD 209 million, making it the largest importer in Africa and accounting for 17.7% of the continent’s total imports. However, this figure represents only 0.68% of global imports, highlighting South Africa’s limited influence in the global steel market.

The Applicant also stated that the global steel industry is experiencing significant overcapacity, particularly in China, where producers are operating at a loss. This has led to declining real export prices and a surge in trade protection measures globally, including the U.S. Section 232 measures. As traditional markets close or restrict access, excess steel is being diverted to more open markets like SACU. South Africa, with only a 10% duty and no additional trade remedies on the subject product, is among the least protected markets globally.

As a result, imports into SACU have surged, causing serious injury to the domestic industry. If this trend continues, it could lead to the collapse of the local steel sector, which would be contrary to South Africa's public interest. A strong domestic industry is essential to ensure fair pricing, timely availability of products, and national economic resilience. For context, China's coated steel production in 2021 exceeded 65 million tonnes—over 350 times SACU's annual demand.

According to the Applicant, steel is a strategic resource for South Africa's infrastructure, defence and industrial sectors. Increased reliance on imports, especially from China, poses national security risks. A weakened domestic industry may be unable to meet local demand during global supply disruptions, leading to shortages in critical downstream sectors. As noted by economist Hanin El-Mahdy, there is a strong correlation between per capita steel consumption and a country's economic development.

Furthermore, the Applicant stated that global decarbonization efforts, particularly in the EU and China, are pressuring South Africa to modernize its steel production. Without sufficient returns on investment, local producers cannot adopt cleaner technologies, rendering them uncompetitive and deepening import dependency.

Product

The Applicant stated that before addressing the unforeseen developments and international obligations affecting the subject product, it submits that it is essential to understand the product's position within the steel production value chain. This context is critical, as developments impacting upstream or related steel products directly affect

the production, sales, and export dynamics of the subject product.

The subject product comprises galvanised alloy and non-alloy steel coil with a minimum thickness of 0.45 mm. These two variants are functionally identical, interchangeable, and directly competitive. Accordingly, both are included within the scope of the subject product and the SACU like or directly competitive product.

The primary input for manufacturing the subject product is carbon or alloy hot-rolled coil. Therefore, any global developments affecting hot-rolled coils or sheets—such as changes in capacity, pricing, or trade measures—will have a direct impact on the subject product. Given the minimal value addition between hot-rolled coil and the final product, fluctuations in upstream markets significantly influence the subject product. Similarly, developments in cold-rolled steel, which is one processing step downstream from hot-rolled steel, also affect the subject product due to their interconnected production processes.

Globally, flat-rolled products of iron or non-alloy steel (HS 7210.49) were the 105th most traded product in 2022, with a trade value of USD 30.8 billion. China led exports with USD 6.02 billion, while the U.S. was the largest importer. Despite South Africa accounting for 17.7% of Africa's imports of this product (USD 209 million), it represented only 0.68% of global imports. Notably, global trade in this product declined by 10.6% from 2021 to 2022, reflecting a USD 3.7 billion drop in demand, while production capacity remained stable or increased. China alone reduced its exports by USD 1.49 billion—over seven times South Africa's total imports—highlighting the scale of the threat posed by global overcapacity.

Similar trends are observed in flat-rolled alloy steel products coated with zinc (HS 7225.92), which ranked 551st globally in 2022 with a trade value of USD 7.04 billion. While global trade in this product increased by 7.43%, Africa imported only USD 238 million, of which South Africa accounted for 68.9% (USD 164 million), or 2.3% of global exports.

Combined, global trade in both product categories declined by USD 3.21 billion in 2022—8.6 times the value of South Africa’s total imports. This decline was not due to increased domestic consumption in exporting countries but rather reflects growing spare capacity. The Applicant submits that this excess capacity, coupled with South Africa’s relatively open market, exposes the domestic industry to significant injury from diverted exports.

GATT Obligations

The Applicant stated that the WTO Appellate Body has consistently affirmed the continued applicability of Article XIX of the GATT 1994 in safeguard investigations. This interpretation ensures that both the Safeguard Agreement and Article XIX are given full legal effect within the WTO framework. Article XIX:1 provides, in relevant part:

“If, as a result of unforeseen developments and of the effect of obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported...”

In this context, it is necessary to outline the specific obligations South Africa and SACU have undertaken under the GATT that constrain their ability to respond to increased imports of the subject product without resorting to safeguard measures.

For the subject product—galvanised alloy or non-alloy steel coil—the relevant obligations include:

Tariff Binding: Under Article II of GATT 1994, South Africa bound the ordinary customs duty on the subject product at a maximum of 10%.

Prohibition of Quantitative Restrictions: Article XI of GATT prohibits the use of volume-based import restraints.

The Applicant also stated that prior to South Africa’s accession to the GATT 1994, a formula duty applied: either a 5% ad valorem duty or 95% of the difference between a benchmark price and the lower import price, whichever was higher. Upon accession,

this formula was eliminated, and only a 5% ad valorem duty remained. This was later reduced to 0% in 2005 and subsequently increased to the bound rate of 10% in 2016. However, applying the bound rate has not prevented a surge in imports of the subject product.

The Applicant stated that the Commission, in Report No. 551 concerning hot-rolled steel products, analyzed the impact of GATT obligations. It found that the binding of duties at 10% led to significant restructuring in the domestic industry, including the unbundling and privatization of the state-owned steel entity. According to the Applicant, the Government also reformed outdated pricing models to enhance competitiveness. These same dynamics apply to the subject product, which is a downstream product of hot-rolled steel and faces similar structural and competitive challenges today.

Accordingly, the Applicant submits that the obligations incurred under the GATT, combined with unforeseen global developments, have rendered South Africa unable to effectively address the surge in imports without invoking safeguard measures.

DEFINITION OF UNFORESEEN DEVELOPMENTS

Unforeseen developments are not defined in Article XIX of GATT, the Agreement on Safeguards, the ITA Act or the Safeguard Regulations. This questionnaire does point out that “The unforeseen development must be a development or event that could not have been foreseen at the time of the conclusion of negotiations in 1994.”

The Appellate Body in Argentina — Footwear (EC) noted that the remedy provided by Article XIX is of an emergency character and is to be “invoked only in situations when, as a result of obligations incurred under the GATT 1994, a Member finds itself confronted with developments it had not ‘foreseen’ or ‘expected’ when it incurred that obligation”. It further found that “... "unforeseen developments" should be interpreted to mean developments occurring after the negotiation of the relevant tariff concession which it would not be reasonable to expect that the negotiators of the country making the concession could and should have foreseen at the time when the concession was negotiated.”

It is safe to say then that unforeseen developments rely solely on whether or not a specific circumstance, event, situation or the like was foreseen during the 1994 Uruguay round of negotiations, meaning anything outside this exact test is irrelevant. This means that it is irrelevant whether something that happened in 2022 could have been foreseen in 2021 or even in 2010.

In US – Hatter’s Fur, a dispute under GATT 1947, the GATT Working Party defined unforeseen developments as developments that took place after the relevant tariff concession had been negotiated and where the negotiators could not have reasonably foreseen such developments. In that dispute the unforeseen circumstance was the speed at which women’s fashion for fur hats had changed. This shows that unforeseen developments are not something grand, but simply something that could not have been foreseen by a country’s negotiators when they negotiated that country’s obligations.

The WTO Dispute Settlement Body has ruled that several different developments, each of which could have been foreseen individually, could be regarded as unforeseen if there was a confluence of such developments that was unforeseen. The panel in US – Steel Safeguards specifically found that:

“Article XIX does not preclude consideration of the confluence of a number of developments as ‘unforeseen developments’. Accordingly, the Panel believes that confluence of developments can form the basis of ‘unforeseen developments’ for the purposes of Article XIX of GATT 1994. The Panel is of the view, therefore, that it is for each Member to demonstrate that a confluence of circumstances that it considers were unforeseen at the time it concluded its tariff negotiations resulted in increased imports causing serious injury.”

Although the Applicant submits several unforeseen developments, each of which would individually meet the requirements of Article XIX of GATT, it submits that a confluence of events forms the basis of the unforeseen development in this application, namely;

- (1) The decision to split the subject product into two main HS categories, namely non-alloy steel (HS7210) and alloy steel (HS7225) resulting in a tug and pull

effect, whereby the increase in duties payable on one tariff sub-heading leads to a direct increase in the import volumes for the other due to their interchangeability in function;

- (2) The carbon border adjustment mechanism (CBAM) imposed by the EU on imports of steel and a limited number of other products, and similar programmes imposed by other developed countries, with the concomitant impact on developing countries, such as South Africa, that produce steel using electricity generated mainly through the use of coal;
- (3) Load shedding and electricity price increases vastly outstripping inflation in South Africa;
- (4) The considerable oversupply of the subject product in the world today, causing a surge in imports into the SACU, which can be broken down into four main issues, namely:
 - (i) Studies show that China did not become a fully-fledged market economy as it assured WTO Members it would during negotiations;
 - (ii) Whereas China is the both the world's biggest producer and consumer of steel and steel products, Chinese economic growth rate has declined since 1994 and especially from the onset of COVID-19, and the crisis in which the Chinese construction industry – the largest user of steel in China – currently finds itself, significantly contributes to a decreasing demand for steel in that market;
 - (iii) Although steel production pre-1994 increased significantly, this increased in line with projected and actual increases in consumption. Since the early 2000s, after China joined the WTO, worldwide steel capacity has increased significantly faster than steel consumption, leading to a very significant worldwide over-capacity. Whereas what could reasonably have been foreseen would be that if over-capacity was created, this would abate over time to ensure equilibrium, this has not happened, and the over-capacity margin continues to increase, not only in China, but also as production comes online in other countries, including in Africa; thus leading to many

producers operating at prices that are either unprofitable or unsustainable in the long run. Again, this is unforeseen, as companies are in business to make a profit; and

- (iv) Although it could be foreseen that countries could use trade remedies to protect their domestic industries, it could not be foreseen that countries would resort to trade remedies to the extent they have. This has led to significant trade diversion, including to South Africa.

The Applicant stated that the confluence of the above circumstances was unforeseen at the time South Africa concluded its tariff negotiations and it resulted in increased imports causing serious injury to the SACU industry. Each circumstance is discussed in more detail below. Note that some of the developments overlap, and, for example, discussions on overcapacity may be included in the section on China's failure to become a market economy.

THE DECISION TO SPLIT NON-ALLOY AND ALLOY STEEL PRODUCTS

The Applicant stated that the International Convention on the Harmonized Commodity Description and Coding System (HS Convention) entered into force on 1 January 1988. The objectives of the HS Convention are (i) to facilitate international trade and the collection, comparison and analysis of statistics by harmonizing the description, classification and coding of goods in international trade; (ii) to reduce the expenses related to international trade and (iii) to facilitate the standardization of trade documentation and the transmission of data.

In so doing, primary steel products, classifiable under Chapter 72 of the system were split into multiple categories. Pertinent to this Application was the decision to differentiate between alloy and non-alloy steel, because of their different intended uses. Alloy steel and carbon steel both have very useful properties. Carbon steel is an alloy of iron and carbon, typically containing up to 2% carbon by weight. It is often utilized in the production of machines, tools, steel buildings, bridges, and other infrastructure. Alloy steel, on the other hand, is a type that contains one or more alloying elements (usually other metals such as manganese, chromium, and nickel) in addition to carbon. Alloy steel is often used in high-strength parts such as gears, shafts, and axles.

The problem however, which was unforeseen at the time of the GATT negotiations, was the interchangeability of alloy steel for use in non-alloy projects. It was incorrectly thought that due to the increased price for alloy steel, the import of these products would be used specifically in the specialized products listed above. What was not expected was that the low requirement of artificial elements required to classify as an alloy steel product, would lead to a direct relationship between non-alloy steel and alloy steel, whereby the increase in duties payable for non-alloy steel products, whilst leaving the alloy heading open, would lead to a direct increase in imports of alloy steel products.

This was first experienced in September 2015 when the tariff level on the non-alloy product was increased from 0% to 10%, whilst the duty level on the alloy product remained at 0%.

There was an immediate increase in imports under tariff sub-heading 7225.92 from China from 17 tonnes in 2014 to a significant 42,604 tonnes in 2016, whilst imports under tariff sub-heading 7210.49 decreased from 44,690 tonnes to 26,036 tonnes during the same period.

The same is happening now, where imports of non-alloy steel decreased from 139,388 tonnes in the second year of the POI to 126,755 tonnes in the final year of the POI, while alloy steel imports increased from 100,681 tonnes to 109,416 tonnes during the same period. The information also shows that the prices of the two products were highly competitive, confirming the like or competitive nature of the products.

Import volumes and values per annum (Tonne & Rand) 7210.49			
	July 2021 – June 2022	July 2022 – June 2023	July 2023 – June 2024
Non-alloy			
Volume Tonnes	113,255,212.40	139,387,972.99	126,755,140.19
Value Rand	1,924,353,067.00	3,179,014,549.00	2,819,533,911.00
Average unit price R/Tonne	16.99	22.81	22.24

Import volumes and values per annum (Tonne & Rand) 7225.92			
Alloy	July 2021 – June 2022	July 2022 – June 2023	July 2023 – June 2024
Volume Tonnes	82,909,613.82	100,680,609.34	109,416,143.29
Value Rand	1,396,490,112.00	2,225,247,408.00	2,540,723,778.00
Average unit price R/Tonne	16.84	22.10	23.22

The Applicant stated that these products are directly competitive and fully interchangeable and typically as the price for one increases, demand will shift to the other. This has happened on previous occasions, including when the first safeguard application on hot-rolled steel was lodged, and there is no indication that this practice will subside in the foreseeable future. This occurrence was clearly not foreseen during the Uruguay round of negotiations and as such meets the requirements of unforeseen developments as envisioned by both the Safeguard Regulations of South Africa and the Safeguard Agreement.

CARBON BORDER ADJUSTMENT MECHANISM AND SIMILAR PROGRAMMES

The Applicant stated that the European Union's Carbon Border Adjustment Mechanism (CBAM), adopted by the European Parliament in March 2021 and implemented in May 2023, constitutes an unforeseen development with significant implications for global steel trade. The transitional phase of CBAM began in October 2023 and will culminate in full implementation by January 2026.

During the transitional period, exporters to the EU are required to submit quarterly reports detailing the greenhouse gas (GHG) emissions embedded in their production processes. This includes direct emissions, certain upstream emissions, and indirect emissions such as those from electricity used in production. These reporting obligations, which must be fulfilled in a prescribed format, already impose additional compliance costs on exporters—costs that did not exist when South Africa and other countries negotiated their GATT obligations during the Uruguay Round (1986–1993).

The Applicant also stated that under CBAM, exporters from non-EU countries will be required to pay a levy equivalent to the difference between the carbon costs borne by

EU producers and those borne in the exporting country. Given that the EU relies heavily on clean energy sources (e.g., wind, solar, nuclear), while developing countries—including South Africa—depend largely on fossil fuels, the resulting levies will be substantial. For example, estimated CBAM levies per 1,000 tonnes of steel are as follows: Brazil (€145,346), China (€150,716), India (€173,897), and South Africa (€121,987), compared to the U.S. (€65,752) and the UK (€0).

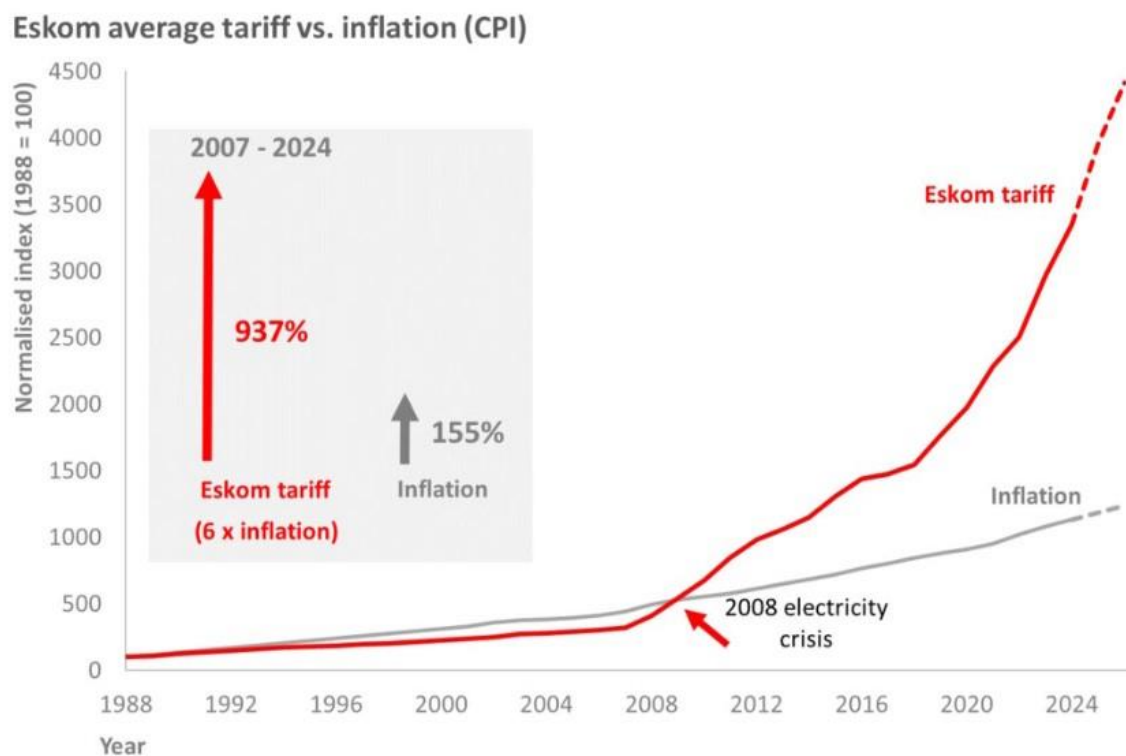
These levies, and the associated compliance burdens, are already having a trade-diverting effect. Exporters facing high CBAM costs are seeking alternative markets where such levies do not apply or are less stringent. South Africa, which does not currently impose similar carbon-related trade measures, is increasingly vulnerable to this diversion. The South African Reserve Bank estimates that CBAM will reduce South Africa's exports to the EU by 4% by 2030, relative to a scenario without CBAM. South Africa has expressed concern over CBAM's implications, describing it as punitive and potentially inconsistent with WTO rules. The UK's similar carbon pricing mechanism has also drawn criticism. These developments were not foreseeable at the time of South Africa's GATT commitments and now place the domestic industry at a competitive disadvantage.

Moreover, as the global steel industry transitions toward decarbonization—particularly through the adoption of electric arc furnace (EAF) technology—South Africa must modernize its production processes to remain competitive. Without sufficient returns on investment, local producers will struggle to meet these new environmental standards, further deepening the country's reliance on imports and exposing the domestic industry to injury.

In conclusion, the Applicant stated that CBAM and similar measures constitute unforeseen developments under Article XIX of the GATT 1994, contributing to increased imports and justifying the application of safeguard measures to protect the domestic industry.

LOAD SHEDDING AND ELECTRICITY PRICES IN SOUTH AFRICA

Steel production is an electricity-intensive process and electricity constitutes a notable cost in any steel producer's cost structure, especially where margins are relatively small. It was unforeseen in 1994 that the South African government would fail to timeously invest in additional electricity generating capacity and maintenance of existing generating capacity with the result that the EAF (electricity availability factor) would decrease dramatically, resulting in massive load shedding during the investigation period. This load shedding has had a negative impact on AMSA and other local steel producers, which has led to an increase in imports, as well as an increase in the industry's cost structure. Poweroptimal illustrates that "From 2007 to 2024, electricity tariffs increased by 937%, whilst inflation over this period was 155%. Thus, electricity tariffs increased six-fold (or SIX times faster than inflation) in real money terms in 16 years",¹ as illustrated in the graph below:



Source: <https://poweroptimal.com>

¹<https://poweroptimal.com/2024-update-eskom-tariff-increases-vs-inflation-since-1988-with-projections-to-2026/#:~:text=From%202007%20to%202024%2C%20electricity,money%20terms%20in%2016%20years>

NERSA has already approved another 12.74% increase in 2025, with additional above-inflation increases on the cards for 2026 and 2027.

Little load shedding has been experienced in 2024, which indicates that one aspect related to electricity problems has been, or is being, addressed. This means that the applicant's production processes will not be, or will be less, disrupted by load shedding going forward, leading to higher productivity and increased efficiencies. However, the electricity increases will considerably impact the industry's cost structure. Since the cause of these cost increases are external to the industry, government should support a safeguard to protect the industry from these external influences until the electricity pricing issues have been addressed or until AMSA has been able to internally address its reliance on Eskom.

Although other parties may argue that increased electricity prices are an "other" factor that caused injury to the industry and that this should be considered in the non-attribution analysis, the opposite applies: this is an unforeseen development that had an impact on increased imports, as it had a direct impact on the industry's production costs, thereby unfairly making imports relatively cheaper.

CHINA DID NOT BECOME A FULLY-FLEDGED MARKET ECONOMY

The Applicant submits that at the conclusion of the Uruguay Round of Multilateral Trade Negotiations in 1995, China was not yet a Member of the World Trade Organization (WTO). Although China had initiated the process to resume its status as a GATT contracting party in 1987, it only formally applied for accession to the WTO Agreement in December 1995. Following 15 years of negotiations, China acceded to the WTO on 11 December 2001.

During the accession process, China made extensive representations to the GATT and WTO Working Parties, asserting that it was transitioning to a socialist market economy. Reforms introduced in 1994 were said to have modernized key sectors, including banking, finance, taxation, and foreign trade. China assured WTO Members that state-owned enterprises (SOEs) were being restructured to operate independently and competitively, and that market forces would play a central role in resource allocation.

These assurances were instrumental in securing support for China's accession, including from South Africa. However, the Applicant submits that many of these commitments were either not fulfilled or were subsequently reversed. In particular, China's steel industry has continued to benefit from extensive state intervention. SOEs remain dominant, and unprofitable producers are sustained through government support—contrary to the principles of a market economy.

Even in 2023–2024, the Chinese government plays a significant role in the steel sector, particularly through subsidies aimed at transitioning from blast furnace-basic oxygen furnace (BF-BOF) technology to electric arc furnace (EAF) production. While this transition was intended to be capacity-neutral, in practice it has led to a net increase in steelmaking capacity. According to S&P Global, from early 2021 to August 2024, China added 19.63 million tonnes of crude steel capacity. Further expansions are planned through 2026, despite a formal suspension of new capacity swap approvals in August 2024.

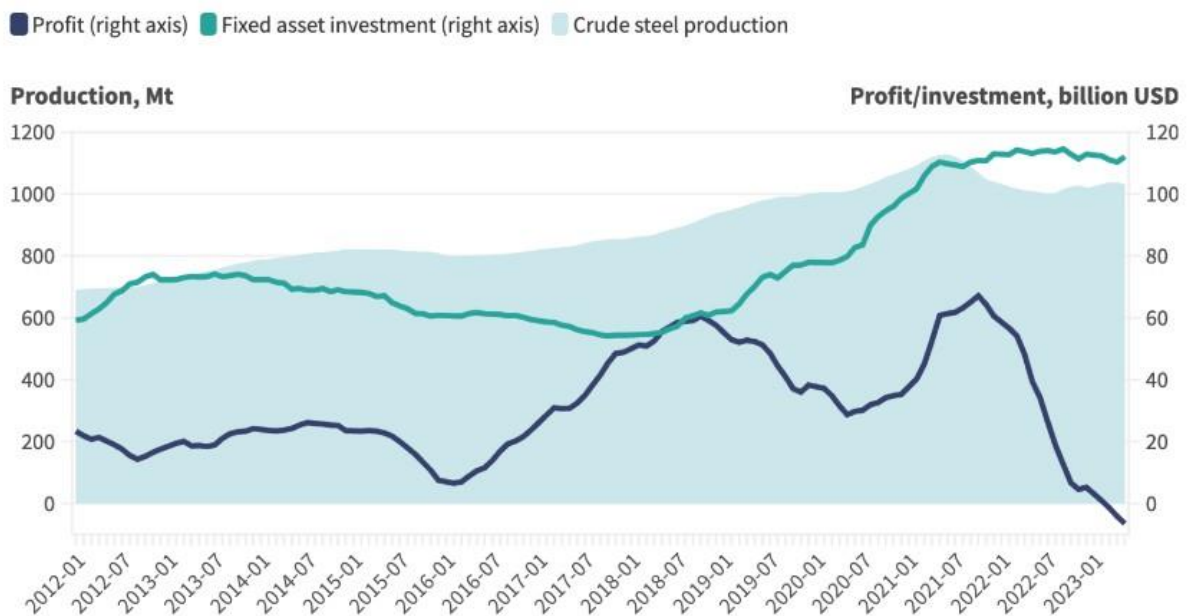
China's total steel production capacity rose from 1.146 billion tonnes in 2021 to 1.17 billion tonnes in 2023. However, capacity utilization declined from 90.1% in 2021 to 86.9% in 2023, with further declines expected. This occurred despite increased production, which rose by 6 million tonnes from 2022 to 2023. Meanwhile, domestic steel consumption fell by 5.9% over the same period, largely due to a crisis in China's real estate and construction sectors.

As a result of this overcapacity and declining domestic demand, China's steel exports surged by 76% between 2020 and 2023, reaching 94.5 million tonnes. Exports to the U.S. remained minimal due to a 25% tariff under Section 301 of the U.S. Tariff Act of 1974. However, the bulk of China's excess steel has been redirected to other markets, including developing countries like South Africa, which lack similar trade protections. The GMK Centre notes that the oversupply in Asia has led to falling prices and increased pressure on other markets, prompting countries like Türkiye and EU Members to impose protective quotas. Meanwhile, the Centre for Research on Energy and Clean Air (CREA) reports that profits in China's steel industry collapsed from over USD 60 billion in 2021 to a loss in 2023—yet production continues unabated due to state support.

The Applicant stated that these developments—particularly China’s failure to adhere to market economy principles and its continued expansion of subsidized steel production—constitute unforeseen developments under Article XIX of the GATT 1994. These actions have contributed to a surge in imports that is causing serious injury to the domestic industry in SACU, justifying the application of safeguard measures.

China's crude steel production, profit and completed fixed asset investment of the steel sector

2012–2023 May (12-month moving sum)



Source: CREA analysis, WIND, National Bureau of Statistics of China • Profit and investment data refer to smelting and pressing of ferrous metals sector.



The Applicant stated that recent developments in China’s steel industry further confirm the existence of unforeseen developments under Article XIX of the GATT 1994, which have contributed to a surge in imports causing serious injury to the SACU domestic industry.

Despite longstanding commitments made during its WTO accession process to transition toward a market economy, China continues to heavily subsidize and expand its steelmaking capacity—particularly coal-based production. According to the Centre for Research on Energy and Clean Air (CREA), Chinese steel firms are still investing significantly in new coal-based capacity, with approximately 30 million tonnes per

annum (Mtpa) of new capacity approved every six months—equivalent to the entire steel capacity of Germany and several times larger than the total SACU market.

In March 2024, the Global Energy Monitor reported that China has 48 Mtpa of electric arc furnace (EAF) capacity under development, with only 21 Mtpa scheduled for closure. This implies a net increase of 27 Mtpa, despite official policies suggesting capacity neutrality. While EAF utilization has been limited by scrap and electricity constraints, China is rapidly expanding its scrap supply and electricity grid, which will likely boost utilization and production in the near future.

BHP has noted that Chinese construction firms purchased 37 million tonnes less steel in 2023 compared to 2010, reflecting a significant decline in domestic demand. Nevertheless, News.Metal.com projects a net increase of 40 million tonnes in steel capacity over the coming years. Yieh.com confirms that production of crude steel, pig iron, and steel products in China continued to rise through mid-2024.

According to Wikipedia, China's crude steel production has grown from 123 million tonnes in 1999 to over 1 billion tonnes in 2022. The industry remains dominated by large state-owned groups, supported by local and central governments. Despite high debt levels and overproduction, local authorities continue to back aggressive production expansion, even as domestic demand declines.

This overproduction has led to a surge in exports and a global collapse in steel prices. China's steel exports rose from 53.7 million tonnes in 2020 to 94.5 million tonnes in 2023—a 76% increase. The GMK Center notes that this has triggered a new wave of trade restrictions globally, as countries seek to protect their domestic industries from the flood of low-priced Chinese steel.

The Centre for Research on Energy and Clean Air (CREA) further reports that profits in China's steel sector have collapsed—from over USD 60 billion in 2021 to a loss in 2023—yet production continues unabated due to state support. In a true market economy, such losses would result in plant closures and capacity reductions. In China, however, state intervention prevents this natural market correction.

In summary, the Applicant submits that it could not have been foreseen in 1994, when South Africa negotiated its GATT obligations, that:

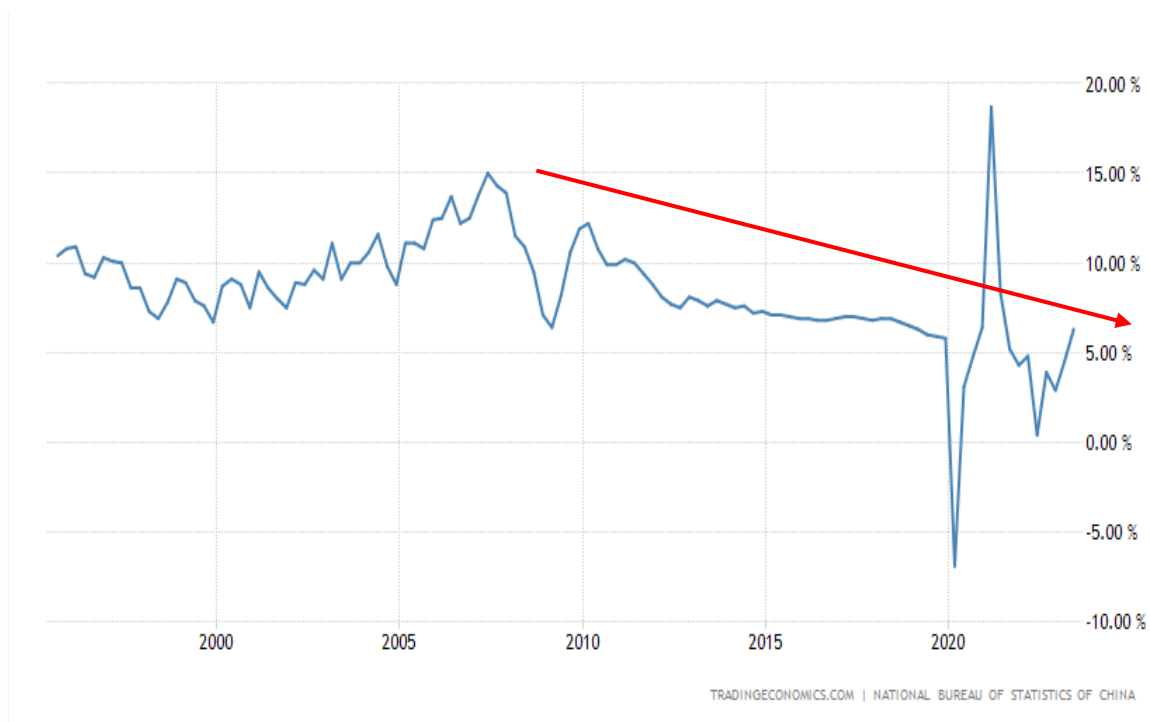
China would not transition into a full market economy as promised; and
China would over-invest in steel production to such an extent that it would create massive global overcapacity, depress global prices, and cause widespread injury to steel industries worldwide.

These unforeseen developments justify the application of safeguard measures to protect the SACU steel industry from further injury.

DECREASE IN CHINA'S GROWTH RATE

The Applicant stated that China had heavily invested in its economic growth since 1979, leading to an industrial awakening, however this growth was not sustainable in the long term, even as the country went from developing economy into a fully-fledged developed economy, albeit it with a great deal of government oversight and intervention.

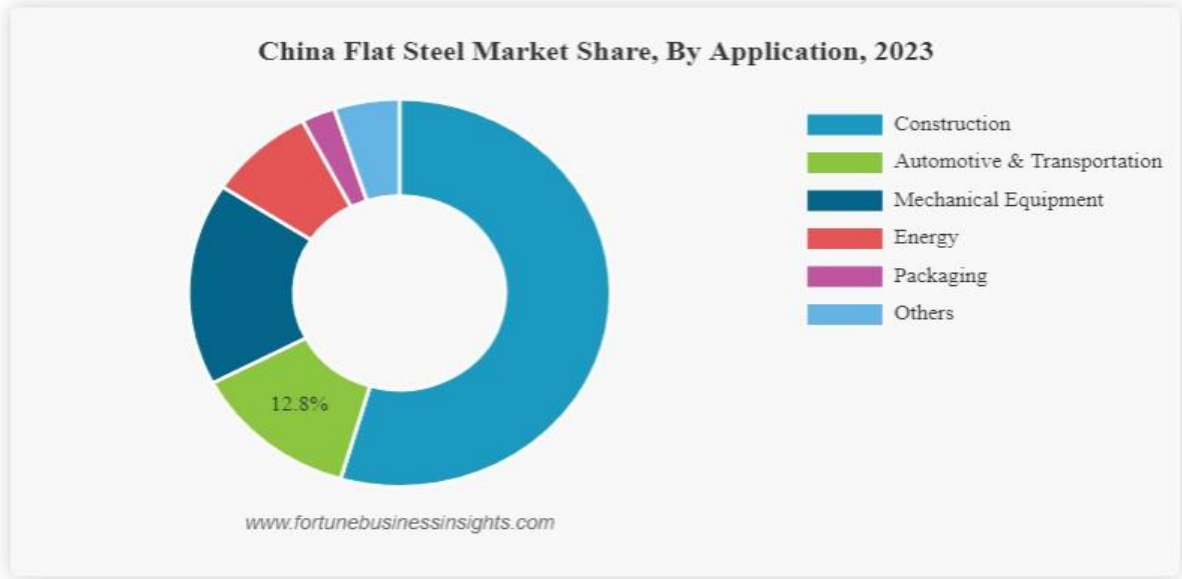
From the graph below, we can see that the Chinese annual growth rate has been on a steady decline since 2006/2007 (with the notable exception of 2021, which was as a result of the economy being opening up after extreme Covid-19 restrictions). As economic growth slows down, the domestic demand for certain commodities, especially those used in infrastructure development, will slow down in response.



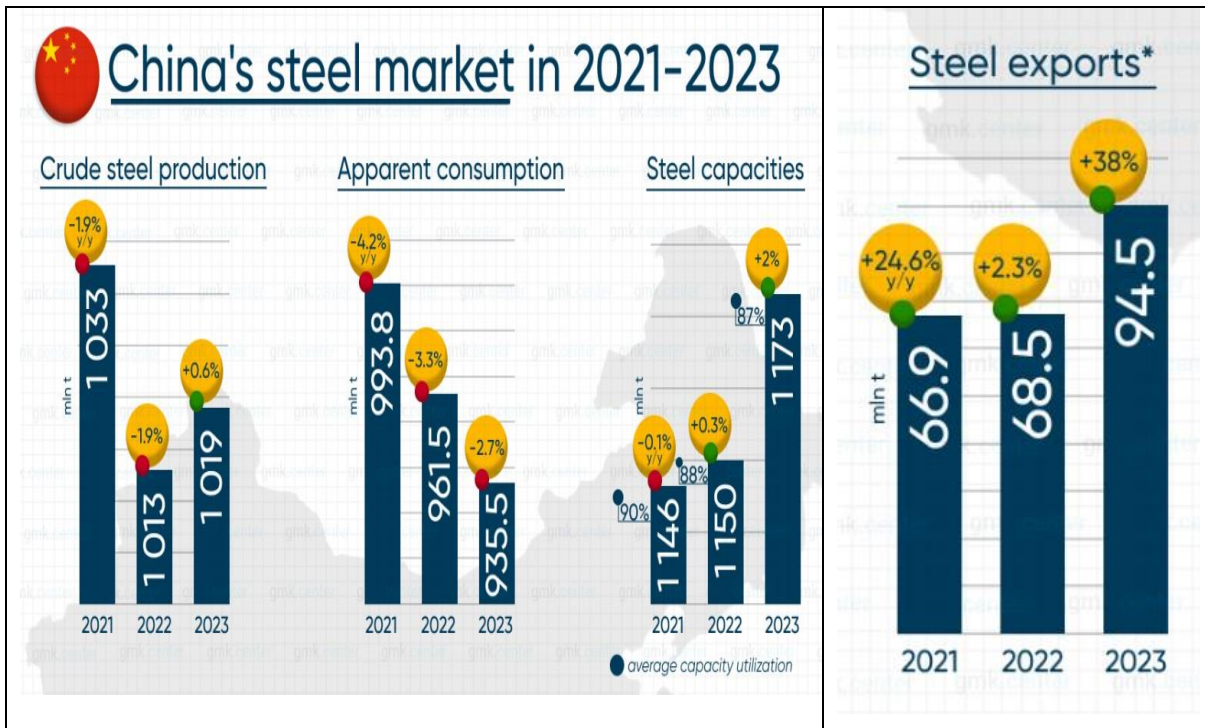
**Source: Tradeeconomics.com / National Bureau of Statistics China*

As the domestic demand in China slowed down, manufacturers kept increasing their overall production to keep reducing the cost for these steel commodities, leading to an inherent need to find alternative markets for this oversupply of steel. South Africa, which has one of the lowest barriers to entry (as a result of being considered a developed country at the time of the Uruguay negotiations), became a lucrative avenue for imports from China that could no longer be sold domestically, as the demand just wasn't there. At the same time, in October 2024 China announced a massive stimulus package to the Chinese economy in an attempt to increase the growth rate for 2024 to 5%, but all indications are that it will fail to meet this self-imposed target, mainly as a result of the crisis in the housing and construction industry. Fortune Business Insights shows that in 2023 the construction industry held a flat steel market share well in excess of 50%, thus the construction crisis has a massive impact on the Chinese steel industry:²

² <https://www.fortunebusinessinsights.com/flat-steel-market-102911>



GMK Centre shows that China's production of semi-finished products under HS 7207 and rolled goods under 7208-7229 (excluding 7218 and 7224), thus including the subject product, despite increasing by 6 million tonnes in 2023, has decreased by 14 million tonnes between 2021 and 2023, despite capacity increasing by 27 million tonnes over the same period. At the same time, exports increased from 66.9 million tonnes in 2021 to 94.5 million tonnes in 2023, an increase of 41%:³



³ <https://gmk.center/en/infographic/chinas-steel-market-in-2021-2023-overcapacity-and-export-growth/>

The China Iron and Steel Association (CISA) stated that China's apparent steel consumption (crude steel basis) was 964 mmt in 2022, and “forecasts that it will fall to 910 mmt in 2025, 860 mmt in 2030 and 820 mmt in 2035. Bearing in mind that China’s capacity is slated to increase further, the decrease in China's apparent steel consumption will lead to further over-capacity and price pressures.”⁴

WORLDWIDE OVERCAPACITY

The Applicant submits that the current global conditions in the steel industry—particularly the unprecedented overcapacity—constitute unforeseen developments within the meaning of Article XIX of the GATT 1994, as interpreted by WTO panels in *EU – Steel Safeguards* and *India – Iron and Steel Products*.

In *EU – Steel Safeguards*, the European Union identified three cumulative unforeseen developments:

1. **Unprecedented overcapacity** in the global steel sector, driven by government support and persisting despite efforts to reduce it;
2. **Increased use of trade-restrictive measures** in third-country markets, including tariffs, minimum import prices, national standards, and local content requirements, particularly by major importers such as the United States;
3. **The imposition of Section 232 measures by the United States**, which significantly altered global trade flows.

The panel accepted these as unforeseen developments and found that the EU had sufficiently demonstrated how they led to increased imports. The panel emphasized that overcapacity had grown contrary to economic expectations and despite corrective measures, and that no further evidence was required to establish it as unforeseen.

Similarly, in *India – Iron and Steel Products*, the panel found that a surge in steel production capacity in 2015, leading to overcapacity, was an unforeseen development when considered alongside other contributing factors.

The Applicant submits that the current global steel market reflects these same conditions—if not more severely. As demonstrated above and further elaborated

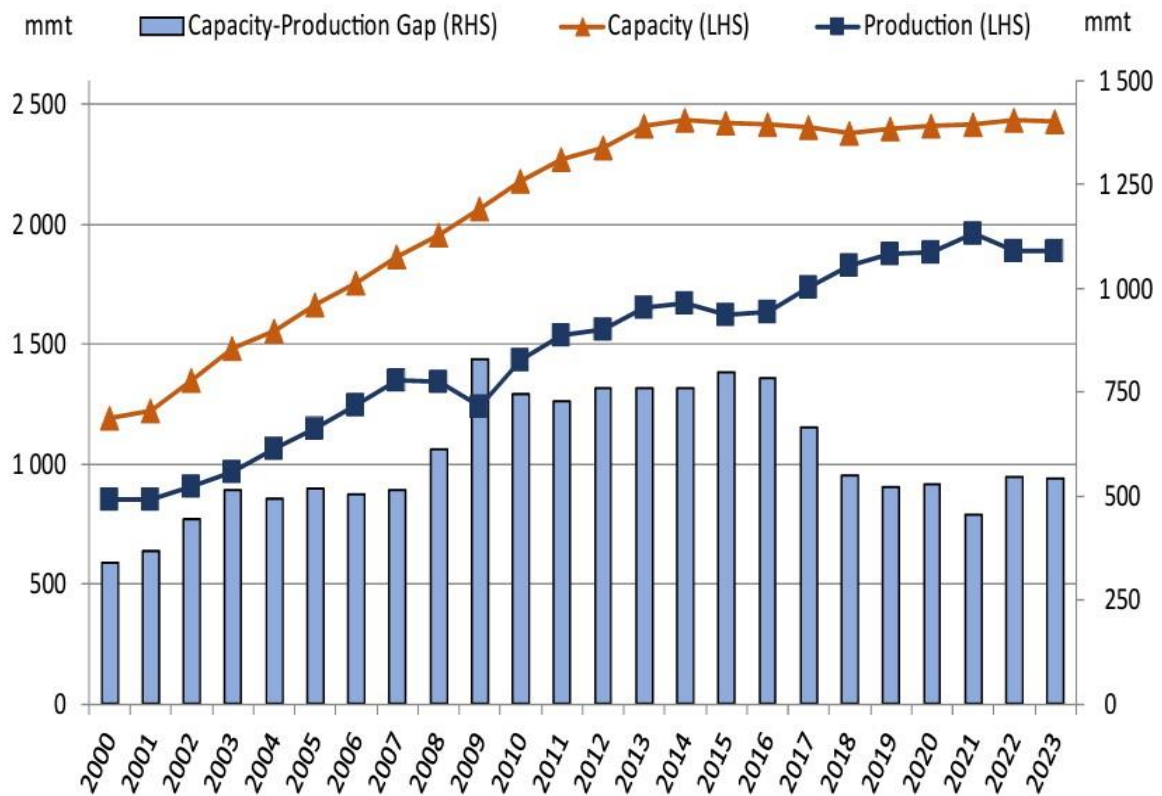
⁴ [https://one.oecd.org/document/DSTI/SC\(2024\)3/FINAL/en/pdf](https://one.oecd.org/document/DSTI/SC(2024)3/FINAL/en/pdf)

below, the world is experiencing unprecedented overcapacity, including in the subject product. This is compounded by a record level of trade remedy actions globally and the continued application of Section 232 measures by the United States.

At the time of the Uruguay Round negotiations, which led to South Africa's WTO obligations, global steel capacity and demand were largely in balance. It was reasonable to foresee that supply and demand would continue to grow in tandem, with investment responding to market signals. However, since 1994—and particularly following China's accession to the WTO in 2001—this balance has been fundamentally disrupted.

China's steel capacity has grown far beyond domestic demand, resulting in persistent and growing unutilized capacity. This is not a normal market outcome and could not have been foreseen in 1994. The expectation was that supply would adjust to demand, not that supply would permanently outpace it. Yet, between 2021 and 2023, global overcapacity has exceeded **500 million tonnes**, or more than **20% of total global capacity**, as illustrated in the chart below:

This persistent and growing overcapacity, driven by state-supported expansion in China and other economies, has led to a flood of exports at unsustainable prices, causing serious injury to domestic industries in open markets like SACU. These developments were not foreseeable at the time South Africa undertook its GATT obligations and justify the application of safeguard measures under Article XIX.



- LHS = land hand scale; RHS = right hand scale

The Applicant submits that global steelmaking capacity is projected to increase by an additional 124 million tonnes between 2023 and 2026. This expansion is occurring despite stagnant or declining consumption in developed economies due to deindustrialization, and a sharp decline in Chinese demand caused by its construction sector crisis.

India is expected to contribute 70 million tonnes of new capacity, driven by infrastructure and industrial growth. According to the OECD, Asia will see 31.4 million tonnes of new capacity commissioned between 2024 and 2026, with another 55.6 million tonnes in the planning stage. Nearly 90% of Asia’s additions will come from ASEAN and India, with 75% of ASEAN’s new capacity funded by Chinese state-owned enterprises through cross-border or joint venture investments.

The OECD also projects capacity increases in other regions: 7.1 million tonnes in Africa (mainly Egypt and Zimbabwe), 4.9 million tonnes in the CIS, 6.8 million tonnes in the EU, 1.0 million tonnes in Latin America, 18.0 million tonnes in the Middle East,

17.9 million tonnes in North America, and 1.5 million tonnes in Oceania. Notably, 61.8% of cross-border investments since 2023 have been made by Chinese companies, amounting to 71 million tonnes of capacity—comparable to the entire capacity of Latin America.

In Africa, 19 projects are underway or planned, adding over 17.6 million tonnes of capacity. These products will be eligible for duty-free export to SACU under the AfCFTA. Given the limited domestic consumption in many of these countries, it is likely that producers will target the SACU market.

Indonesia and Vietnam are also poised to become major exporters by 2026 if their capacity growth continues to outpace demand.

The OECD reported in June 2024 that global steelmaking capacity stood at 2,432 million tonnes in 2023—exceeding global demand by nearly 500 million tonnes. This excess capacity was 80% greater than total global steel exports (282 million tonnes). The OECD warned that capacity growth continues to outpace demand, exacerbating oversupply risks and undermining industry profitability.

The Applicant further stated that hot-rolled coil prices reached historic lows during the 2014/15 steel crisis, triggering a record number of anti-dumping investigations. Many of those duties remain in place in 2024. Although current trade remedy activity is lower than in 2014/15, new initiations are rising, and profitability has again fallen to crisis levels.

4. Evolution of Steelmaking capacity and operating profits (industry average)



Note: Operating profitability is defined as EBITDA (earnings before interest, taxes, depreciation and amortisation) to sales revenue in per cent.

Source: OECD for the capacity and OECD calculations based on data from LSEG

The Applicant submits that the global steel industry is currently experiencing unsustainable levels of overcapacity and declining profitability, with serious implications for the viability of domestic producers.

Operating profitability has dropped to an average of approximately 8%, down from 17% in 2021. This level is insufficient to support reinvestment in new plants or equipment replacement, let alone provide returns to shareholders. Importantly, operating profit figures exclude key costs such as selling, administrative, financing, depreciation, and amortisation expenses—indicating that actual net profits are likely negligible or negative.

The OECD has acknowledged that while capacity expansion is a common feature of industrialising economies, capacity growth that exceeds demand leads to falling prices and weak profitability. This is precisely the situation now facing the global steel industry.

S&P Global reports that many steel mills can operate at up to 150% of their designed capacity due to technological improvements and increased scrap utilisation, further exacerbating overcapacity. China's steel demand is projected to decline to 750–800 million tonnes annually over the next decade, down from 934 million tonnes in 2023, which itself was a 3% year-on-year decline. Demand fell by an additional 5% in the first seven months of 2024.

China, which produced over 1 billion tonnes of crude steel in 2022 (52.9% of global output), continues to expand capacity despite falling domestic demand. According to Fastmarkets and China's National Bureau of Statistics, Chinese steel mills have implemented eight rounds of price reductions since January 2024, with further decreases expected.

The Applicant submits that overcapacity is now approaching record levels last seen during the 2013–2014 steel crisis, which triggered a global wave of trade remedy actions. Profitability has returned to crisis-era lows, with average returns in China now negative. Despite this, capacity continues to grow in China, India, Indonesia, Vietnam, Africa, the Middle East, Europe, and the Americas, as countries pursue steel production as a strategic industrial objective.

This situation is expected to persist until at least 2026, and likely through 2030 or beyond. Accordingly, the Applicant submits that the domestic industry will require safeguard protection for a sustained period to recover and adjust to these global market distortions.

OVER-USE OF TRADE REMEDIES

The Applicant submits that the global steel market is currently experiencing a surge in trade-restrictive measures and trade remedies, which constitute unforeseen developments under Article XIX of the GATT 1994. These developments mirror those identified and accepted by the WTO Panel in *EU – Steel Safeguards*, where the European Union cited three cumulative factors:

Unprecedented overcapacity in the steel sector, driven by government support and persistent despite corrective efforts;

A sharp increase in trade-restrictive measures in third-country markets, including tariffs, minimum import prices, national standards, and local content requirements;
The imposition of Section 232 measures by the United States, which significantly altered global trade flows.

The Panel in that case accepted that a sudden and widespread increase in trade remedies could constitute an unforeseen development, particularly where such measures result in trade diversion. The Applicant submits that a similar situation now exists, with over 800 trade remedy measures currently in force on steel products globally, as reported in the WTO's latest semi-annual review (June 2024).

Countries around the world are responding to excess steel capacity by imposing or increasing anti-dumping, countervailing and safeguard duties. The United States has maintained its Section 232 measures and recently imposed an additional 10% tariff on all Chinese imports, including steel. This is expected to further divert Chinese exports to less protected markets such as South Africa.

Numerous countries—including Argentina, Australia, Brazil, Canada, China, Egypt, India, Indonesia, the Eurasian Customs Union, Korea, Malaysia, Mexico, Morocco, New Zealand, Pakistan, Saudi Arabia, Thailand, Turkey, the UK, Ukraine, the US, and Vietnam—have imposed trade remedies on the subject product or closely related steel products. These measures, combined with new tariffs and safeguard extensions in the UK and EU (the latter extended until June 2026), are closing off major markets to Chinese and other exporters.

As a result, export patterns are shifting. Countries with surplus capacity, particularly China, are redirecting exports to markets with minimal protection. South Africa, with only a 10% ad valorem duty and no additional safeguards, is especially vulnerable. China alone produced over 65 million tonnes of coated sheet and strip in 2021—more than 350 times SACU's annual demand for the subject product.

The Applicant cites Stewart's analysis, which explains that excess capacity leads to

below-market exports by state-backed producers, and that trade remedies are essential to preserving domestic industry viability. The U.S. experience in 2013–2014, when 40 trade remedy petitions were filed in just over a year, underscores the importance of effective enforcement.

Finally, the Applicant notes that India has recently notified the WTO of its intention to raise tariffs on EU goods in response to trade losses caused by EU restrictions—further evidence of the global escalation in trade tensions and defensive measures.

In light of these developments, the Applicant submits that the surge in trade remedies, combined with persistent overcapacity and market closures in major economies, constitutes an unforeseen development that justifies the application of safeguard measures to protect the SACU steel industry.

Conclusion

The Applicant submits that South Africa’s obligations under the GATT prevent it from increasing the existing customs duty on imports of the subject product. However, a series of unforeseen developments have led to a significant surge in imports into the SACU region, causing serious injury to the domestic steel industry. These developments necessitate the application of safeguard measures—such as duties or quotas—to protect local producers, stabilize the market, and preserve industrial capacity and employment.

Without such measures, SACU risks the collapse of a vital sector, with long-term economic consequences, including job losses and diminished national and regional industrial resilience. Safeguard measures would help level the playing field and ensure the sustainability of the domestic steel industry, which is essential for economic and national security.

The Applicant identifies the following as **unforeseen developments**:

1. **A shift in import patterns** from non-alloy to alloy products in response to changes in applicable duties.
2. **The implementation of the EU’s Carbon Border Adjustment Mechanism (CBAM)** and similar measures by other developed countries, which

disproportionately affect developing countries like South Africa that rely on coal-based electricity for steel production.

3. **Domestic energy challenges**, including load shedding and electricity price increases far exceeding inflation.
4. **Global oversupply of the subject product**, driven by:
 - China's failure to transition into a fully-fledged market economy as promised during WTO accession;
 - A decline in Chinese economic growth and steel demand, particularly due to the crisis in its construction sector;
 - A persistent and growing mismatch between global steel capacity and consumption since the early 2000s, contrary to expectations that overcapacity would self-correct;
 - The resulting increase in trade remedy actions (anti-dumping, countervailing, and safeguard measures) by major steel-producing and importing countries, including Brazil, Canada, the EU, India, Mexico, Morocco, the UK, the US, and Vietnam.

These trade remedies, combined with measures such as the US Section 232 tariffs, have led to significant trade diversion. Countries with excess capacity are redirecting exports to less protected markets like South Africa, where only a 10% ad valorem duty applies. This has exposed SACU's domestic industry to unsustainable competition, particularly from China, whose coated steel production alone exceeds SACU's annual demand by more than 350 times.

The Applicant concludes that these unforeseen developments justify the imposition of safeguard measures to prevent further injury and ensure the survival and recovery of the SACU steel industry.

Commission's consideration

The Commission is of the view that the WTO panels have established that investigating authorities must demonstrate the existence of unforeseen developments and their logical connection to increased imports causing injury to domestic producers. The panels have developed a 3-part enquiry to determine if this requirement is fulfilled (for example, European Union ("EU") – Safeguard Measures on Steel (Turkey)).

The following 3-part enquiry demonstrate the existence of unforeseen developments and their logical connection to increased imports causing injury to the SACU:

The first part of the enquiry requires authorities to identify the events or (confluence of) events claimed to be unforeseen. In fulfilling the first requirement in terms of the 3-part enquiry the Applicant submitted that a confluence of events forms the basis of the unforeseen development. The Applicant claimed that the decision to split the subject product into two main HS categories, namely non-alloy steel HS code 7208 and alloy steel HS code 7225 resulted in a tug and pull effect, whereby the increase in duties payable on one tariff sub-heading led to a direct increase in the import volumes for the other due to their interchangeability in function. The Applicant further indicated that the considerable over supply of the subject product in the world today causing a surge in imports into the SACU was unforeseen. The Applicant has clearly outlined the unforeseen developments that are alleged to have led to the surge in imports, fulfilling the first part of the 3-step requirement.

For the second part of the enquiry, authorities must provide evidence-based explanations for unforeseen circumstances when relevant concessions or obligations were made. Mere allegations are not sufficient, an explanation must be provided as to why the circumstances were unforeseen.

The Applicant submitted information that demonstrates that the split of primary steel products, classifiable under Chapter 72 of the system were split into multiple categories to fulfil the second requirement of the 3-part enquiry. Pertinent to this Application was the decision to differentiate between alloy and non-alloy steel, because of their different intended uses. The Applicant stated that the problem, which was unforeseen at the time of the GATT negotiations was the interchangeability of alloy steel for use in non-alloy projects. It was incorrectly thought that due to the increased price for alloy steel, the import of these products would be used specifically in the specialized products listed above. What was not expected was that the low requirement of artificial elements required to classify as an alloy steel product, would lead to a direct relationship between non-alloy steel and alloy steel.

Finally, regarding the 3rd part of the enquiry, the EU–Safeguard Measures on Steel (Turkey) Panel stated that authorities must provide a reasoned and adequate explanation for the existence of a “logical connection” between the unforeseen development and the increase in imports the increase in imports being “the result of” unforeseen developments, rather than just referring to them separately.

The split of the primary steel products under chapter 72 and overcapacity in the steel industry have resulted in an excess supply of steel products. This surplus steel, produced at significantly lower costs, has been dumped into global markets. As a result, some countries have imposed trade remedies measures to protect their markets, leading to trade diversion. Steel products initially destined for these markets have been redirected to countries like South Africa. The situation has been further exacerbated by the declining demand for hot-rolled steel products worldwide, resulting in an excess supply. This has led to a significant increase in export volumes by countries with excess capacity. In this investigation, the imports in absolute terms increased by 15% during the period of surge and over the POI by 24%.

Based on the analysis above, the Investigators are of the opinion that the 3-part inquiry requirement has been satisfied to demonstrate the link between the unforeseen developments and the increase in imports causing injury to domestic producers.

Based on the above information, the Commission made a preliminary determination that unforeseen developments and the effects of the obligations incurred with regard to the subject product under the GATT 1994 led to the surge of imports of the subject product, as per the provisions of Article XIX of GATT 1994.

5. SURGE OF IMPORTS

5.1 Import volumes

The following table shows import volumes as sourced from SARS for the period 01 May 2021 to 30 April 2024.

Table 5.1: Import volumes (tons)

Tons	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
	Period of surge		
All countries import volumes	221 474	254 998	274 419
Change from December 2021		15%	24%

*All country's import volumes represent the rest of the world excluding SACU imports.

The information in the table above indicates that there was a surge in imports in absolute terms of the subject products from 221 474 tonnes for the year ending December 2021 to 274 419 tonnes for the year ending November 2024. This represents an increase of 24% in absolute terms.

The Applicant stated that there was a surge in imports in absolute terms in the imports of the subject product from 221,474 tonnes for the year ending December 2022 to 254,998 tonnes for the year ending November 2023. This represents an increase of 15% in absolute terms.

Commission's consideration

According to import data obtained from SARS, the surge of imports took place between the years (Dec 2021 - Nov 2022) and (Dec 2022 - Nov 2023). During that time, imports of the subject product increased by 15%. The information also shows that for the period of investigation, imports increased in absolute terms by 24%.

The Commission when analysing the above information on a surge in imports considered the Appellate Body ruling on *Argentina-Footwear*, that stated that the surge must meet the conditions of recent enough, sudden enough, sharp enough, and significant enough.

The analysis of the four conditions with regard to the subject product is as follows:

- Sudden enough – The Commission decided that the December 2022 – November 2023 period which is cited as the year when imports started increasing is sudden enough, meaning can the rate and amount of imports of December 2022 – November 2023 be deemed as unexpected or abrupt enough to meet the conditions of the Safeguard Agreement. The surge in absolute terms began in December 2022 – November 2023. The rate and amount of increase from November 2022 December 2023, can be seen as abrupt, and this abrupt disturbance of the SACU market by imports was maintained throughout the period of investigation both in relative terms and absolute terms,
- Sharp enough - The Commission decided that the rate and amount of the imports' increase in December 2022 - November 2023 are sharp enough or severe enough to meet the conditions of the Safeguard Agreement. The imports increased by 15% from 221 474 tonnes for the period December 2021 - November 2022 to 254 998 tonnes for the period December 2022 to November 2023.
- Significant enough - The Commission decide that the rate and amount of the imports' increase in December 2022 – November 2023 are significant enough or noteworthy enough to meet the conditions of the Safeguard Agreement. The amount of increase from December 2021 – November 2023 was the highest and is a significant enough increase when looking at the full-year period.
- Recent enough – The Commission decided that the December 2021 – November 2023 period which is cited as the period where increases in imports were experienced is indeed recent enough to meet the conditions of the Safeguard Agreement.

Comments by the Government of Indonesia on initiation of the investigation (“GOI”)

The GOI stated that it looked at the import volume of the subject product into SACU within period 2021 -2024 and found that there was a fall of import volume from year 2021 to year 2022. While, in the subsequent periods, there were just slight increases of imports. The figure does not suggest a recent sharp and increase of import of subject product into SACU.

The GOI further stated that during period 2021 - 2024, import data for products under HS Code 722592 and HS Code 721049 demonstrated the negative import trend, while HS Code 721061 showed the positive trend. However, those three groups of products in aggregate signified a negative import trend. It stated that the Applicant failed to present prima facie evidence of recent surge import of subject product in order to apply for safeguard measures. Due to the lack of prima facie evidence of the recent surge import of subject product, the GOI, then, request the authority to terminate this investigation.

According to the GOI Indonesian Statistic Agency reveals no export activity of subject product from Indonesia to SACU during 2023 and 2024 (recent periods). This was also in line with SACU import data of subject product from the world which did not mention Indonesia in the list of sources of import in recent periods. Thus, Indonesia is not attributable with any situation that SACU domestic industry of the subject product is dealing with.

Comments by BlueScope Steel Southern Africa (Pty) Ltd (“BlueScope”)

BlueScope stated that its imports account for less than 3% of the total related steel products in the market. This figure alone illustrates that BlueScope does not pose any material threat to the domestic industry and should not be targeted under safeguard measures intended to address serious injury or the threat thereof.

It further stated that it believes that the real concern lies in the injurious behaviour of other suppliers, who are using the South African market transactionally to channel surplus steel production without care for the ongoing health of the local industry.

Comments by Metpar (Pty) Ltd t/a Steelbank Gauteng and Steelbank Merchants (Pty) Ltd (“Steelbank Group”)

Steelbank Group stated that it has noted that the period of investigation for purposes of claiming the alleged serious injury is for the period December 2021 to November 2024. The investigation was initiated on 25 July 2025 thus the claimed serious injury is eight months old.

Steelbank further stated that the claimed sudden surge is supposed to take have taken place over the historical period December 2021/November 2022 to December 2022/November 2023. This is three years ago and thus according to the consistent approach of the Commission, it is evident that this alleged surge was not recent, as we are already approaching the end of 2025. Clearly, a safeguard measure, which is an emergency action cannot be implemented in 2026 (as anticipated), as the data is completely outdated. Steelbank submitted that the Commission must terminate the investigation, as an emergency action cannot be based on old and manipulated information.

Response by the Applicant on the comments made by interested parties

The Applicant stated that in US – Lamb, the Appellate Body required that the analysis be focused on the overall product and excluded a broken-down analysis. Similarly, in US Large Residential Washers, the WTO panel clarified that such analysis under Articles 2.1 and 3.1 must be performed for the entire product, not for every tariff line.

The Applicant stated that applied in the case of South African coated steel, the product's scope is clearly defined as in the initiation notice.

Accordingly, the contention that the safeguard is flawed because not all subheadings saw an import surge is unfounded and should be rejected. The safeguard measure is legally and economically appropriate when examined at the product level, consistent with WTO jurisprudence and established safeguard practice.

Commission's consideration

In assessing these comments, the Commission reiterates that safeguard investigations are conducted at the product level as defined in the initiation notice, consistent with WTO jurisprudence and established domestic and international practice. While certain tariff subheadings may show varying trends, the determination of "increased imports" is based on the overall product category rather than individual tariff subheadings.

Regarding the timing of the alleged surge, the period of investigation (December 2021 to November 2024) was selected to capture developments leading to the claimed serious injury. The Commission acknowledges concerns about the recency of data; however, safeguard measures require an assessment of trends over a reasonable historical period to establish causality.

Based on the above, the Commission made a preliminary determination that there was a surge in the volume of imports of the subject product that is recent enough, sharp enough, sudden enough and significant enough.

6. SERIOUS INJURY

6.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The injury analysis relates to information submitted by AMSA, representing a major portion of the domestic industry by production volume.

The Commission made a preliminary determination that this constitutes “a major proportion” of the total domestic production, in accordance with the SGR.

6.2 CONSEQUENT IMPACT OF THE INCREASED IMPORTS ON THE INDUSTRY

SGR 8.1 states that serious injury shall be understood to mean “significant overall impairment” in the position of the domestic industry.

6.2.1 Actual and potential decline in sales

The following tables show the Applicant’s SACU sales volume of the subject product for the period of investigation:

Table 6.2.1: Sales volumes

Volumes (Tons)	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Applicant sales volume	100	101	118
*Other SA producers	100	119	131
Total SACU sales volume	100	103	119

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year.

The information in the above table indicates that the Applicant’s sales volume increased by 17 index points from 101 to 118 during the period of surge. The Applicant experienced an increase of 18 index points from 100 to 118 during the period of investigation.

6.2.2 Profit

The following table shows the Applicant’s profit situation:

Table 6.2.2: Profit

		Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Gross profit margin	%	100	-81	-53
Gross profit	R/Ton	100	-72	0
Units sold	Ton	100	101	118
Total gross profit	Rand (Million)	100	-73	-37
Net profit margin	%	100	-120	-88
Net profit	R/Ton	100	-107	-53
Net profit	Rand	100	-109	-62

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year

The Applicant stated that profits saw a significant decrease during the period of investigation, where net profits decreased from 100 index points in the first year of the POI to -62 index points in the final year. This represents a decrease in net profit margins from 100 index points to -88 index points over the POI, showing not only injury in respect of profit, but also price suppression. The Applicant gross profits decreased by 137 index points, while net profits decreased by 162 index points. This is indicative of Applicant currently experiencing serious injury as a result of the surge in imports.

The Applicant stated that a direct decrease in profits is one of the best indicators of serious injury experienced by it. The Applicant stated that if the safeguard duties are not implemented, the industry will find itself in a position of unprofitability to the extent that it will no longer be viable to produce the subject product. This will provide importers with the necessary foothold to overrun the market and push the domestic industry out. This will result in imports further increasing its share of the market significantly, whilst at the same time the domestic Industry will lose sales volume and market share to levels that already cannot be sustained.

Commission's consideration

The Applicant reported a significant decline in profits during the investigation period, the Applicant's gross profit per ton decreased from 100 index points in the first year of the investigation, to a negative -72 index in the second year and recovered to a zero in the last year of the period of investigation. The Applicant's net profit margin decreased from 100 in the base year to -120 in the second year of the poi and recovered slightly to a -88% in the last year of the poi.

6.2.3 Output

The following table outlines the Applicant's domestic production volume of the subject product during the period of investigation:

Table 6.2.3: Output

Tons	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Applicant total production	100	105	123
Other SACU producers' production	100	133	138
Total SACU production	100	107	125

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year

The Applicant stated that despite an increase in local production, imports have continued to capture a bigger portion of the domestic demand. This has led to decreased profitability of the product, to the point where the subject product is sold at a loss. The domestic industry has increased their production despite this fact, in order to maintain the market share. Although production increased over the POI, it increased by significantly slower than the rate of imports during the same period.

Commission's consideration

It is evident that the Applicant's production increased by 23 index points, from 100 index points to 123 index points over the period of investigation whilst imports increased by 52,945 tonnes, from 221,474 to 274,419 tonnes this is a 23.91% increase over the period of investigation.

Although the percentage increase in domestic production slightly outpaced that of imports, the absolute increase in imports was significantly higher. This suggests that imports are capturing a larger share of the growing SACU market.

6.2.4 Market share

The following table shows the market share for the subject product based on sales volumes:

Table 6.2.4: Market share

	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Applicant sales volumes (tons)	100	101	118
Other SACU producers (tons)	100	119	131
Total SACU sales volumes	100	103	119
Imports	100	116	117
Total Market	100	110	122
Applicant market share %	100	92	97
Other SACU producers %	100	107	108
Total SACU producers market share%	100	93	97
Import market share	100	104	102

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year

The Applicant stated that market share shows serious injury in the form of a significant increase in imports, both in absolute and in relative terms, as compared to domestic sales. Between December 2021 and November 2023, sales of the subject product increased for the domestic industry from 100 index points to 110 index points in absolute terms. That is a 10 index points increase in domestic production over the period of the surge, while imports increased from 100 tonnes to 102 tonnes over the same period, which is a 15% increase in imports. This shows how imports absorbed the majority of domestic demand.

The Applicant further stated that its market share decreased by 3 percentage points over the POI, from 100 percentage points for the period December 2021 – November 2022 to 97 percentage points for the period December 2023 – November 2024. The decline in the Applicant’s market share was captured by the imports. Imports’ market share increased over the POI.

According to the Applicant, this trend is showing no sign of slowing down and the serious injury experienced because of it is significant. In fact, the import statistics indicate a continued increase in imports. When looking at the imports for the last 12 months of the POI, we see that despite a small dip in imports in August and September 2024, imports almost immediately jumped back to previous levels, hovering around 25,000 tonnes per month.

Commission’s consideration

From the information on the table above, it is evident that the total SACU sales volumes increased by 19 index points. This clearly shows that imports grew at a much faster rate, absorbing a larger share of the domestic demand.

In terms of market share, domestic producers market share increased from 100 index points to 118 index points and imports' market share increased from 100 % index points to 102% index points. This 2% index points shift, though seemingly small, is significant in a competitive market, especially when paired with the volume growth in imports.

6.2.5 Productivity

Using the Applicant's production and employment figures, its productivity in respect of the subject product is as follows:

Table 6.2.5: Productivity

	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Total production (tons)	100	105	123
Number of employees (manufacturing)	100	95	110
Units per employee tons	100	110	112
Total employment	100	103	97
Total investment (Rand)	100	114	115
Output ratio	100	109	93

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year

The Applicant stated that direct employment decreased over the POI, a direct result of increased imports and decreased production. The Applicant also indicated that the impact on employee productivity as production volumes decrease as a direct result of the increase in import volumes over the period of the surge. In order to remain competitive, the decrease in employment is directly as a result of the increase in imports during the surge period. It is therefore imperative that the safeguard duties be implemented in order to ensure current jobs remain protected. If not, the injury suffered by the industry will be serious and further job losses will be unavoidable. If the domestic industry could increase production in line with the increase in the size of the market, and if it can regain the market share lost since 2020, it could increase employment significantly.

6.2.6 Utilisation of production capacity

The following table provides the Applicant's capacity utilisation, using plant capacity and output for the subject product:

Table 6.2.6: Utilisation of production capacity

Tons	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Applicant's production capacity	100	99	116
Applicant's actual production	100	105	123
Applicant's capacity utilisation %	100	106	106
Capacity other SACU Producers	100	100	100
Production other SACU Producers	100	113	120
Other SACU producers' capacity utilisation %	100	113	120

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year

The Applicant stated that capacity utilisation was already at a relatively low level in the year ending November 2020. Following the surge in imports in the following year, and again in the year ended November 2023, capacity utilisation has decreased to unsustainable levels. If the domestic industry could increase production in line with the increase in the size of the market, and if it can regain the market share lost since 2020, it could increase its capacity utilisation to a level where the whole industry would be sustainable again. However, as long as there is no protection against increased imports, and imports continue to increase, the industry will be significantly impaired.

The Applicant also stated that the erosion of capacity utilisation as an indication of serious injury is also evident as production volumes decrease in parallel with imports increasing their share of the domestic market.

6.2.7 Employment

The following table provides the Applicant's total employment figures:

Table 6.2.7: Employment

	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Number of employees (manufacturing only)	100	95	110
Total employment	100	103	97

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year

The above table shows that number of employees in manufacturing of the subject product increased from 100 index points in the 2022 period to 110 index points in the 2024 period of investigation. The table also shows that the total employment decreased from 103 index points in (December 2022- November 2023) to 97 index points in (December 2023 - November 2024).

Commission's consideration

The Commission considered that the table above indicated an increase in employment in manufacturing.

6.3 Summary - serious injury

Based on the above information, the evaluation of the injury information of the Applicant for the period Dec 21 Nov 2022- Dec 23 Nov 2024 is shown in Table 6.3.1

Table 6.3.1: Serious Injury Indicators

	December 2021 - November 2024
Imports in absolute terms	Increased
Imports in relative terms	Increased
Sales volumes (kg)	Increased
Net Profit (R)	Decreased
Output (kg)	Increased
Market share (Applicant)	Decreased
Productivity (units per employee)	Increased
Utilisation of capacity (%)	Increased
Employment (Number of employees)	Increased
Price depression	Increased
Price suppression	Increased
Cash flow	Decreased

Having assessed each injury factor and noting that there is a decline in the industry's performance as listed above, the Commission made a preliminary determination that the domestic industry is experiencing serious injury.

7. CAUSAL LINK

EXISTENCE OF A CAUSAL LINK

The Agreement on Safeguards does not provide any specific methodology as to how the existence of a causal link must be determined. However, the Commission must provide a reasoned, reasonable, and adequate explanation of its finding that there is a causal link between the increased imports and the serious injury suffered by the domestic industry. Previous WTO panels in assessing whether a Member has fulfilled the causation requirement considered, among other factors, (i) whether an upward trend in imports coincides with downward trends in the injury factors, and if not, whether an adequate, reasoned, and reasonable explanation was provided as to why nevertheless the data show causation; and (ii) whether the conditions of competition between the imported and domestic products as analysed demonstrate the existence of a causal link between the imports and any serious injury.

An upward movement in imports should normally occur at the same time as downward movements in injury factors in order for a coincidence to exist. A coincidence in trends by itself cannot prove causation. However, an absence of coincidence would create "serious doubts as to the existence of a causal link and would require a very compelling analysis of why causation still is present". Apart from the coincidence analysis, the competent authority may also use other analytical tools to determine the existence of a causal link, for instance, an analysis of the conditions of competition between imported and domestic products. The relevance of the conditions of competition is confirmed by the text of Article 2.1 of the Agreement on Safeguards, which refers to the increased imports occurring "under such conditions" as to cause or threaten to cause serious injury to the domestic industry.

The second sentence of Article 4.2(b) of the Agreement on Safeguards requires that a competent authority examine factors other than increased imports that

are causing injury to the domestic industry simultaneously with the increased imports and ensure that the injury caused by such other factors not be attributed to the increased imports.

The Appellate Body clarified that in order to comply with this requirement a competent authority must "make an appropriate assessment" of the injury caused to the domestic industry by the other factors and provide a "satisfactory explanation of the nature and extent of the injurious effects of the other factors". Once a competent authority determines that there are other factors causing injury to the domestic industry, it "must separate and distinguish" the injurious effects of the increased imports from the injurious effects of other factors, and "establish explicitly, through a reasoned and adequate explanation, that injury caused by factors other than increased imports is not attributed to increased imports".

In order to demonstrate that increased imports are causing serious injury, a competent authority must find a "sufficiently clear contribution" by those imports and explain its determination in that regard. The Appellate Body has stated, however, that the increased imports do not need to be the sole cause of injury, and that the causal link between increased imports and serious injury may exist even though other factors are also contributing at the same time to the situation of the domestic industry. In addition, when a competent authority considers that there are no other factors causing injury to the domestic industry, this must be clearly indicated and explained in its determination.

7.1 VOLUME OF IMPORTS AND MARKET SHARE

In considering whether there is a causal link between the imports of the subject product and the serious injury, the Commission considered all relevant factors, including factors other than imports of the subject product, which may have contributed to the SACU industry's injury.

The following table compares the market share of the SACU industry with that of imports for the period (2021-2023):

Table 7.1: Market share

Tons	Dec 2021 - Nov 2022	Dec 2022 - Nov 2023	Dec 2023 - Nov 2024
Applicant sales volumes	100	101	118
Other SACU producers	100	119	131
Total SACU sales volumes	100	103	119
Imports	100	116	117
Total Market	100	110	122
Applicant market share	100	92	97
Other SACU producers	100	107	108
Total SACU producers market share	100	93	97
Import market share	100	104	102

These figures were indexed due to confidentiality using Dec 21 - Nov 2022 as the base year

The Applicant stated that market share shows serious injury in the form of a significant increase in imports, both in absolute and in relative terms, as compared to domestic sales. Between December 2021 and November 2023, sales of the subject product increased for the domestic industry from 100 index points to 110 index points in absolute terms. That is a 10 index points increase in domestic production over the period of the surge, while imports increased from 100 tonnes to 102 tonnes over the same period, which is a 15% increase in imports. This shows how imports absorbed the majority of domestic demand.

The Applicant further stated that its market share decreased by 3 percentage points over the POI, from 100 percentage points for the period December 2021 – November 2022 to 97 percentage points for the period December 2023 – November 2024. The decline in the Applicant’s market share was captured by the imports. Imports’ market share increased over the POI.

According to the Applicant, this trend is showing no sign of slowing down and the serious injury experienced because of it is significant. In fact, the import statistics indicate a continued increase in imports. When looking at the imports for the last 12 months of the POI, we see that despite a small dip in imports in August and September 2024, imports almost immediately jumped back to previous levels, hovering around 25,000 tonnes per month.

Commission's consideration

From the information on the table above, it is evident that the total SACU sales volumes increased by 19 index points. This clearly shows that imports grew at a much faster rate, absorbing a larger share of the domestic demand.

In terms of market share, domestic producers market share increased from 100 index points to 118 index points and imports' market share increased from 100 % index points to 102% index points. This 2% index points shift, though seemingly small, is significant in a competitive market, especially when paired with the volume growth in imports.

7.2 CONSEQUENT IMPACT OF SURGE OF IMPORTS

Table 7.2: Serious Injury Indicators

	December 2021 - November 2024
Imports in absolute terms	Increased
Imports in relative terms	Increased
Sales volumes (kg)	Increased
Net Profit (R)	Decreased
Output (kg)	Increased
Market share (Applicant)	Decreased
Productivity (units per employee)	Increased
Utilisation of capacity (%)	Increased
Employment (Number of employees)	Increased
Price depression	Increased
Price suppression	Increased
Cash flow	Decreased

The Commission noted that the increased imports not only coincided with a loss of market share but also with the downward trend in injury factors. As shown in the table above, there was a decrease in net profit.

7.3 VIEW OF THE APPLICANT'S CLIENTS REGARDING QUALITY, DELIVERY TIMES, SERVICE, AND AFTER SALES SERVICE

- **Quality**

The Applicant stated that the quality of its galvanized coated coil is generally regarded as good, even for demanding applications. Galvanized coated coil is tested and delivered to international specifications on material properties and tolerances. Several quality checks are systematically performed to minimize defective material. AMSA maintains an ISO9001 accredited quality management system. This is further augmented by control of radioactivity, conflict minerals and environmental impact (ISO 14001).

- **Delivery times**

The Applicant indicated that the normal lead time from order placement to delivery is six weeks for the product. A selection of products are produced in advance affording a shorter lead time; however some products require more processing necessitating longer lead times.

- **After-sales service, including guarantees and warranties and technical training to customers.**

The Applicant indicated that a dedicated team accepts and processes customers' orders in automated planning systems, provide real time feedback to customers on production progress on any order and interactively with customers plan delivery times and quantities. After sales service, including guarantees and warranties and technical training to customers.

The Applicant stated that a small but experienced team of engineers provide technical support to customers with material selection, material properties and processing parameters like welding and drawing and forming. This team also scans the market for new opportunities and drive new product development and innovative solutions to challenges customers may encounter. Galvanized coated coil is fully guaranteed to the applicable international specification ordered.

The Applicant also stated that prompt resolution of quality claims is ensured by personal attention from a dedicated team. Should any defective material have been delivered, the issue is resolved by full refund of money paid, replacement of material or other arrangement acceptable to customers.

7.4 ATTITUDE OF THE WORKFORCE TOWARDS THE COMPANY

The Applicant stated that the labour relations climate in its company continued to be calm, despite the uncertain and volatile climate in the country. Two recognised unions, namely Solidarity, National Union of Metalworkers of South Africa (NUMSA) are operational at its organisation. NUMSA and Solidarity enjoys both collective bargaining and organisational rights. NUMSA accounts for 51 percent of bargaining unit and Solidarity Union accounts for 25 percent of bargaining unit.

The Applicant stated that it continues to proactively communicate and consult with unions on a regular basis to promote sound relations and effective communication. Dialogue is taking place at National level between its Management and trade union Leadership on finding solutions to lessen the impact of negative steel demand. The Applicant regularly updates unions with business strategy and performance, business objectives, including continuous cost and productivity improvement, SHE performance targets, dynamic and flexible workforce plans as well as competitive conditions of service.

The Applicant also stated that a three-year wage agreement was concluded with trade unions which will best serve labour peace, stability and sustainability at AMSA. The multi-year agreement gives it a platform to plan for operational stability, penetration in the markets and nurturing of growth in the Africa Overland (AOL) and domestic market. Percentage wage increases was at 6.5 percent for first year and CPI for the next two years. The agreement was concluded without labour unrest.

7.5 FACTORS OTHER THAN THE INCREASED IMPORTS CAUSING INJURY

Table: 7.5

Strikes, go-slows, or lockouts during the past twelve months	The Applicant stated that there were no strikes, go slows or lockouts in the past twelve months, despite the continued economic slump in the Steel Industry, in general, it is in a very favourable position with regard to the relations that we share with organised labour.
Contraction in demand or changes in patterns of consumption	<p>The Applicant stated that the demand decreased significantly between the first and second year of the POI, decreasing by 11 basis points from 100 basis points tonnes to 89 basis points due to weak economic conditions in the SACU. Despite this significant overall decrease to demand, the majority of this lost demand was experienced by it, whose sales decrease.</p> <p>This is especially apparent in low-cost housing and informal settlement sectors which are large consumers of corrugated metal roofing. What is notable, as stated earlier, is the clear shift away from the local product in favour of the imported product. In fact, between the first year of the POI and the last, total demand decreased from 100 basis points to 95 basis points (a 5-basis point drop), whereas in the same period demand for the local product decreased from 100 basis points to 86 basis points (a 14-basis point decrease), all while demand for the imported product increased from 93,764 tonnes to 100,918 tonnes (an 8% increase).</p>
Productivity of the domestic industry vis-a-vis that of the exporters	The Applicant stated that it is on par.
Development in technology	The Applicant indicated that there has been no new development in its technology since it last updated its manufacturing process.

Comments by NAAMSA

Inefficiencies and self-inflicted injury

The injury experienced by the domestic industry (ArcelorMittal South Africa - AMSA) cannot be solely, or even primarily, caused by increased imports.

Factors that have influenced to a need for increased imported steel include:

- Reduced domestic demand and lack of infrastructure investment;*
- Internal operational issues: AMSA's challenges have stemmed from its own structural problems, including poor quality, inability to meet demand, and unreliable delivery performance. The closure of the Saldanha plant, for instance, was attributed to raw material and regulated prices, rather than imports;*
- Labor unrest and input costs: Factors like the October 2021 strike, increased electricity costs (load-shedding), and high security expenses contributed to the Applicant's difficulties;*

- *Profitability and Price Undercutting: Price undercutting appears to be only related to Chinese milled steel imports and not other markets.*

Response by the Applicant to the comments made by Interested parties

Comment: Self-inflicted injury

The Applicant stated that interested parties argue vaguely that other factors are the cause of injury suffered or that injury is allegedly self-inflicted and not attributable to imports.

The Applicant reminded the Commission that in drawing a causal link the increase in imports need not be the “principal cause” of injury, nor does it need to be the ‘sole’ cause of injury.

Kindly see the below quoted reference to *US-Lamb* hereunder:

“... By way of conclusion, we: ... reverse[d] the Panel's interpretation of Article 4.2(b) of the Agreement on Safeguards that increased imports "alone", "in and of themselves", or "per se", must be capable of causing injury that is "serious"....” [para 169]

The fact that other factors may have aggravate the injury suffered does not prevent a finding that an increase in imports is causing injury. Simply put, an increase in imports should have contributed to the bringing about of the serious injury.

In this respect interested parties have not even substantiated what other factors contributed to injury if any. We submit that the present crisis is attributable to the injury suffered, and without the surge in imports the industry would not be experiencing *serious* injury at present.

The Applicant concluded that serious injury is unequivocally causally linked to the surge in imports.

Commission's consideration

We are of the view that for a case of causality to be made, the surge of imports need not to be the sole cause of the serious injury experienced by the industry.

There are indeed other factors other than the surge of imports that caused serious injury to the SACU industry, including factors such as the internal operational issues within AMSA and the rising costs of inputs. These factors do not sufficiently detract from the injury experienced by the SACU industry.

7.6 Summary - Causal link

Taking the above into consideration, the Commission made a preliminary determination that although there are factors other than the imports that contributed to the injury, such as reduced demand in the steel market demand, lack of infrastructure investment, labour unrest, inputs costs, and energy supply and logistics constraints, these factors did not sufficiently detract from the causal link between the surge in imports and the serious injury suffered by the Applicant.

8. CRITICAL CIRCUMSTANCES

8.1 Requirements of the Safeguard Agreement

In accordance with Article 6 of the Safeguard Agreement, a member may take a provisional safeguard measure pursuant to a preliminary determination in critical circumstances where delay would cause damage, which would be difficult to repair.

Commission's consideration on critical circumstances

The volume of imports

The surge of imports took place between the years (December 2022-November 2023) and (December 2023 - November 2024). During that time, imports of the subject product increased by 15%. The information also shows that for the period of investigation, imports increased in absolute terms by 24%.

Impact on the Applicant

Sales volumes

The available information indicates that the Applicant's sales volume increased by 17 index points from 101 index points to 118 index points during the period of surge. The Applicant experienced an increase of 18 index points from 100 index points to 118 index points during the period of investigation.

Output

There was an increase in total production. The Applicant's production increased by 18 index points from 105 to 123 during the period of surge. The Applicant experienced an increase of 23 index points from 100 to 123 index points during the period of investigation.

Market share

The Applicant's market share increased from 100 index points to 118 index points and imports' market share increased from 100 % index points to 102% index points. This 2% index points shift, though seemingly small, is significant

in a competitive market, especially when paired with the volume growth in imports.

Profit/Loss

The Applicant reported a significant decline in profits during the investigation period, the Applicant's gross profit per ton decreased from 100 index points in the first year of the investigation, to a negative -72 index in the second year and recovered to a zero in the last year of the period of investigation. The Applicant's net profit margin decreased from 100 in the base year to -120 in the second year of the poi and recovered slightly to a -88% in the last year of the poi.

Capacity utilisation

The Applicant's production increased, resulting in an increase in capacity utilisation of 6 index points from 100 index points to 106 index points during the period of injury and it remained stagnant during the surge period from 106 index points.

Employment

Total employment decreased by 6 index points during the surge period while it decreased by 3 index points during the period of investigation.

Commission's consideration

The Commission considered that although the SACU industry experienced serious injury in the form of price depression, price suppression, a decline in profits, market share and cash flow, the analysis above on the impact on the Applicant indicates that there are no critical circumstances suggesting that a delay would result in a damage which would be difficult to repair that warrants the imposition of provisional measures as the Applicant's sales volumes increased by 18 index points over the POI, and production increased by 18 index points, capacity utilization improved from 100% index points to 106% index point, and employment in manufacturing increased from 100 index points to 110 index points employees. Therefore, the Commission should not make a preliminary determination to request SARS to impose provisional measures whilst the investigation is ongoing.

The Commission considered the above and made a preliminary determination that there are no critical circumstances that warrants the imposition of provisional measures.

9. SUMMARY OF FINDINGS

9.1 Unforeseen Developments

The Commission made a preliminary determination that unforeseen developments and the effects of the obligations incurred with regard to the subject product under the GATT 1994 led to the alleged surge in imports of the subject product, as per the provisions of the SGR and Article XIX of GATT 1994.

9.2 Serious injury

The conclusion on injury indicators is as follows:

Table 9.2.1: Serious injury

	December 2021 - November 2024
Imports in absolute terms	Increased
Imports in relative terms	Increased
Sales volumes (kg)	Increased
Net Profit (R)	Decreased
Output (kg)	Increased
Market share (Applicant)	Decreased
Productivity (units per employee)	Increased
Utilisation of capacity (%)	Increased
Employment (Number of employees)	Increased
Price depression	Increased
Price suppression	Increased
Cash flow	Decreased

The Commission made a preliminary determination that the information analysed indicates that the Applicant is suffering serious injury.

9.3 Surge of Imports

The Commission made a preliminary determination that the surge in volume of imports is recent enough, sudden enough, sharp enough and significant enough.

9.4 Causal link

Taking the above into consideration, the Commission made a preliminary determination that although there are factors other than the imports that contributed to the injury, such as reduced demand in the steel market demand and lack of infrastructure investment, labour unrest, inputs costs, and energy supply and logistics constraints, these factors did not sufficiently detract from the causal link between the surge in imports and the serious injury suffered by the Applicant.

9.5 Critical circumstances

The Commission made a preliminary determination that there are no critical circumstances that warrants the imposition of provisional measures.

10. PROVISIONAL MEASURES

10.1 In terms of the SGR 17.1, *“The Commission may request the Commissioner for SARS, in terms of section 57A of the Customs and Excise Act, 91 of 1964, to impose provisional payments as soon as the Commission has made a preliminary determination that;*

(a) there are critical circumstances where a delay would cause damage that it would be difficult to repair; and

(b) there is clear evidence that increased imports have caused or are threatening injury.”

Commission’s consideration

The Commission considered that the SGA defines critical circumstance as circumstances where a delay would cause damage that would be difficult to repair. The SGR also provides that provisional measures may be imposed in such cases and such measures may be in the form of tariff increases only and may be kept in place for a maximum of 200 days.

The Commission thus considered that the Applicant has proven that it experienced serious injury during the period of injury as a consequence of the sudden, recent, sharp and significant increase in volumes of imports in the form of decreases market share and net profit. The Commission considered that there are currently no critical circumstances that justify the imposition of provisional measures.

10.2 Unsuppressed selling price

The unsuppressed selling price was calculated by taking into account the production costs, selling, general and administrative costs as well as a reasonable profit.

The Applicant submitted that it is essential for the Commission to also consider recent developments when coming to a final determination, especially where imports increased or import prices decreased (or both) after the end of the

investigation period. Failing this, any safeguard measure could be undermined even from the moment it is applied. The test for relief sought is thus two-fold, in that it consists of a preliminary test indicating the need for relief and an investigation test, where new information is considered during the investigation process, allowing for the most comprehensive relief to be implemented that fulfils the requirements in terms of regulation 21.1, considering the fact that safeguard measures are imposed for at least 3-years (and that the WTO and the SGR allow for an initial period of up to 4 years) and as such any relief implemented must be done bearing in mind the measure's effectiveness throughout its lifespan.

The Applicant also stated that it should be noted that recent tariff and safeguard measures imposed in other WTO Members range from 25% - 80% in addition to overall and country specific quotas, carbon border adjustment mechanism, etc. It is clear that no calculation on returns and pricing could ever result in such high duties. The only conclusion that can be drawn from such action is that an element of discretion is applied in order to determine what is necessary to prevent injury and allow adjustment. The Applicant submitted that the level of duties applied in other countries should also be considered in the determination of the level of protection granted to an industry in South Africa.

*Examples of measures imposed by other Member States include the European Union (25%), the United States (25% and set to increase to 60%, with an additional 10% on top of the 25% already imposed on **all** imports from China), the United Kingdom (25% and extended), Mexico (25%-35%), Brazil (25%), Türkiye (22.5%-50%) and so forth.⁵ The Commission must take cognisance of these measures as they have a direct impact on the possibility of trade diversion from China and the rest of the world into the SACU. Should the measure in South Africa be set at a lower rate, this will contribute to further export deviation to South Africa, as this market will remain less protected than other destinations.*

⁵ Please refer to Appendix A for a list of source materials.

*The Applicant further stated that it is clear that in order to ensure the sufficient protection of the domestic industry, the relief provided must be such that it fully remedies the serious injury experienced in year 3 of its application **and** allows the domestic industry to adjust and become competitive in the long run.*

*Safeguard measures are remedies that deal with volume imbalances that require correction and as such they are not price driven instruments. That being said, an analysis of the price comparisons between the unsuppressed price of the domestically manufactured product and the imported product is an accepted starting point to determine the very minimum of what relief is required in year 3 of the application of the safeguard measure to firstly, level the playing field and then secondly what is **required above this base level** in order to facilitate adjustment and incentivise new investment in domestic manufacture. Simply removing the price disadvantage will only level the price playing field and thus prevent increased serious injury, but would not remove the serious injury already prevalent and would not allow the industry to adjust. Thus, while such a measure might allow the industry to remain in existence for as long as the measure lasts, it will not allow the industry to continue a profitable existence thereafter.*

The Applicant submitted that the surge in imports had a devastating effects of the domestic industry's selling prices and profits. Table I(a) below shows that the Applicant is experiencing price suppression over the POI where the cost of production (excluding SG&A) accounted for 100 basis points of the selling price in the first year of the POI, whereas it accounted for 126 basis points in the final year of the POI. The selling prices decreased by 12 basis points while production costs increased by 11 basis points over the POI. This resulted in depressed prices at the end of the POI, with negative impact on gross profits which declined by 73 basis points over the POI. The cost-to-price ratio increased by 26 basis points resulting in significantly suppressed prices at the end of the POI and overall.

Table I(a): Prices and profits

AMSA	December 2021- November 2022	December 2022- November 2023	December 2023- November 2024
Ex-factory price - Rand per ton	100	91	88
Production cost - Rand per tone	100	115	111
Gross profit - Rand per ton	100	12	15
Gross profit %	100	13	17
Production cost as a % of selling price	100	127	126

Commission’s consideration

The above table demonstrates that the Applicant is experiencing serious injury due to increased imports. However, the situation does not meet the threshold for critical circumstances, which require damage that will be difficult to repair that cannot be addressed through normal safeguard procedures. The Applicant’s ability to grow output, maintain market share, and remain profitable indicates that immediate imposition of a provisional safeguard duty is not warranted. This is reflected in the improvement in the Applicants’ performance in the last year of the period of the investigation

Landed cost calculation

The Applicant stated that according to the official import statistics from SARS, there were 2 major “countries” or territories that exported the subject products to SACU during the final year of the POI, namely the EU and China, however Chinese prices were by far the lowest and as such, imports need to be addressed at these price levels in order to ensure a robust protection measure and promote the effectiveness of the temporary duties. According to the Applicant, if the duties are calculated based on average import prices, it will simply remove EU exports from the market while handing the whole market over to Chinese exports as the duty level will be insufficient to protect against imports from China. The fob export price for China was found to be only R14,753/t over this period.

The Applicant also stated that according to the 2021 World Steel Dynamics’s 2023-2030 forecast, freight cost (at fair times) was expected to be \$36/ton (7.5% of FOB value of \$480/ton), and the harbour and handling costs to be 2%

of the FOB value. At the end of 2020 period, the actual freight cost was 5% to the FOB value and the Applicant believes that the 7.5% in 2023 is a reasonable estimate of an increase of 2.5%. AMSA does not have the actual freight costs as they do not import the subject product. The Applicant believes that at this stage this is the best information available to calculate a conservative cost of freight and handling costs.

The Applicant further stated that it therefore proposes that the 9.5% (7.5% plus 2%) added to the FOB value be used to determine the landed cost.

Commission’s consideration

It is the Commission’s practice to use official SARS import statistics to determine the FOB price. The Commission noted the Applicant’s suggestion that since China’s prices are the lowest the Commission should use the Chinese FOB price, however in terms of representativity China accounts for 34% of the total imports of the subject product. Furthermore, article 2.1 of the Agreement states that the investigating authority should examine all imports of the product under investigation, as surge applies to total imports rather than imports from China.

Countries with significant interest are as follows:

Country	Percentage
China	34,38%
Germany	26,65%
Belgium	10,47%
France	10,47%
Austria	8,60%
Japan	3,69%
All other imports	5,74%
Total	100%

It is the Commission’s observation that Chinese prices are significantly lower than the prices of the other exporting countries and that in terms of volumes China accounts for only 34.38% of the total imports whilst the rest of the countries accounts for 60% of imports. The Commission is therefore, of the view

that the landed price should be based on the FOB price of imports from all countries with significant interest.

(R/ton)	December 2023- November 2024
Average FOB export price per ton	20 975
Freight and handling cost	1 993
Customs duty	2 098
Landed cost	25 066

The Commission made a preliminary determination to use the average FOB price of all countries with a significant interest from 01 December 2023 to 30 November 2024 in calculating the landed cost.

The calculation of the provisional payment is as follows:

Table 10.2.2: Provisional payment calculation

(R/ton)	December 2023- November 2024
Unsuppressed ex-factory price per unit	Confidential
Landed cost	25 066
Price disadvantage	Confidential
Price disadvantage as a % of landed cost	4.66%

11. PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

- The events cited can be regarded as unforeseen developments and 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 the volume of imports is recent, sharp, significant, and sudden enough;
- The SACU industry is suffering serious injury; and
- There is a causal link between the serious injury experienced by the Applicant and the surge in volumes of imports resulting from the unforeseen developments.

The Commission considered that although the SACU Industry is experiencing injury, there are no critical circumstances that justify the imposition of provisional measures. The Commission made a preliminary determination not to requests the Commissioner for SARS to impose provisional measures on the imports of corrosion resistant thick steel coil pending the finalisation of the investigation.