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Committee on Safeguards

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

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

TURKEY

*(Steel Products)*

The following communication, dated 5 October 2018, is being circulated at the request of the Delegation of Turkey.

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**1. The product subject to the proposed provisional safeguard measure**

The 5 product categories ("products concerned") and their 4-digit HS codes that are subject to the proposed provisional safeguard measure are listed in Annex-I. It was determined during the course of the investigation that hot-rolled stainless steel products were not manufactured in Turkey. In this regard, hot-rolled stainless steel products are not included within the scope of the provisional measure and accordingly analysis with regard to imports and domestic industry does not cover these products.

**2. The proposed provisional safeguard measure**

The proposed provisional safeguard measure is in the form of tariff quotas. The portion of imports exceeding the tariff quota levels will be subject to 25% additional duty. The proposed tariff quotas are listed in Annex-II.

**3. The proposed date of the introduction of the proposed provisional safeguard measure**

The proposed date of introduction of the proposed provisional safeguard measure is 17/10/2018.

**4. The expected duration of the provisional safeguard measure**

The proposed provisional safeguard measure will be in force for 200 days.

**5. Provide the basis for:**

**(1) making a preliminary determination, as provided for in Article 6, that increased imports have caused or are threatening to cause serious injury; and,**

**GENERAL INFORMATION**

Taking into account recent developments in the world steel market, specifically import taxes imposed by the United States, safeguard investigation initiated and provisional safeguard measure applied by European Union and overall worldwide propensity to resort to protectionist measures against steel products, an investigation was initiated *ex-officio* in order to determine whether imports have caused serious injury and/or threat thereof to domestic producers of the products concerned. The Communiqué on Safeguard Measure on Imports (No:2018/3) announcing the initiation of the safeguard investigation was published on Official Gazette on April 27, 2018.

The related parties presented their views, data and documents with the questionnaires. An interim examination report was published on the website of the Ministry of Trade<sup>1</sup>.

The information with regard to the domestic industry was submitted by 5 producers for flat products, 15 producers for long products, 4 producers for pipes and tubes, 1 producer for stainless steel and 2 producers for railway material.

**UNFORESEEN DEVELOPMENTS**

The Turkish investigating authority examined the unforeseen developments that have caused a sharp and significant increase in the imports.

Global excess capacity of the products concerned in last decades has already been an agenda item of several international platforms. In such competitive market conditions where the prices are determined globally, individual import regulations of the countries bring about significant changes in the routes of international trade.

Both the recent measures in the form of tariff increase and the trade restrictive practices of a number of Members (the United States, European Union and some developing countries such as India, Indonesia) caused the change of the course of trade flow of the products concerned. These protective policies have been unforeseen developments directly affecting the amount of imports of the product concerned into Turkey.

Turkey has been an attractive market for these steel products that are subject to increasing number of protective measures. Therefore, the measures that have been begun to be applied worldwide are the unforeseen developments that have triggered an increase of imports of the products concerned into Turkey.

**INCREASE IN IMPORTS**

The information currently available indicates that there has been an increase in imports of the products concerned in the period 2013-2017. Imports increased by 25% in 2015. Following that year, imports of the products concerned further increased by 1.3% and 0.6% in 2016 and 2017 and reached to 10.6 million tonnes.

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<sup>1</sup> The link of the investigation page is <https://www.ticaret.gov.tr/ithalat/ticaret-politikasi-savunma-araclari/korunma-onlemleri/sorusturmalar/devam-eden-sorusturmalar-listesi-ongoing-investigations/demir-celik-urunleri-tum-ulkeler-teblig-no-2018-3>

The import quantities of the product groups are presented at the table below.

<b>Imports (1000 tonnes)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Flat Products	8,014	6,206	8,078	8,134	8,390
Long Products	1,371	1,364	1,469	1,539	1,312
Pipes and Tubes	431	419	535	508	506
Stainless Steel	370	302	304	303	332
Railways Materials	37	20	26	57	66
<b>Total</b>	<b>10,223</b>	<b>8,311</b>	<b>10,412</b>	<b>10,543</b>	<b>10,606</b>

The increase in imported amounts of flat products, stainless steel and railways materials in 2017 has been 3%, 10% and 16%, respectively.

The index of the imports relative to domestic production is demonstrated below for the product groups.

<b>Import/Production (Index)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Flat products	100	64	79.7	80	68
Long Products	100	100	98.44	98.41	87
Pipes and Tubes	100	30.9	38	35	31
Stainless Steel	100	21	20	20.8	21.2
Railway Materials	100	78	107	301	386
All Products	100	72	84	83	78

Index figures for all groups except long products increased between 2014 and 2017. Increase in import of railway materials relative to domestic production in the last 5 years has been dramatic (from 100 to 386).

Table below shows the market shares of imported and domestic products overall.

<b>Market Share</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Imports (1000 Tonnes)	10,223	8,311	10,412	10,543	10,606
Domestic Sales (1000 Tonnes)	14,911	16,718	18,794	18,782	20,464
Consumption (Tonnes)	25,134	25,029	29,206	29,325	31,070
Market Share of the Imports (%)	41	33	36	36	34
Market Share of the Domestic Production (%)	59	67	64	64	66

Market shares of domestic and imported products have been stagnant between 2014 and 2017. Since 2014, imported products kept their market share stable in any circumstances.

During the period analysed, there has been an increase in imports of the products concerned. After 2014, this increase has been continuous. In the following years, domestic products could not go beyond its market share level in 2014.

#### THREAT OF SERIOUS INJURY

In order to make a determination of serious injury or threat thereof to the domestic producers of the products concerned, an evaluation of all relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry has been undertaken between 2013 and

2017. Figures on economic indicators of the domestic producers are based on the data submitted by domestic producers that are listed in the interim report.

The general economic indicators related to all products concerned in the safeguard investigation are presented at the table below, whereas the indicators related to the products individually are given in the Annex-III.

<b>Economic Indicators</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Consumption (1000 Tonnes)	25,134	25,029	29,206	29,325	31,070
Import (1000 Tonnes)	10,223	8,311	10,412	10,543	10,606
Production (1000 Tonnes)	24,085	27,364	29,181	29,891	32,022
Domestic Sales (1000 Tonnes)	14,911	16,718	18,794	18,782	20,464
Profitability (%)	0.7	2.6	1.6	5.5	10.3
Capacity (1000 Tonnes)	31,456	40,954	41,705	43,217	43,315
Capacity Utilization Ratio (CUR) (%)	77	67	70	69	74
Stocks (1000 Tonnes)	1,639	1,770	1,810	1,964	1,826
Employment (Persons)	26,452	31,334	31,088	30,714	31,421
Labour Productivity (Tonnes/Person)	911	873	939	973	1,019

In calculating the size of the domestic market, domestic sales figures of domestic producers and import figures in the related period are summed up. According to these figures, the size of domestic market (consumption) for the product concerned enlarged by 24% from 2013 to 2017. Likewise, output of domestic producers increased by 33% in the same period.

Regarding capacity utilization, the ratio level over 75% is regarded feasible in accordance with international standards for steel industry. Accordingly, it is fair to say that since 2014 domestic industry could manage to approach this threshold first time in 2017. This puts the domestic industry in a quite vulnerable position against increase in imports. While the capacity utilization ratio was 77% in 2013, it just reached to level of 74% in 2017 following the slump in 2014.

End of period stocks of domestic production increased from 1.64 million tonnes in 2013 to 1.96 million tonnes in 2016, then it declined slowly in 2017.

Furthermore, findings of Turkish investigating authority on the situation of domestic industry for individual product categories of the product concerned are evaluated below. Figures of domestic industry are indexed according to the values in 2013.

- Flat products: Production index increased to 154 in 2017, while domestic sales also raised to 131. Consumption increased by 17% during the period of analysis. Capacity has not changed since 2015. Also, the level of employment, labour productivity and stocks raised from 2013 to 2017. Profitability index reached 246 in 2017.

- Long products: Although the consumption, domestic sales and production levels of the long products increased from the beginning of the investigation period to 2017, the profitability of these products remained negative until 2016. Indeed, capacity utilization ratio (CUR) reached the lowest

level in 2017. Stocks, labour productivity and employment increased by 3% - 7% during the period of analysis.

- Tubes, pipes and hollow profiles: Production index reached to 385 in 2017, while the index of consumption and domestic sales increased in lower rates in the same period. Profitability continued to be negative during the period of analysis. Despite the fact that the capacity index went up to 369 in 2017, CUR increased slightly from 2013 to 2017. Stocks index also increased significantly and reached to 650 in 2017.

- Stainless steel: Consumption index increased less than the other product groups during the investigation period. Production and domestic sales increased significantly; index levels reached to 425 and 349 in 2017, respectively. However, profitability has been either negative or in very low levels during the period of analysis. The index of the CUR, which was 396 in 2014, reached to 425 in 2017. Employment and labour productivity had an increasing trend, as well. On the other hand, the pressure of imported products caused the stocks of domestic industry to reach the index level of 184 in 2017.

- Railways materials: Consumption, production and domestic sales decreased between 2013 and 2017, while imports increased by 81%. Consumption, production and domestic sales indexes decreased to 53, 43 and 39 in 2017, respectively. Profitability index went down to 95 in 2017 while CUR decreased to 47. Stocks had the same decline trend. Employment fluctuated in the period of 2013-2017, by reaching 73 and 79 in 2016 and 2017. Productivity declined to 59 in 2017.

In conclusion, although certain figures with regard to domestic industry improved during the period analysed, overall picture and recent trends point to a situation of threat of serious injury for domestic industry. For all product groups, CUR is still at a critical level for sustainable functioning of steel industry. Also, stocks remained considerably high in 2017 compared to the beginning period. Besides, it is possible to observe the vulnerable position of the domestic industry on product group basis, as well. There has been a significant increase in the stocks of the flat products in 2017. Producers of the long products operated with poor profits during the period concerned. Domestic production of pipes and tubes has been far from being profitable. Stainless steel industry faced a dramatic increase in stocks in 2017. Producers of railway materials suffered from a dramatic decrease in certain indicators like production and domestic sales amounts from 2013 to 2017. Overall, it is concluded that domestic steel industry is under threat of serious injury due to the increase in imports of the products concerned.

#### CAUSATION

Imports of the products subject to investigation increased during the period under examination. Following a decrease by 19% in 2014, imports of the products concerned increased constantly onwards and reached 10.6 million tonnes in 2017. Imported products has continuously been feeding more than a third of domestic market share since 2014.

Although increase in imports has not yet caused serious injury on domestic industry, an overall evaluation of the case signals to a threat of industry. For all product groups, the domestic industry has not yet reached a capacity utilization level on a sustainable level. Indeed, for certain products, it possible to observe the simultaneously injurious effects of the surge in imports on domestic industry. For instance, stocks of flat products increased by 8% in 2017 when imports of these products reached its peak level. Imports of railway materials nearly doubled from 2013 to 2017 while certain indicators of domestic industry such as production and sales amounts deteriorated dramatically.

Overall, it is concluded that the surge in the imports of the products concerned and the threat of serious injury on the domestic industry took effect simultaneously.

#### **(2) determining that there are critical circumstances where delay would cause damage which it would be difficult to repair.**

Although it is possible to see positive values to some extent in certain economic indicators during the investigation period, the situation of the sector is generally still vulnerable. Most of the recent figures of the domestic industry indicates that the product concerned is highly sensitive to any further increase of imports. The protectionist measures taken by a number of Members have a direct

consequence of directing the flow of trade into other countries. Domestic market in Turkey, with annual consumption around 30 million tons, is becoming a natural target for imported products. Recent figures show that domestic industry has no more margin to absorb the effects of increase in imports. In this regard, a delay in taking a measure would cause a number of domestic producers to face serious deterioration in their economic activities.

**6. Offer of Consultations**

Turkey offers consultations on the provisional safeguard measures at any time after the measure is taken.

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**NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2  
OF THE AGREEMENT ON SAFEGUARDS****1. Specify the measure**

The proposed provisional safeguard measure is in the form of tariff quotas. The portion of imports exceeding the tariff quota levels will be subject to 25% additional duty. The proposed tariff quotas are listed in Annex-II.

**2. Specify the products subject to the measure**

The products subject to the proposed provisional safeguard measure are listed in Annex-I.

**3. Specify the developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards**

The developing countries which are excluded from the provisional measure as they export in quantities less than 3 per cent of imports to Turkey are listed below under Article 9.1 of the Agreement on Safeguards.

Afghanistan, Angola, Antigua and Barbuda, Argentina, Albania, Azerbaijan, Bangladesh, Barbados, Belarus, Belize, Benin, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Burundi, Bhutan, Algeria, Djibouti, Cook Islands, Chad, Democratic Republic of the Congo, Dominican Republic, Dominica, Ecuador, Equatorial Guinea, El Salvador, Indonesia, Eritrea, Ethiopia, Morocco, Fiji, Côte d'Ivoire, Philippines, State of Palestine, French Polynesia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Grenada, Guatemala, Guyana, South Africa, South Sudan, Georgia, Haiti, India, Honduras, Iraq, Iran, Jamaica, Cambodia, Cameroon, Cabo Verde, Montenegro, Kazakhstan, Kenya, Kyrgyzstan, Kiribati, Colombia, Comoros, Congo, Kosovo, Costa Rica, Democratic People's Republic of Korea, Cuba, Lao People's Democratic Republic, Lesotho, Liberia, Libya, Lebanon, Madagascar, The Former Yugoslav Republic of Macedonia, Malawi, Maldives, Malaysia, Mali, Marshall Islands, Mozambique, Mexico, Egypt, Micronesia (Federated States of), Mongolia, Republic of Moldova, Montserrat, Mauritania, Mauritius, Myanmar, Namibia, Nauru, Nepal, Niger, Nigeria, Nicaragua, Niue, Central African Republic, Uzbekistan, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Rwanda, Samoa, Sao Tome And Principe, Senegal, Seychelles, Serbia, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Chile, Tajikistan, United Republic of Tanzania, Thailand, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Tuvalu, Turkmenistan, Uganda, Oman, Uruguay, Jordan, Vanuatu, Venezuela (Bolivarian Republic of), Viet Nam, Yemen, Zambia, Zimbabwe.

**ANNEX-I****Product Categories**

<b>N.</b>	<b>Product Group</b>	<b>HS Codes</b>	<b>Description of Products</b>
1	Flat Products	72.08	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated:
		72.09	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated:
		72.10	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated:
		72.11	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated:
		72.12	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated:
		72.25	Flat-rolled products of other alloy steel, of a width of 600 mm or more:
		72.26	Flat-rolled products of other alloy steel, of a width of less than 600 mm:
2	Long Products	72.13	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel:
		72.14	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling:
		72.15	Other bars and rods of iron or non-alloy steel:
		72.16	Angles, shapes and sections of iron or non-alloy steel:
		72.17	Wire of iron or non-alloy steel:
		72.27	Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel:
		72.28	Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel:
3	Tubes, Pipes and Hollow Profiles	73.03	Tubes, pipes and hollow profiles, of cast iron:
		73.04	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel:
		73.05	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406,4 mm, of iron or steel:
		73.06	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel:
4	Stainless Steel*	72.19	Flat-rolled products of stainless steel, of a width of 600 mm or more:
		72.20	Flat-rolled products of stainless steel, of a width of less than 600 mm:
5	Railway Material	73.02	Railway or tramway track construction material of iron or steel, the following: rails, check-rails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers (cross-ties), fish-plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialised for jointing or fixing rails:

\* The products, which are currently classified with the HS Codes 7219.11, 7219.12, 7219.13, 7219.14, 7219.21, 7219.22, 7219.23, 7219.24, 7220.11 and 7220.12, are excluded.

**ANNEX-II****Proposed Tariff Quotas**

N.	Product Group	HS Codes	Description of Products	Tariff Quota (Tonnes)	Additional Duty (%)
1	Flat Products	72.08	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated:	3.117.670	25%
		72.09	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated:		
		72.10	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated:		
		72.11	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated:		
		72.12	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated:		
		72.25	Flat-rolled products of other alloy steel, of a width of 600 mm or more:		
		72.26	Flat-rolled products of other alloy steel, of a width of less than 600 mm:		
2	Long Products	72.13	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel:	558.534	25%
		72.14	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling:		
		72.15	Other bars and rods of iron or non-alloy steel:		
		72.16	Angles, shapes and sections of iron or non-alloy steel:		
		72.17	Wire of iron or non-alloy steel:		
		72.27	Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel:		
		72.28	Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel:		
3	Tubes, Pipes and Hollow Profiles	73.03	Tubes, pipes and hollow profiles, of cast iron:	273.901	25%
		73.04	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel:		
		73.05	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406,4 mm, of iron or steel:		
		73.06	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel:		
4	Stainless Steel*	72.19	Flat-rolled products of stainless steel, of a width of 600 mm or more:	139.934	25%
		72.20	Flat-rolled products of stainless steel, of a width of less than 600 mm:		
5	Railway Material	73.02	Railway or tramway track construction material of iron or steel, the following: rails, check-rails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers (cross-ties), fish-plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialised for jointing or fixing rails:	27.044	25%

\* The products, which are currently classified with the HS Codes 7219.11, 7219.12, 7219.13, 7219.14, 7219.21, 7219.22, 7219.23, 7219.24, 7220.11 and 7220.12 are excluded.

**ANNEX-III****Economic Indicators of the Product Categories**

<b>Flat Products</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Consumption	100	92	107	107	117
Production	100	121	126	127	154
Domestic Sales	100	107	114	113	131
Profitability	100	158	158	193	246
Capacity	100	148	145	145	145
Capacity Utilization Ratio (CUR)	100	82	87	87	106
Stocks	100	108	113	99	107
Employment	100	117	115	113	112
Labour Productivity	100	104	110	112	138

<b>Long Products</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Consumption	100	109	127	129	130
Production	100	100	109	114	110
Domestic Sales	100	110	131	133	137
Profitability	-100	-69	-99	22	133
Capacity	100	107	113	118	119
Capacity Utilization Ratio (CUR)	100	93	96	96	92
Stocks	100	103	96	130	103
Employment	100	108	105	103	107
Labour Productivity	100	92	104	111	103

<b>Pipes and Tubes</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Consumption	100	171	205	210	224
Production	100	314	331	335	385
Domestic Sales	100	268	311	330	363
Profitability	-100	-491	-636	-301	-211
Capacity	100	327	328	369	369
Capacity Utilization Ratio (CUR)	100	96	101	91	104
Stocks	100	409	687	550	620
Employment	100	256	285	316	331
Labour Productivity	100	123	116	106	116

<b>Stainless Steel</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Consumption	100	108	107	110	117
Production	100	396	402	394	425
Domestic Sales	100	330	312	348	349
Profitability	-100	-10	-11	7	14
Capacity	100	100	100	100	100
Capacity Utilization Ratio (CUR)	100	396	402	394	425
Stocks	100	137	163	102	184
Employment	100	144	146	134	137
Labour Productivity	100	276	276	293	310

<b>Railway Materials</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Consumption	100	73	73	51	53
Production	100	71	66	52	47
Domestic Sales	100	75	74	39	39
Profitability	100	106	45	63	95
Capacity	100	99	95	106	100
Capacity Utilization Ratio (CUR)	100	72	70	49	47
Stocks	100	54	30	71	48
Employment	100	92	94	73	79
Labour Productivity	100	78	71	71	59