

**NOTIFICATION UNDER ARTICLE 12.1(A) OF THE AGREEMENT ON  
SAFEGUARDS ON INITIATION OF AN INVESTIGATION AND  
THE REASONS FOR IT**

**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**

**HUNGARY**

The following communication, dated 22 May 2002, has been received from the Permanent Mission of Hungary.

---

**I. ARTICLE 12.1(A) NOTIFICATION**

Pursuant to Article 12.1(a) of the Agreement on Safeguards and to the format of notifications under the Agreement as adopted by the Committee on Safeguards (G/SG/N/6), Hungary hereby notifies that its competent authorities have initiated a safeguard investigation, as follows:

**1. Date investigation was initiated**

On 22 May 2002, the Ministry of Economic Affairs is initiating an investigatory process relating to serious injury or threat of serious injury to the domestic producers of products like or directly competing with certain imported steel products. The public notice on the initiation of investigation was published in the Economic and Employment Journal (Gazdasági és Foglalkoztatási Közlöny) No. 9. of the Ministry of Economic Affairs on 16 May 2002.

**2. Product subject to the investigation**

Certain steel products as specified in Annex 1.

**3. Reasons for the initiation of investigation**

- (i) Was the investigation initiated pursuant to a petition from the domestic industry?

No, the investigation was initiated by the Ministry of Economic Affairs.

- (ii) Evidence on the basis of which the investigation was initiated.

In recent years and especially in 2001 there has been a significant increase in imports of the products concerned both in absolute terms, and relative to consumption of the Hungarian market and production as compared to previous years. Annex 2 contains detailed information as to the increases in imports, which form the basis for the initiation of the investigation. Statistical data suggest that the significant increase in imports has been accompanied by a sharp decrease of import prices of 22.8 per cent in 2001 as compared to the period 1996-2000.

The investigating authorities found evidence of a reduction of employment and market share, low level of capacity utilization as well as losses suffered by the industry during the same period which appeared to be a direct consequence of the significant increase in imports.

- (iii) Evidence, if any, on critical circumstances where delay would cause damage which it would be difficult to repair

The recent restriction of access to the two major steel markets in the world by virtue of the introduction of safeguard measures made the diversion of steel exports excluded from these markets a real and imminent threat to third countries, including Hungary. The Hungarian authorities considered that delay in taking a safeguard measure countering this threat would cause damage which would be difficult to repair to the domestic industry already suffering from serious injury due to the significant increase in imports at low prices that occurred in 2001.

# **ANNEX 1**

## **Product coverage**

No.	Product description	Tariff Number
1	Non-alloy hot rolled sheets and plates	7208.40 - 90
2	Non-alloy cold rolled sheets and plates	7209.25 - 90
3	Non-alloy hot rolled narrow strip	7211.13 – 19
4	Hot rolled bars and rods of iron or non-alloy steel	7213.10, 7213.20, 7213.91.10, 7214.20, 7214.99.10
5	Non-alloy hot rolled bars and rods, excluding concrete steel	7214.10, 7214.30, 7214.91, 7214.99.31 - 90, 7215.90
6	Not further worked non-alloy hot and cold rolled bars and rods	7215.10, 7215.50
7	Non alloyed angles, shapes and sections	7216.10, 7216.21, 7216.22, 7216.31.99, 7216.32.99
8	Cold-formed or cold-finished angles, shapes and sections	7216.61 – 99
9	Non-alloyed wire	7217.10 – 90
10	Other bars and rods of other alloy steel; angles, shapes and sections	7228
11	Other tubes and pipes, hollow profiles of iron welded of circular cross-section	7306.30
12	Other tubes and pipes, hollow profiles of iron welded of non-circular cross-section	7306.60 – 90
13	Stranded wire, ropes, cables, plaited bands, slings and the like	7312.10 – 90
14	Cloth, grill, netting and fencing	7314
15	Sheets otherwise plated or coated with zinc	7210.41, 7210.49, 7212.30

**ANNEX 2**

**Statistical data on imports of certain steel products subject to safeguard investigation**

<b>No.</b>	<b>Product</b>	<b>Period of 1996-2000</b>	<b>Year 2001</b>	<b>Increase in %</b>
<b>1.</b>	<b>7208.40 - 90</b>			
	Quantity of import in tons	66,269	113,870	+71.8
	Import/consumption in %	22.8	33.7	+47.8
<b>2.</b>	<b>7209.25 - 90</b>			
	Quantity of import in tons	18,155	22,926	+26.4
	Import/consumption in %	18.6	24.8	+33.3
<b>3.</b>	<b>7211.13 - 19</b>			
	Quantity of import in tons	17,019	26,790	+57.4
	Import/consumption in %	30.2	40.6	+34.4
<b>4.</b>	<b>7213.10 - 20 7213.91.10 7214.20 7214.99.10</b>			
	Quantity of import in tons	47,028	109,076	+131.9
	Import/consumption in %	33.5	43.1	+28.6
<b>5.</b>	<b>7214</b>			
	Quantity of import in tons	28,133	45,765	+62.6
	Import/consumption in %	26.3	47.8	+81.7
<b>6.</b>	<b>7215</b>			
	Quantity of import in tons	14,409	18,454	+28
	Import/consumption in %	66.7	68.4	+2.5

<b>7.</b>	<b>7216.10 7216.21 7216.22 7216.31.99 7216.32.99</b>			
	Quantity of import in tons	12,595	16,170	+28.4
	Import/consumption in %	26.7	31.3	+17.2
<b>8.</b>	<b>7216.61 - 99</b>			
	Quantity of import in tons	16,583	27,072	+63.3
	Import/consumption in %	51.5	66	+28.2
<b>9.</b>	<b>7217.10 - 90</b>			
	Quantity of import in tons	28,405	36,694	+29.2
	Import/consumption in %	47.1	51.3	+8.9
<b>10.</b>	<b>7228.10 - 80</b>			
	Quantity of import in tons	30,953	34,450	+11.3
	Import/consumption in %	59.4	65.8	+10.8
<b>11.</b>	<b>7306.30</b>			
	Quantity of import in tons	17,962	39,232	+118.4
	Import/consumption in %	28.7	52.8	+84
<b>12.</b>	<b>7306.60 - 90</b>			
	Quantity of import in tons	24,796	40,052	+61.5
	Import/consumption in %	26.2	37	+41.2
<b>13.</b>	<b>7312.10 - 90</b>			
	Quantity of import in tons	4,711	7,259	+54
	Import/consumption in %	56	56.1	+0.2

<b>14.</b>	<b>7314.</b>			
	Quantity of import in tons	6,731	14,809	+120
	Import/consumption in %	27	33.6	+24.4
<b>15.</b>	<b>7210.41</b> <b>7210.49</b> <b>7212.30</b>			
	Quantity of import in tons	31,825	59,592	+87.2
	Import/consumption in %	86.5	93.3	+7.9

## **II. ARTICLE 12.4 NOTIFICATION**

Pursuant to Article 12.4 of the Agreement on Safeguards and to the format of notifications under the Agreement as adopted by the Committee (G/SG/N/6), Hungary hereby submits a notification before taking a provisional measure regarding imports of certain steel products, under Article 6 of the Agreement.

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

Certain steel products as specified in Annex 3.

### **2. The proposed provisional safeguard measure**

The proposed provisional safeguard measure consists of additional duties to be paid on imports exceeding certain quantities. These quantities represent average import volumes during the representative period 1998-2000 increased by 10 per cent. Specific quantities are allocated to substantial suppliers (EU, CEFTA) on the basis of past performance. The additional duty is 20 per cent or 25 per cent depending on the product category. The quantities referred to and the additional duties, which will be applied to the various product categories, are set out in Annex 4.

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

3 June 2002.

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

The provisional safeguard measure will apply for six months from the date of its introduction.

### **5. Preliminary determination that increased imports have caused or are threatening to cause serious injury**

#### **(i) Unforeseen developments**

Since 1996 imports of various steel products have been continuously on the rise. The significant increase of imports in 2001 has led to the dramatic deterioration of the situation of the domestic producers of like products. This situation is aggravated by the expected repercussions of the safeguard measure introduced by a major importer at the beginning of 2002. The resulting severe restriction of access to one of the main steel markets in the world created a significant threat of diverting major quantities of steel products towards other markets. The other major international outlet for steel products reacted to this threat by introducing a provisional safeguard measure in order to prevent such trade diversion from happening to its market. This has increased the exposure of the Hungarian producers to a major influx of steel products, which have lost their traditional markets.

#### **(ii) Increase in imports**

From the average quantity of 365,574 tons during the period 1996-2000 total imports of the product categories concerned grew to 612,241 tons in 2001. In other words imports taken as a whole, increased by 67,4 per cent. Total imports relative to consumption and production increased from 34 and 31 per cent during the same period to 43 and 44 per cent respectively in 2001. Import prices declined by 22.8 per cent in 2001 compared to the period of 1996-2000. Since there were significant

variations in import prices depending on the country of origin, these figures do underestimate the real impact of price undercutting that occurred on the Hungarian market.

(iii) Threat of serious injury

The investigating authority has evaluated relevant information on available factors of an objective and quantifiable nature to determine what effect increased imports at low prices are having on domestic producers of the corresponding like products in order to be able to make a preliminary determination as to whether there is clear evidence of serious injury or threat of serious injury to domestic producers of each of the like products. These factors include the development of imports, production, consumption, domestic sales, market share, prices, profitability and employment for the years 1996 to 2001.

*Import* volumes in absolute terms of each of the product categories concerned increased, in some cases even at a rate of 118, 120 or 132 per cent in 2001 as compared to the period 1996-2000. Imports relative to consumption of all of the product categories increased as well in certain cases by more than 80 per cent. With regard to imports relative to production with the exception of a few categories the situation was similar with increases reaching 70 per cent. *Capacity utilization* was generally low, less than half of the product categories registered a rate exceeding 60 per cent. With regard to the products concerned *market share* of domestic producers has decreased from 63 per cent during the period 1996-2000 to 57 per cent in 2001. After a profit of Ft. 2,312 billion in 1996 domestic producers of the like products suffered a historic level of material *loss* reaching Ft. 8.8 billion last year. *Employment* in the Hungarian steel industry declined from an average 12,765 during the period 1996-2000 to 10,009 in 2001, that is by 22.5 per cent. This evolution seems to be broadly corresponding to the estimated changes in employment relating to each of the like products.

Based on its preliminary analysis, the investigating authority has made a preliminary determination that in relation to each of the 15 product categories concerned, domestic producers have suffered serious injury and are threatened by the significant increase of this injury.

(iv) Causation

On the basis of available information the investigating authority has made a preliminary determination that there is clear evidence of a causal link between the recent growth of import volumes and the injury caused to domestic producers as well as the import restrictions introduced by two major importers and the expected further increase of Hungarian imports and the threat of injury. The investigating authority has established that the reduction of employment and market share, the low level of capacity utilization as well as the losses suffered by the domestic industry of the like products are directly attributable to the increase of imports at low prices.

(v) Other factors

To ensure that the threat of serious injury is not attributable to other factors than the increase in imports, the investigating authority has carried out a preliminary analysis of other factors (e.g. international economic situation, ownership changes in the domestic industry) that may have contributed to the serious injury suffered by the domestic producers. In the course of further investigation a detailed examination of all factors, which have, or may have contributed to the injury will be conducted by the investigating authority.



(vi) Critical situation

The recent restriction of access to two major steel markets in the world by virtue of the introduction of safeguard measures made the diversion of steel exports excluded from these markets a real and imminent threat to third countries, including Hungary. The Hungarian authorities considered that delay in taking a safeguard measure countering this threat would cause damage which would be difficult to repair to the domestic industry which is already suffering from serious injury due to the significant increase in imports at low prices that occurred in 2001.

**6. Offer of consultations under Article 12.4**

Hungary is ready to hold consultations on the provisional safeguard measure.

**7. Other information**

### ANNEX 3

#### Product coverage

No.	Product description	Tariff Number
1	Non-alloy hot rolled sheets and plates	7208.40 - 90
2	Non-alloy cold rolled sheets and plates	7209.25 - 90
3	Non-alloy hot rolled narrow strip	7211.13 – 19
4	Hot rolled bars and rods of iron or non-alloy steel	7213.10, 7213.20, 7213.91.10, 7214.20, 7214.99.10
5	Non-alloy hot rolled bars and rods, excluding concrete steel	7214.10, 7214.30, 7214.91, 7214.99.31 - 90, 7215.90
6	Not further worked non-alloy hot and cold rolled bars and rods	7215.10, 7215.50
7	Non alloyed angles, shapes and sections	7216.10, 7216.21, 7216.22, 7216.31.99, 7216.32.99
8	Cold-formed or cold-finished angles, shapes and sections	7216.61 – 99
9	Non-alloyed wire	7217.10 – 90
10	Other bars and rods of other alloy steel; angles, shapes and sections	7228
11	Other tubes and pipes, hollow profiles of iron welded of circular cross-section	7306.30
12	Other tubes and pipes, hollow profiles of iron welded of non-circular cross-section	7306.60 – 90
13	Stranded wire, ropes, cables, plaited bands, slings and the like	7312.10 – 90
14	Cloth, grill, netting and fencing	7314
15	Sheets otherwise plated or coated with zinc	7210.41, 7210.49, 7212.30

**ANNEX 4**

**Import quantities and additional duties as provided for by the provisional measure**

No.	Description		Quantities (in tons)	Additional duty %
1.	Non-alloy hot rolled sheets and plates			25
		EU	13,696	
		CEFTA	30,214	
		Others	2,251	
2.	Non-alloy cold rolled sheets and plates			25
		EU	7,176	
		CEFTA	4,844	
		Others	255	
3.	Non-alloy hot rolled narrow strip			20
		EU	6,881	
		CEFTA	6,291	
		Others	110	
4.	Hot rolled bars and rods of iron or non-alloy steel			25
		EU	6,417	
		CEFTA	20,719	
		Others	2,558	
5.	Non-alloy hot rolled bars and rods, excluding concrete steel			25
		EU	10,990	
		CEFTA	9,420	
		Others	1,090	
6.	Not further worked non-alloy hot and cold rolled bars and rods			20
		EU	5,250	
		CEFTA	2,480	
		Others	180	
7.	Non alloyed angles, shapes and sections			25
		EU	2,483	
		CEFTA	4,335	
		Others	827	
8.	Cold-formed or cold-finished angles, shapes and sections			20
		EU	9,242	
		CEFTA	2,455	
		Others	76	
9.	Non-alloyed wire			20
		EU	8,455	
		CEFTA	8,017	
		Others	1,272	
10.	Other bars and rods of other alloy steel; angles, shapes and sections			20
		EU	11,468	
		CEFTA	5,451	
		Others	1,045	

No.	Description		Quantities (in tons)	Additional duties %
11.	Other tubes and pipes, hollow profiles of iron welded of circular cross-section			20
		EU	7,976	
		CEFTA	2,392	
		Others	2,533	
12.	Other tubes and pipes, hollow profiles of iron welded of non-circular cross-section			20
		EU	12,607	
		CEFTA	4,195	
		Others	1,153	
13.	Stranded wire, ropes, cables, plaited bands, slings and the like			20
		EU	2,202	
		CEFTA	304	
		Others	440	
14.	Cloth, grill, netting and fencing			20
		EU	1,526	
		CEFTA	2,283	
		Others	1,270	
15.	Sheets otherwise plated or coated with zinc			20
		EU	16,972	
		CEFTA	5,035	
		Others	201	

### **III. ARTICLE 9, FOOTNOTE 2, NOTIFICATION**

Notification to the Committee on Safeguards of non-application of safeguard measure to developing countries under Article 9.1 of the Agreement on Safeguards

#### **1. Specify the measure**

The provisional measure consists of additional duties to be paid on imports exceeding the relevant import ceilings as described in the notification by Hungary under Article 12.4.

#### **2. Specify the product subject to the measure**

The measure applies to certain steel products described in the notification by Hungary under Article 12.4.

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

Imports of the products concerned subject to a provisional safeguard measure originating in any of the developing or least developed countries shall not be subject to the provisional measures. These countries are the following:

Afghanistan, Albania, Algeria, Angola, Argentina, Bahamas, Bangladesh, Barbados, Belize, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Costa Rica, Cuba, Democratic People's Republic of Korea, Democratic Republic of Congo, Djibouti, Dominican Republic, Ecuador, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran (Islamic Republic of), Iraq, Jamaica, Jordan, Kenya, Kiribati, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mexico, Mongolia, Morocco, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Papua New Guinea, Peru, Philippines, Rwanda, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Singapore, Solomon Islands, Somalia, South Africa, Sri Lanka, Sudan, Suriname, Swaziland, Syrian Arab Republic, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Tuvalu, Uganda, United Republic of Tanzania, Uruguay, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe.

#### **4. Not applicable**

---