

# WORLD TRADE ORGANIZATION

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Committee on Safeguards

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## NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS

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

PEOPLE'S REPUBLIC OF CHINA

The following notification, dated 1 November 2002, has been received from the Permanent Mission of the People's Republic of China.

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Upon instructions from my capital, I am pleased to forward you the notification from the People's Republic of China pursuant to Articles 12.1(b) and 12.1(c) of the Agreement on Safeguards, in finding of serious injury or threat thereof, to the domestic industries producing certain steel products and a notification on proposed safeguard measures. The notification contains all pertinent information relating to the proposed safeguard measures in accordance with Article 12.2 of the Agreement on Safeguards.

The Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China (MOFTEC) offers consultations on the proposed safeguard measures at any time after 1 November 2002.

A copy of this letter has also been sent to the Permanent Missions of Japan, Republic of Korea, Germany, the European Communities and Malaysia to the WTO.

**NOTIFICATION UNDER ARTICLE 12.1(B) AND (C) AND ARTICLE 12.2 OF THE  
AGREEMENT ON SAFEGUARDS**

In light of the agreed format for notifications (G/SG/W/1, 23 February 1995), the PRC provides notification to the Committee on Safeguards of findings of serious injury or threat thereof caused by increased imports and notification of proposed definitive safeguard measures.

On 20 May 2002, MOFTEC initiated a safeguard investigation on certain imported steel products. The 11 categories of steel products covered by the investigation are non-alloy plates, non alloy sheets and coils, electrical sheets, stainless steel plates and sheets, other non alloy strips, non alloy wires, non alloy bars and rebars, non alloy sections, seamless pipes, welded pipes and slabs.

On 21 May 2002, MOFTEC announced provisional safeguard measures on 9 categories and 17 sub-categories steel products amongst those covered by the investigation. These products are non alloy plates, non alloy sheets and coils (non alloy hot rolled sheets and coils, non alloy cold rolled sheets and coils, tin mill products, galvanized sheets, organic coated sheets), electrical sheets (oriented electrical sheets and non grain-oriented electrical sheets), stainless steel plates and sheets (stainless non alloy plates, stainless non alloy hot rolled sheets and coils, stainless non alloy cold rolled sheets and coils), non alloy wires, non alloy bars and rebars (non alloy hot rolled bars and rebars and non alloy cold rolled bars and rebars), non alloy sections (non alloy hot rolled sections, moulded sections), seamless pipes, slabs.

The initiation of the investigation, the imposition of provisional measures as well as the decision not to apply those provisional measures to certain products originating in developing countries have been notified to the Committee on Safeguards in G/SG/N/6/CHN/1, G/SG/N/7/CHN/1, G/SG/N/11/CHN/1 (20 May 2002).

Consistent with Article 12.2 of the *Agreement on Safeguards*, this notification contains all pertinent information relating to the five sub-category products on which definitive safeguard measures are proposed. Annexes I and II to this notification include all the elements of information specified in Article 12.2 of the *Agreement on Safeguards*.

Consistent with Article 12.3 of the *Agreement on Safeguards*, the PRC is prepared to consult with those countries/regions having a substantial interest as exporters of one or more of the products concerned, with a view to, *inter alia*, reviewing the information provided in this notification, exchanging views on the measure proposed, and reaching an understanding on ways to achieve the objective set out in Article 8.1 of the *Agreement on Safeguards*.

**1. Provide evidence of serious injury or threat thereof caused by increased imports**

Non alloy hot rolled sheets and coils:  
See Annex I Product 1, p. 5

Non alloy cold rolled sheets and coils:  
See Annex I Product 2, p. 8

Organic coated sheets:  
See Annex I Product 3, p. 11

Non grain-oriented electrical sheets:  
See Annex I Product 4, p. 13

Stainless non alloy cold rolled sheets and coils:  
See Annex I Product 5, p. 16

**2. Provide information on whether there is an absolute increase or an relative increase in imports compared with domestic production**

Non alloy hot rolled sheets and coils:  
See Annex I Product 1, p. 5

Non alloy cold rolled sheets and coils:  
See Annex I Product 2, p. 8

Organic coated sheets:  
See Annex I Product 3, p. 10

Non grain-oriented electrical sheets:  
See Annex I Product 4, p. 13

Stainless non alloy cold rolled sheets and coils:  
See Annex I Product 5, p. 15

**3. Provide precise description of the product involved**

Non alloy hot rolled sheets and coils:  
See Annex I Product 1, p. 5

Non alloy cold rolled sheets and coils:  
See Annex I Product 2, p. 7

Organic coated sheets:  
See Annex I Product 3, p. 10

Non grain-oriented electrical sheets:  
See Annex I Product 4, p. 12

Stainless non alloy cold rolled sheets and coils:  
See Annex I Product 5, p. 15

**4. Provide precise description of the proposed measures**

Non alloy hot rolled sheets and coils:  
See Annex I Product 1, p. 6

Non alloy cold rolled sheets and coils:  
See Annex I Product 2, p. 9

Organic coated sheets:  
See Annex I Product 3, p. 12

Non grain-oriented electrical sheets:  
See Annex I Product 4, p. 14

Stainless non alloy cold rolled sheets and coils:  
See Annex I Product 5, p. 17

Annex II contains a list of products originating in developing countries/regions to which it is proposed not to apply safeguard measures, except in the cases of those products originating in those countries against which an 'x' appears in that annex.

**5. Provide proposed date of introduction of the measures**

The five products for which safeguard measures are proposed are currently subject to provisional measures, which are set to expire on 19 November 2002. The proposed date of introduction of the proposed measures is 20 November 2002.

**6. Provide expected duration of the measures**

The expected duration of the proposed measures is three years.

**7. For a measure with the duration of more than three years, provide the proposed date for the review (under Article 7.4 of *Agreement on Safeguards*) to be held not later than the mid-term of the measure, if such a date for the review has already been scheduled**

Not applicable.

**8. If the expected duration is over one year, provide expected timetable for progressive liberalization of the measures**

As noted in Item 4 of this notification, each of the proposed measures provides for progressive liberalization.

**9. Provide information relating to the extension of a safeguard measures**

Not applicable.

## ANNEX I: PRODUCT INFORMATION

### PRODUCT 1: NON ALLOY HOT ROLLED SHEETS AND COILS

#### 1. Product Concerned

The product concerned is certain flat rolled products of iron or non-alloy steel, of a thickness under 4.75 mm, of a width of 600 mm or more, hot rolled, not clad, not plated or coated, mainly including hot rolled coils and sheets of different kinds. The product concerned is classified under the 2002 *Customs Import Tariff of the People's Republic of China* with the HTS numbers 72081000, 72082600, 72082700, 72083800, 72083900, 72084000, 72085300, 72085400, 72089000.

#### 2. Increased Imports

Consumption					
	1997	1998	1999	2000	2001
Consumption (in tonnes)	10,025,670	10,387,851	12,013,173	10,734,108	12,117,274
Import data					
	1997	1998	1999	2000	2001
Total imports (in tonnes)	2,173,757	1,922,186	2,802,302	2,716,024	2,630,803
Rate of increase (in %)		-11.57	45.79	-3.08	-3.14
Market share (in %)	21.68	18.50	23.33	25.30	21.71
Volume as moving average (in tonnes)					
	1998/1997	1999/1998	2000/1999	2001/2000	
Volume as moving average (in tonnes)	2,047,971	2,362,244	2,759,163	2,673,413	

The investigation reveals that the import quantities of the product concerned increased suddenly, sharply and significantly in the most recent past. The import quantity of the product concerned for 1997 was 2,173,800 tons. However, the import of the product concerned in 1999 greatly increased to 2,802,300 tons, representing 28.91% increase over the import quantity of 1997 and 45.79% increase over 1998. Afterwards, the annual import remained at a relatively high level. The import for 2000 was 2,716,000 tons and the import for 2001 was 2,630,800 tons, among which 2000 gained 24.9% increase over 1997 and 41.30% increase over 1998 and 2001 gained 21.02% increase over 1997 and 36.86% increase over 1998.

#### 3. Serious Injury

Consistent with the *Regulations of the People's Republic of China on Safeguard Measures* (the "PRC Measures") and the relevant WTO regulations, the criteria for determining the injury to the domestic industry include market share, production, capacity, utilisation rate of capacity, sales volume, sales revenue, price, pre-tax profits, employment, per capita salary, productivity, etc.

No.	Injury Index	Unit	97	98	99	2000	2001
1	Market share		37.95%	77.14%	46.63%	54.00%	58.86%
2	Production	Tonnes	6111199.7	7142147.7	8418469.2	8041439.2	8519556.9
3	Capacity	Tonnes	8145531	8932076	10816312	14106158	12891511
4	Utilisation rate of capacity		75.03%	79.96%	77.83%	57.01%	66.09%
5	Total sales	Tonnes	3841174	8180775	6492946	7615642	8036182
6	Total sales income	RMB Yuan	10204320790	19512551232	15181226932	19927523079	19819491229
7	Weighted average selling price	RMB Yuan per tonne	2266	2092	2009	2313	2102
8	Total pre-tax profits	RMB Yuan	204694099	-753752565	-290491232	1557936611	835424615
9	Pre-tax profit for unit product	RMB Yuan	45.45	-80.82	-38.45	180.82	88.59
10	Employment		6604	8051	11630	10646	10048
11	Per capita salary	RMB Yuan	16403	16236	14912	15770	18276
12	Productivity	Tonne per employee per annum	1179.61	1169.85	1102.38	1093.21	1528.53

The domestic capacity, sales revenue, pre-tax profits, employment of the product concern demonstrated an apparent decline between 1997 and 2001. The increase in the total domestic sales volume showed a tendency of slowdown. The domestic market share dropped sharply in 1999 with a decrease of 30.5% in comparison with 1998. There was a general downward tendency in the domestic utilisation rate of capacity and average selling price.

#### 4. Causation

The import of the product concerned is generally on the rise and, on the other hand, all the economic indicators reflecting serious overall impairment of the domestic industry began to show a tendency of deterioration.

It has been concluded after the analysis of the other elements which might potentially lead to the injury to the domestic industry that the sharp increase in the import quantities of the product concerned has caused serious injury to the domestic industry that produces the like or directly competitive products and there is a substantive causal link between the sharp increased imports and the serious injury to the domestic industry.

#### 5. Proposed Measure

It is proposed that definitive safeguard measures be taken to prevent or remedy the serious injury to the domestic producers caused by the increase in imports. The definitive safeguard measures are proposed to take the form of tariff quota in excess of which an additional duty requires to be paid.

In order to maintain the normal import level of the product, the total tariff quota for the first half year of the implementation of the definitive safeguard measures (based on 185 days) will be the

average import of the prior three years plus 3%. Consistent with the provisions of the PRC Measures and the obligations of the PRC under Article 19 of the GATT and the WTO *Agreement on Safeguards*, safeguard measures should be liberalised progressively during their effective term. Accordingly, the tariff quota for year 2 and year 3 during the term of the definitive safeguard measures will increase 3% each year over that of the prior year.

The imported products above the tariff quota will be imposed with additional duties. During the term of the definitive safeguard measures, the rate of the additional duty will decrease, from the second year, at the rate of 8% per year and the specific annual rate for the special duty will be: 10.3% between 20 November 2002 and 23 May 2003; 9.5% between 24 May 2003 and 23 May 2004; 8.7% between 24 May 2004 and 23 May 2005.

The implementation term of the definitive safeguard measures will last 3 years (including the implementation term of the provisional safeguard measures) and end on 23 May 2005, unless the situation has changed to render the definitive safeguard measures unnecessary.

Consistent with Article 5 Para 2 of the WTO *Agreement on Safeguards* and Article 19 of the 1994 GATT, members with substantial interests in supplying the relevant product should have the opportunity to obtain a certain percentage of the tariff quota for the product.

The following table lists the allocation of the tariff quota among the countries/regions with substantial interests in providing the product:

Product concerned	Country/Region	2002.11.20—2003.5.23 Quota (kg)	2003.5.24—2004.5.23 Quota (kg)	2004.5.24—2005.5.23 Quota (kg)
	<b>Total</b>	<b>1,418,097,127</b>	<b>2,881,803,325</b>	<b>2,968,257,424</b>
Hot Rolled Sheets and Coils	Japan	333,984,103	678,709,858	699,071,153
	Ukraine	259,387,473	527,117,408	542,930,930
	Republic of Korea	206,325,718	419,287,317	431,865,937
	Russia	186,296,298	378,584,288	389,941,816
	Chinese Taipei	176,955,333	359,601,933	370,389,991
	Kazakstan	164,973,601	335,253,110	345,310,703
	Others	90,174,600	183,249,411	188,746,893

## PRODUCT 2: NON ALLOY COLD ROLLED SHEETS (STRIPS)

### 1. Product Concerned

The product concerned is certain flat rolled products of iron or non-alloy steel, of a thickness under 4.75 mm, of a width of 600 mm or more, cold rolled, not clad, not plated or coated, mainly including cold rolled coils and sheets of different kinds. The product concerned is classified with the HTS numbers 72091500, 72091600, 72091700, 72091800, 72092500, 72092600, 72092700, 72092800, 72099000.

## 2. Increased Imports

Consumption					
	1997	1998	1999	2000	2001
Consumption (in tonnes)	6,480,040	7,090,198	9,784,142	10,700,483	10,708,443
Import data					
	1997	1998	1999	2000	2001
Total imports (in tonnes)	3,172,235	2,863,950	4,606,308	5,528,977	5,486,336
Rate of increase (in %)		-9.72	60.84	20.03	-0.77
Market share (in %)	48.95	40.39	47.08	51.67	51.23
Volume as moving average (in tonnes)					
	1998/1997	1999/1998	2000/1999	2001/2000	
Volume as moving average (in tonnes)	3,018,093	3,735,130	5,067,643	5,507,657	

The investigation reveals that the import quantities of the product concerned increased suddenly, sharply and significantly in the most recent past. The import quantity of the product concerned for 1997 was 3,172,200 tons. However, the import of the product concerned in 1999 greatly increased to 4,606,300 tons, representing 45.20% increase over the import quantity of 1997 and 60.84% increase over 1998. Afterwards, the annual import continued to increase. The import for 2000 was 5,529,000 tons and the import for 2001 was 5,486,300 tons, among which 2000 gained 74.28% increase over 1997, 93.05% increase over 1998 and 20.03% increase over 1999 and 2001 gained 72.95% increase over 1997, 91.56% increase over 1998 and 19.10% increase over 1999.

## 3. Serious Injury

Consistent with the Regulations of the *People's Republic of China on Safeguard Measures* (the "PRC Measures") and the relevant WTO regulations, the criteria for determining the injury to the domestic industry include market share, production, capacity, utilisation of capacity, sales volume, sales revenue, price, pre-tax profits, employment, per capita salary, productivity, etc.

No.	Injury Index	Unit	97	98	99	2000	2001
1	Market share		36.39%	53.49%	44.86%	42.77%	45.12%
2	Production	Tonnes	3595035.7	3950314.6	4791717.2	5184953.2	5481771.9
3	Capacity	Tonnes	5012154	5498777	5570213	6527232	6791684
4	Utilisation rate of capacity		71.73%	71.84%	86.02%	79.44%	80.71%
5	Total sales	Tonnes	2376882	3803026	4415690	4779384	5054286
6	Total sales income	RMB Yuan	8382728385	10749535404	13073474165	16077037070	14591758376
7	Weighted average selling price	RMB Yuan per tonne	3527	2827	2961	3364	2887

No.	Injury Index	Unit	97	98	99	2000	2001
8	Total pre-tax profits	RMB Yuan	630382396	160679653	1146083326	1717042060	842816813
9	Pre-tax profit for unit product	RMB Yuan	265.21	42.25	259.55	359.26	166.75
10	Employment		8878	9020	9305	9077	8344
11	Per capita salary	RMB Yuan	16490	18247	22085	26560	31472
12	Productivity	Tonne per employee per annum	513.15	528.74	647.35	676.25	792.43

Between 1997 and 2001, the domestic production capacity and volume experienced inadequate growth, sales volume experienced slow growth, utilisation of capacity was inadequate and market share remained stagnant. During the investigation period in particular, the investigated producers experienced obvious decline in price and sales revenue. The pre-tax profits and employment also manifested apparent downward tendency while the average salary and productivity were increasing.

#### 4. Causation

The import of the product concerned is generally on the rise and, on the other hand, all the economic indicators reflecting serious overall impairment of the domestic industry began to show a tendency of deterioration.

It has been concluded after the analysis of the other elements which might potentially lead to the injury to the domestic industry that the sharp increase in the import quantities of the product concerned has caused serious injury to the domestic industry that produces the like or directly competitive products and there is a substantive causal link between the sharp increased imports and the serious injury to the domestic industry.

#### 5. Proposed Measure

It is proposed that definitive safeguard measures be taken to prevent or remedy the serious injury to the domestic producers caused by the increase in imports. The definitive safeguard measures are proposed to take the form of tariff quota in excess of which an additional duty requires to be paid. In order to maintain the normal import level of the product, the total tariff quota for the first half year of the implementation of the definitive safeguard measures (based on 185 days) will be the average import of the prior three years plus 5%. Consistent with the provisions of the PRC Measures and the obligations of the PRC under Article 19 of the GATT and the WTO *Agreement on Safeguards*, safeguard measures should be liberalised progressively during their effective term. Accordingly, the tariff quota for year 2 and year 3 during the term of the definitive safeguard measures will increase 5% each year over that of the prior year.

The imported products above tariff quota will be imposed with additional duties. During the term of the definitive safeguard measures, the rate of the additional duty will decrease, from the second year, at the rate of 8% per year and the specific annual rate for the special duty will be: 22.4% between 20 November 2002 and 23 May 2003; 20.6% between 24 May 2003 and 23 May 2004; 19.0% between 24 May 2004 and 23 May 2005.

The implementation term of the definitive safeguard measures will last 3 years (including the implementation term of the provisional safeguard measures) and end on 23 May 2005, unless the situation has changed to render the definitive safeguard measures unnecessary.

Consistent with Article 5 Para 2 of the *WTO Agreement on Safeguards* and Article 19 of the 1994 GATT, members with substantial interests in supplying the relevant product should have the opportunity to obtain a certain percentage of the tariff quota for the product.

The following table lists the allocation of the tariff quota among the countries/regions with substantial interests in providing the product:

Product Concerned	Country/Region	2002.11.20—2003.5.23 Quota (kg)	2003.5.24—2004.5.23 Quota (kg)	2004.5.24—2005.5.23 Quota (kg)
Cold Rolled Sheets (Strips)	<b>Total</b>	<b>2,771,232,856</b>	<b>5,740,945,903</b>	<b>6,027,993,198</b>
	Japan	533,174,368	1,104,535,549	1,159,762,326
	Republic of Korea	528,579,770	1,095,017,280	1,149,768,144
	Chinese Taipei	518,586,281	1,074,314,553	1,128,030,281
	Russia	388,227,861	804,261,230	844,474,292
	Kazakstan	387,796,050	803,366,682	843,535,017
	Ukraine	228,586,528	473,544,794	497,222,034
	Other	186,281,998	385,905,814	405,201,104

### PRODUCT 3: ORGANIC COATED SHEETS

#### 1. Product Concerned

The product concerned is certain flat rolled products of iron or non-alloy steel, of a width of 600mm or more, clad or coated, and flat rolled products of iron or non-alloy steel, of a width of less than 600mm, clad or coated, mainly painted, varnished or coated with plastics. The product concerned is classified with the HTS numbers 72107000 and 72124000.

#### 2. Increased Imports

Consumption					
	1997	1998	1999	2000	2001
Consumption (in tonnes)	226,479	361,279	616,527	884,922	1,540,463
Import data					
	1997	1998	1999	2000	2001
Total imports (in tonnes)	51,506	113,126	297,376	492,352	716,699
Rate of increase (in %)		119.64	162.87	65.57	45.57
Market share (in %)	22.74	31.31	48.23	55.64	46.52

Volume as moving average (in tonnes)				
	1998/1997	1999/1998	2000/1999	2001/2000
Volume as moving average (in tonnes)	82,316	205,251	394,864	604,526

The investigation reveals that the import quantities of the product concerned increased suddenly, sharply and significantly in the most recent past. The annual import quantity of the product concerned between 1997 and 2001 increased continuously. The import of the product concerned in 1997 was 51,500 tons. The import of the product concerned for 1998 was 61,600 tons more than 1997, representing 119.64% increase over the import quantity of 1997. The import of the product concerned for 1999 was 184,200 tons more than 1998, representing 162.87% increase over the import quantity of 1998. The import of the product concerned for 2000 was 195,000 tons more than 1999, representing 65.57% increase over the import quantity of 1999. The import for 2001 was 224,300 tons more than 2000, representing 45.57% increase over the import quantity of 2000.

### 3. Serious Injury

Consistent with the PRC Measures and the relevant WTO regulations, the criteria for determining the injury to the domestic industry include market share, production, capacity, utilisation rate of capacity, sales volume, sales revenue, price, pre-tax profits, employment, average salary, productivity, etc.

No.	Injury Index	Unit	97	98	99	2000	2001
1	Market share		68.67%	54.34%	44.28%	39.85%	27.70%
2	Production	Tonnes	176264.0	201013.0	272412.4	379527.0	422153.1
3	Capacity	Tonnes	353688	463688	463688	483688	482896
4	Utilisation rate of capacity		49.84%	43.35%	58.75%	78.47%	87.42%
5	Total sales	Tonnes	155523	363966	273023	360627	426938
6	Total sales income	RMB Yuan	982941226	2122174232	1520148880	1943574078	2030342910
7	Weighted average selling price	RMB Yuan per tonne	6320	5831	5568	5389	4756
8	Total pre-tax profits	RMB Yuan	-21851981	49621608	152792229	332788795	158671582
9	Pre-tax profit for unit product	RMB Yuan	-140.51	136.34	559.63	922.81	371.65
10	Employment		411	591	636	598	674
11	Per capita salary	RMB Yuan	24186	27426	30721	33042	41785
12	Productivity	Tonne per employee per annum	437.53	484.53	481.32	661.72	680.40

The domestic production capacity, production and sales volume of the product concerned were on an insufficient increase between 1997 and 2001. In particular, during the investigation period, there was an apparent drop in the domestic market share of the product concerned and the

price of the investigated enterprises. There was an apparent downward tendency in their pre-tax profits in the later period of the investigation, while the average salary and productivity rose relatively recently.

#### **4. Causation**

The import of the product concerned is generally on the rise and, on the other hand, all the economic indicators point to a tendency of serious overall impairment of the domestic industry.

It has been concluded after the analysis of the other elements which might potentially lead to the injury to the domestic industry that the sharp increase in the import quantities of the product concerned has caused serious injury to the domestic industry that produces the like or directly competitive products and there is a substantive causal link between the sharp increased imports and the serious injury to the domestic industry.

#### **5. Proposed Measure**

It is proposed that definitive safeguard measures be taken to prevent or remedy the serious injury to the domestic producers caused by the increase in imports. The definitive safeguard measures are proposed to take the form of tariff quota in excess of which an additional duty requires to be paid.

In order to maintain the normal import level of the product, the total tariff quota for the first half year of the implementation of the definitive safeguard measures (based on 185 days) will be the average import of the prior three years plus 15%. Consistent with the provisions of the PRC Measures and the obligations of the PRC under Article 19 of the GATT and the *WTO Agreement on Safeguards*, safeguard measures should be liberalised progressively during their effective term. Accordingly, the tariff quota for year 2 and year 3 during the term of the definitive safeguard measures will increase 15% each year over that of the prior year.

The imported products above the tariff quota will be imposed with additional duties. During the term of the definitive safeguard measures, the rate of the additional duty will decrease, from the second year, at the rate of 8% per year and the specific annual rate for the special duty will be: 23.2% between 20 November 2002 and 23 May 2003; 21.3% between 24 May 2003 and 23 May 2004; 19.6% between 24 May 2004 and 23 May 2005.

The implementation term of the definitive safeguard measures will last 3 years (including the implementation term of the provisional safeguard measures) and end on 23 May 2005, unless the situation has changed to render the definitive safeguard measures unnecessary.

The proposed tariff quota is 292,687,016kg between 20 November 2002 and 23 May 2003; 664,083,108kg between 24 May 2003 and 23 May 2004; and 763,695,575kg between 24 May 2004 and 23 May 2005.

### **PRODUCT 4: NON GRAIN-ORIENTED ELECTRICAL SHEETS**

#### **1. Product Concerned**

The product concerned is certain flat rolled products of alloy steel, made of other electrical sheets than oriented electrical sheets. The product concerned is classified with the HTS numbers 72251900 and 72261900.

## 2. Increased Imports

Consumption					
	1997	1998	1999	2000	2001
Consumption (in tonnes)	422,477	516,230	788,822	1,349,219	1,364,468
Import data					
	1997	1998	1999	2000	2001
Total imports (in tonnes)	242,815	326,551	472,763	714,518	646,004
Rate of increase (in %)		34.49	44.77	51.14	-9.59
Market share (in %)	57.47	63.26	59.93	52.96	47.34
Volume as moving average (in tonnes)					
	1998/1997	1999/1998	2000/1999	2001/2000	
Volume as moving average (in tonnes)	284,683	399,657	593,640	680,261	

The investigation reveals that the import quantities of the product concerned increased suddenly, sharply and significantly in the most recent past. The annual import quantity of the product concerned between 1997 and 2000 increased continuously. After 2000, the annual import remained at a relatively high level. The import of the product concerned in 1997 was 242,800 tons. The import of the product concerned for 1998 was 83,700 tons more than 1997, representing 34.49% increase over the import quantity of 1997. The import of the product concerned for 1999 was 146,200 tons more than 1998, representing 44.77% increase over the import quantity of 1998. The import of the product concerned for 2000 was 241,800 tons more than 1999, representing 51.14% increase over the import quantity of 1999. Although the import for 2001 was little less than 2000, representing 9.59% decrease as compared with the import quantity of 2000, the import for 2001 was 403,200 tons more than 1997 and 319,500 tons more than 1998, representing respectively 166.05% and 97.82% increase over the import quantity of 1997 and 1998. 2001 also gained 36.64% increase over 1999.

## 3. Serious Injury

According to the PRC Measures and the relevant WTO regulations, the criteria for determining the injury to the domestic industry include market share, production, capacity, utilisation rate of capacity, sales volume, sales revenue, price, pre-tax profits, employment, average salary, productivity, etc.

No.	Injury Index	Unit	97	98	99	2000	2001
1	Market share			31.07%	35.81%	34.99%	50.30%
2	Production	Tonnes	180733	198500	249224	483705	752830
3	Capacity	Tonnes	199318	319318	319318	887992	887992
4	Utilisation rate of capacity		90.68%	62.16%	78.05%	54.47%	84.78%
5	Total sales	Tonnes		160397	282551	472093	721264
6	Total sales income	RMB Yuan		713680347	1113614113	2094773670	2620176329

No.	Injury Index	Unit	97	98	99	2000	2001
7	Weighted average selling price	RMB Yuan per tonne		4449	3941	4437	3633
8	Total pre-tax profits	RMB Yuan		152531466	-42259722	113139060	49147205
9	Pre-tax profit for unit product	RMB Yuan		950.96	-149.56	239.65	68.14
10	Employment		1147	1824	1807	2268	2536
11	Per capita salary	RMB Yuan	15002	12776	14276	19873	26439
12	Productivity	Tonne per employee per annum	157.60	138.98	144.88	290.69	574.13

According to the data collected during the investigation, the increase in the domestic production capacity, production and sales volume of the product concerned showed a tendency of slowdown. The domestic operating ratio decreased while there was an increasing tendency in the domestic market share. There was an apparent drop in the price and total pre-tax profit of the manufacturers. The increase in their sales income and number of employees showed a tendency of slowdown. There was even a downward tendency in the number of their employees recently, while the average salary and productivity rose relatively.

#### 4. Causation

The import of the product concerned is generally on the rise and, on the other hand, all the economic indicators point to a tendency of serious overall impairment of the domestic industry.

It has been concluded after the analysis of the other elements which might potentially lead to the injury to the domestic industry that the sharp increase in the import quantities of the product concerned has caused serious injury to the domestic industry that produces the like or directly competitive products and there is a substantive causal link between the sharp increased imports and the serious injury to the domestic industry.

#### 5. Proposed Measure

It is proposed that definitive safeguard measures be taken to prevent or remedy the serious injury to the domestic producers caused by the increase in imports. The definitive safeguard measures are proposed to take the form of tariff quota in excess of which an additional duty requires to be paid.

In order to maintain the normal import level of the product, the total tariff quota for the first half year of the implementation of the definitive safeguard measures (based on 185 days) will be the average import of the prior three years plus 10%. Consistent with the provisions of the PRC Measures and the obligations of the PRC under Article 19 of the GATT and the *WTO Agreement on Safeguards*, safeguard measures should be liberalised progressively during their effective term. Accordingly, the tariff quota for year 2 and year 3 during the term of the definitive safeguard measures will increase 10% each year over that of the prior year.

The imported products above the tariff quota will be imposed with additional duties. During the term of the definitive safeguard measures, the rate of the additional duty will decrease, from the second year, at the rate of 8% per year and the specific annual rate for the special duty will be: 20.2%

between 20 November 2002 and 23 May 2003; 18.6% between 24 May 2003 and 23 May 2004; 17.1% between 24 May 2004 and 23 May 2005.

The implementation term of the definitive safeguard measures will last 3 years (including the implementation term of the provisional safeguard measures) and end on 23 May 2005, unless the situation has changed to render the definitive safeguard measures unnecessary.

The proposed tariff quota is 340,760,324kg between 20 November 2002 and 23 May 2003; 739,424,806 kg between 24 May 2003 and 23 May 2004; and 813,367,287kg between 24 May 2004 and 23 May 2005.

## PRODUCT 5: COLD ROLLED STAINLESS STEEL SHEETS (STRIPS)

### 1. Product Concerned

The product concerned is certain flat rolled products of stainless steel, of a thickness under 4.75 mm, cold rolled but not further processed. The product concerned is classified with the HTS numbers 72193200, 79193300, 72193400, 72193500 and 72202000.

### 2. Increased Imports

Consumption					
	1997	1998	1999	2000	2001
Consumption (in tonnes)	204,177	308,686	791,544	813,611	1,064,772
Import data					
	1997	1998	1999	2000	2001
Total imports (in tonnes)	169,183	270,700	564,316	442,708	612,217
Rate of increase (in %)		60.00	108.47	-21.55	38.29
Market share (in %)	82.86	87.69	71.29	54.41	57.50
Volume as moving average (in tonnes)					
	1998/1997	1999/1998	2000/1999	2001/2000	
Volume as moving average (in tonnes)	219,941	417,508	503,512	527,463	

The investigation reveals that the import quantities of the product concerned increased suddenly, sharply and significantly in the most recent past. The annual import quantity of the product concerned between 1997 and 2000 increased consecutively. The import of the product concerned in 1997 was 169,200 tons. The import of the product concerned for 1998 was 101,500 tons more than 1997, representing 60.00% increase over the import quantity of 1997. The import of the product concerned for 1999 was 293,600 tons more than 1998, representing 108.47% increase over the import quantity of 1998. Although the import for 2001 was 442,700 tons, little less than 1999, the import for 2001 remained at a relatively high level compared with 1997 and 1998. The import of the product concerned for 2001 was 169,500 tons more than 2000, representing 45.57% increase over the import quantity of 2000.

### 3. Serious Injury

Consistent with the PRC Measures and the relevant WTO regulations, the criteria for determining the injury to the domestic industry include market share, production, capacity, utilisation of capacity, sales volume, sales revenue, price, pre-tax profits, employment, average salary, productivity, etc.

No.	Injury Index	Unit	97	98	99	2000	2001
1	Market share		11.13%	12.98%	26.43%	43.43%	36.43%
2	Production	Tonnes	21602.1	39402.3	221424.8	355091.7	391839.8
3	Capacity	Tonnes	54774	54774	401974	459974	493632
4	Utilisation rate of capacity		39.44%	71.94%	55.08%	77.20%	79.38%
5	Total sales	Tonnes	22716	40080	210259	357486	389901
6	Total sales income	RMB Yuan	312746385	476616781	2692271760	5767689441	5193487726
7	Weighted average selling price	RMB Yuan Per tonne	13767	11891	12805	16134	13320
8	Total pre-tax profits	RMB Yuan	-95692014	-52883860	-107278237	214316680	156300427
9	Pre-tax profit for unit product	RMB Yuan	-4212.48	-1319.44	-510.22	599.51	400.87
10	Employment		1053	1019	1888	1818	1712
11	Per capita salary	RMB Yuan	10562	9788	16955	27443	32622
12	Productivity	Tonne per employee per annum	23.72	38.02	140.74	221.02	248.23

According to the data collected during the investigation period, the increase in the domestic production capacity and production of the product concerned showed a tendency of slowdown between 1997 and 2001. The domestic operating ratio remained substantially unchanged while there was an apparent drop in the domestic market share of the product concerned in 2001. There was a downward tendency in the price of the investigated enterprises, while the increase in their sales income showed a tendency of slowdown and started to demonstrate a downward tendency. Their pre-tax profit and unit profit have begun to decrease recently. There was a consecutive decrease in the number of their employees recently, while the average salary and productivity rose relatively.

### 4. Causation

The import of the product concerned is generally on the rise and, on the other hand, all the economic indicators point to a tendency of serious overall impairment of the domestic industry.

It has been concluded after the analysis of the other elements which might potentially lead to the injury to the domestic industry that the sharp increase in the import quantities of the product concerned has caused serious injury to the domestic industry that produces the like or directly competitive products and there is a substantive causal link between the sharp increased imports and the serious injury to the domestic industry.

## 5. Proposed Measure

It is proposed that definitive safeguard measures be taken to prevent or remedy the serious injury to the domestic producers caused by the increase in imports. The definitive safeguard measures are proposed to take the form of tariff quota in excess of which an additional duty requires to be paid.

In order to maintain the normal import level of the product, the total tariff quota for the first half year of the implementation of the definitive safeguard measures (based on 185 days) will be the average import of the prior three years plus 10%. Consistent with the provisions of the PRC Measures and the obligations of the PRC under Article 19 of the GATT and the WTO *Agreement on Safeguards*, safeguard measures should be liberalised progressively during their effective term. Accordingly, the tariff quota for year 2 and year 3 during the term of the definitive safeguard measures will increase 10% each year over that of the prior year.

The imported products above the tariff quota will be imposed with additional duties. During the term of the definitive safeguard measures, the rate of the additional duty will decrease, from the second year, at the rate of 8% per year and the specific annual rate for the special duty will be: 18.1% between 20 November 2002 and 23 May 2003; 16.7% between 24 May 2003 and 23 May 2004; 15.3% between 24 May 2004 and 23 May 2005.

The implementation term of the definitive safeguard measures will last 3 years (including the implementation term of the provisional safeguard measures) and end on 23 May 2005, unless the situation has changed to render the definitive safeguard measures unnecessary.

Consistent with Article 5 Para 2 of the WTO *Agreement on Safeguards* and Article 19 of the 1994 GATT, members with substantial interests in supplying the relevant product should have the opportunity to obtain a certain percentage of the tariff quota for the product.

The following table lists the allocation of the tariff quota among the countries/regions with substantial interests in providing the product:

Product concerned	Country/Region	2002.11.20—2003.5.23 Quota (kg)	2003.5.24—2004.5.23 Quota (kg)	2004.5.24—2005.5.23 Quota (kg)
	<b>Total</b>	<b>300,927,557</b>	<b>653,094,131</b>	<b>718,403,544</b>
Cold Rolled Stainless Steel Sheets (Strips)	Chinese Taipei	102,711,033	222,910,702	245,201,772
	Japan	84,972,644	184,413,603	202,854,963
	Republic of Korea	59,794,046	129,769,240	142,746,164
	Germany	22,168,050	48,110,660	52,921,726
	Other	31,281,784	67,889,926	74,678,919

**ANNEX II**

**LIST OF PRODUCTS ORIGINATING IN DEVELOPING COUNTRIES  
AND REGIONS TO WHICH THE SAFEGUARD MEASURES APPLY**

Countries & regions	Non alloy hot rolled sheets and coils	Non alloy cold rolled sheets and coils	Organic coated sheets	Non-grain-oriented electrical sheets	Cold rolled stainless sheets and coils
Afghanistan					
Bahrain					
Bangladesh					
Bhutan					
Brunei					
Myanmar					
Cambodia					
Cyprus					
Korea, DPR					
Hong Kong					
India					
Indonesia					
Iran					
Iraq					
Israel					
Jordan					
Kuwait					
Laos, PDR					
Lebanon					
Macao					
Malaysia			*		
Maldives					
Mongolia					
Nepal					
Oman					
Pakistan					
Palestine					
Philippines					
Qatar					
Saudi Arabia					
Singapore					
Korea Rep.	*	*	*	*	*
Sri Lanka					
Syrian					
Thailand					

Countries & regions	Non alloy hot rolled sheets and coils	Non alloy cold rolled sheets and coils	Organic coated sheets	Non-grain-oriented electrical sheets	Cold rolled stainless sheets and coils
Turkey					
United Arab Emirates					
Republic of Yemen					
Vietnam					
Algeria					
Angora					
Benin					
Botswana					
Burundi					
Cameroon					
Cape Verde					
Central African Rep.					
Comoros					
Chad					
Congo					
Djibouti					
Egypt					
Eq. Guinea					
Ethiopia					
Gabon					
Gambia					
Ghana					
Guinea					
Guinea Bissau					
Côte d'Ivoire					
Kenya					
Liberia					
Libyan Arab Jm					
Madagascar					
Malawi					
Mali					
Mauritania					
Mauritius					
Morocco					
Mozambique					
Namibia					
Niger					
Nigeria					
Reunion					
Rwanda					

Countries & regions	Non alloy hot rolled sheets and coils	Non alloy cold rolled sheets and coils	Organic coated sheets	Non-grain-oriented electrical sheets	Cold rolled stainless sheets and coils
Sao Tome & Principe					
Senegal					
Seychelles					
Sierra Leone					
Somalia					
South Africa					
Sudan					
Tanzania					
Togo					
Tunisia					
Uganda					
Burkina Faso					
Congo, DR					
Zambia					
Zimbabwe					
Lesotho					
Swaziland					
Eritrea					
Albania					
Bulgaria					
Malta					
Romania					
Georgia					
Armenia					
Azerbaijan					
Byelorussia					
Kazakhstan	*	*			
Kyrgyzstan					
Moldova					
Tajikistan					
Turkmenistan					
Ukraine	*	*			
Uzbekistan					
Yugoslavia FR					
Slovak Rep					
Macedonia Rep					
Bosnia & Hercegovina					
Antigua & Barbuda					
Argentina					
Aruba					

Countries & regions	Non alloy hot rolled sheets and coils	Non alloy cold rolled sheets and coils	Organic coated sheets	Non-grain-oriented electrical sheets	Cold rolled stainless sheets and coils
Bahamas					
Barbados					
Belize					
Bolivia					
Bonaire					
Brazil					
Cayman Is					
Chile					
Colombia					
Dominica					
Costa Rica					
Cuba					
Curacao					
Dominican Rep.					
Ecuador					
French Guyana					
Grenada					
Guadeloupe					
Guatemala					
Guyana					
Haiti					
Honduras					
Jamaica					
Martinique					
Mexico					
Montserrat					
Nicaragua					
Panama					
Paraguay					
Peru					
Puerto Rico					
Saba					
Saint Lucia					
Saint Martin Is					
Saint Vincent & Grenadines					
El Salvador					
Suriname					
Trinidad & Tobago					
Turks & Caicos Is					
Uruguay					

Countries & regions	Non alloy hot rolled sheets and coils	Non alloy cold rolled sheets and coils	Organic coated sheets	Non-grain-oriented electrical sheets	Cold rolled stainless sheets and coils
Venezuela					
Br. Virgin Is					
St. Kitts-Nevis					
Cook Is					
Fiji					
Nauru					
New Caledonia					
Vanuatu					
Norfolk Is					
Papua New Guinea					
Society Is					
Solomon Is					
Tonga					
Tuamotu Is					
Tubai Is					
Samoa					
Kiribati					
Tuvalu					
Micronesia Fs					
Marshall Is Rep					
Palau					

Note: The measure is not applied, except in the case of those products originating in those countries against which an "\*" appears in this annex.

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