

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**

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

CZECH REPUBLIC

The following notification, dated 24 February 2003, has been received from the Permanent Mission of the Czech Republic.

Pursuant to Articles 12.1(b), 12.1(c) and Article 9, Footnote 2 of the Agreement on Safeguards, the Czech Republic submits a notification on finding serious injury or threat thereof, to the domestic industry producing certain welded tubes and pipes, of iron or non-alloy steel and a notification on proposed safeguard measure. This notification contains all pertinent information relating to the proposed safeguard measure in accordance with Article 12.2 of the Agreement on Safeguards.

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

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

On 6 March 2002, the Czech Republic initiated an investigation relating to serious injury to domestic producers of products like or directly competing with imported welded tubes and pipes (under CN codes 7306 30 21, 7306 30 29, 7306 30 59, 7306 30 71, 7306 30 78, 7306 60 31 and 7306 60 39 of the Customs Tariff). The initiation of the investigation has been notified to the Committee on Safeguards in G/SG/N/6/CZE/7 (11 March 2002).

Consistent with Article 12.2 of the Agreement on Safeguards, this notification contains all pertinent information relating to the five products on which definitive safeguard measure are proposed. This notification includes all the elements of information specified in Article 12.2 of the Agreement on Safeguards.

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

The Ministry of Industry and Trade, the body responsible for conducting the investigation, concluded that welded tubes and pipes (HS 7306 30 21, 7306 30 29, 7306 30 78, 7306 60 31, 7306 60 39) are being imported into the Czech Republic in such increased quantities and under such conditions as to cause serious injury or threat thereof to the domestic industry. This conclusion is based on a number of factors as described below.

In tonnes			
	1999	2000	2001
Total import of products in question (HS 7306 30 21, 7306 30 29, 7306 30 78, 7306 60 31, 7306 60 39)	99 649	127 798	141 562

The import of products in question increased to 141 562 tonnes in 2001, which represents an increase of 42 per cent and average unit price of imported products declined by 3,3 per cent, compared with 1999. By contrast, for the same period of time the domestic sales dropped to 50 747 tonnes, a level representing 68,8 per cent of the volume sold in 1999, domestic production of products in question has declined by 26 per cent and capacity utilisation fall to the level of 31,3 per cent in 2001.

It was determined that the significant decline of domestic sales resulted in growth of stocks of the products in question with serious effects on profitability of their production that turned to become negative. This development resulted in reduction of 201 jobs and further aggravated the situation in the region.

The table below contains all relevant indicators concerning the injury to the domestic industry.

Situation of domestic producers in relation to products in question			
	1999	2000	2001
Utilisation rate of capacity (in %)	42,4	41,7	31,3
<i>production</i>			
7306 30 21	9 160	8 424	9 709
7306 30 29	2 417	2 339	2 492
7306 30 78	29 697	26 172	17 906
7306 60 31	37 331	37 077	28 395
7306 60 39	26 604	29 282	19 056
Total production (in tonnes)	105 209	103 294	77 558
Rate of decrease (in %)	100	98	74
<i>Domestic Sales</i>			
7306 30 21	6 780	6 530	7 010
7306 30 29	1 900	1 825	1 884
7306 30 78	18 201	16 789	9 760
7306 60 31	26 666	31 182	19 088
7306 60 39	20 120	25 857	13 005
Sales volume in the domestic market (in tonnes)	73 667	82 183	50 747
Market share (in %)	42,5	39,1	26,4
<i>Net profit/loss on domestic market sales (in %)</i>			
7306 30 21	-3,81	-2,28	-2,83
7306 30 29	-1,37	-8,51	-6,30
7306 30 78	6,88	11,06	1,27
7306 60 31	17,56	13,83	1,42
7306 60 39	9,24	4,80	-0,31
Employment (end of the year)	684	603	483
Productivity (tonne/employee)	154	171	161

It was determined that significant increase in imports deteriorated basic economic indicators, in particular production, capacity utilisation, domestic sales, profitability, share on domestic market and employment. On the basis of these results it was found, that the imports of products in question caused and still threaten to cause serious injury of the domestic industry.

The Ministry of Industry and Trade examined also other factors, which might have effect on the existing injury to the domestic industry. The situation on the world market, production and capacities in exporting represent further threat to the domestic market. Products in question are subject to the surveillance system and increased number of requests for the automatic licence signals threat of further increase of imports.

It is considered that there is a causal link between increased volume of imports and a serious injury caused to the domestic industry. This is demonstrated by the coincidence in time between the recent increase in imports and the rapid deterioration of the injury indicators.

The safeguard measures adopted by number of countries in 2002 caused distortions on the world market, in particular in their traditional business flows and caused unforeseen development. Increased imports of products under CN codes 7306 30 21, 7306 30 29, 7306 30 78, 7306 60 31 and 7306 60 39 caused and still threaten to cause injury to the domestic industry of like or directly competitive products.

2. Provide information on whether there is an absolute increase in imports or an increase in imports relative to domestic production (please see also Article 2.1 for the context)

In the table below, there are shown data of consumption and volume and development of imports

Consumption			
	1999	2000	2001
Consumption (in tonnes)	173 316	209 981	192 309
Ratio between imports and consumption (in %) (Market share)	57,5	60,9	73,6

Import data			
	1999	2000	2001
7306 30 21	12 936	20 296	20 755
7306 30 29	7 610	10 463	9 603
7306 30 78	9 069	10 930	15 004
7306 60 31	19 042	23 408	25 361
7306 60 39	50 993	62 701	70 840
Total imports (in tonnes)	99 649	127 798	141 562
Rate of increase (in %)	100	128	142
Ratio between imports and total production (in %)	95	124	183
Ratio between imports and production sold (in %)	94	123	186

3. Provide precise description of the product involved

The products in question are some welded tubes classified under CN codes:

7306 30 21	Precision tubes, with a wall thickness; Not exceeding 2 mm
7306 30 29	Precision tubes, with a wall thickness; Exceeding 2 mm
7306 30 78	Other, of an external diameter Not exceeding 168,3 mm; Other
7306 60 31	Other, of rectangular (including square) cross-section, with a wall thickness; Not exceeding 2 mm

7306 60 39 Other, of rectangular (including square) cross-section, with a wall thickness; Exceeding 2 mm

4. Provide precise description of the proposed measure

The Ministry of Industry and Trade proposed the safeguard measure in the form of tariff quotas, calculated as an average of imports during the last three years plus 10 per cent in excess of which an additional duty will have to be paid. The tariff quotas will be allocated territorially. In accordance with the relevant provisions of the Act No. 62/2000 Coll. and the WTO Agreement on Safeguards, the measure will be liberalized progressively during the period of its validity.

In course of the investigation the Ministry of Industry and Trade has determined that regarding imports of products classified under HS codes 7306 30 59 and 7306 30 71 not all conditions set forth in Article 2 of the Agreement on Safeguards have been met and, proposed safeguard measure will not be applied with respect to these products.

Suggested customs tariff quotas and their allocation, including additional duty rate

(a) Product	Designation of the product	Country	Volume of tariff quota (tonnes)		Volume of tariff quota (tonnes)	
			From 1.3.2003 to 31.12.2003	Additional duty rate	From 1.1.2004 to 31.12.2004	Additional duty rate
7306 30 21	Precision tubes, with a wall thickness; Not exceeding 2 mm	EU	13 177	20,3 %	16 603	18,3 %
		CEFTA	2 520		3 175	
		Others	799		1 007	
		Total	16 496		20 785	
7306 30 29	Precision tubes, with a wall thickness; Exceeding 2 mm	EU	6 193	13,5 %	7 802	12,2 %
		CEFTA	1 816		2 288	
		Others	438		553	
		Total	8 457		10 655	
7306 30 78	Other, of an external diameter Not exceeding 168,3 mm; Other	EU	8 407	22,4 %	10 593	20,2 %
		CEFTA	1 198		1 510	
		Others	1 090		1 373	
		Total	10 695		13 476	
7306 60 31	Other of rectangular (including square) cross-section, with a wall thickness; Not exceeding 2 mm	EU	11 216	17,3 %	14 132	15,6 %
		CEFTA	7 043		8 875	
		Others	2 461		3 100	
		Total	20 720		26 107	
7306 60 39	Other of rectangular (including square) cross-section, with a wall thickness; Exceeding 2 mm	EU	40 323	20,3 %	50 807	18,3 %
		CEFTA	14 168		17 851	
		Others	1 894		2 386	
		Total	56 384		71 044	

5. Provide proposed date of introduction of the measure

The proposed date of introduction of the proposed measures is 1 March 2003.

6. Provide expected duration of the measure

The safeguard measure will be applied for the maximum period not exceeding 31 December 2004.

7. For a measure with a duration of more than three years, provide the proposed date for the review (under Article 7.4) 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 liberalisation of the measure

As noted above in item 4, each of the proposed measures provides for progressive liberalisation. The terms of the liberalisation are indicated in item 4.

9. Provide information relating to the extension of a safeguard measure

Not applicable.

NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2, ON THE NON-APPLICATION OF SAFEGUARD MEASURE TO DEVELOPING COUNTRIES UNDER ARTICLE 9.1

1. Specify the measure

See response to question 4 above.

2. Specify the product subject to the measure

See response to question 4 above.

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

The developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards are the members of the WTO listed in Annex of the Government Regulation No. 534/2002, issuing the Customs Tariff and establishing rates of import tariffs on goods origination in developing countries and least developed countries and the terms for their application. A list of these countries is attached to this notification.

4. Subsequently, if there is a change in the list of developing countries exempted from the safeguard measure pursuant to Article 9.1, please notify

- (i) the reference to the WTO document that notified the Members about the initial action under footnote 2 to Article 9.1;
- (ii) if applicable, names of the countries which are dropped from the list of developing countries to which the safeguard measure does not apply pursuant to Article 9.1, the countries remaining on the list, the individual and collective import shares of the developing countries remaining on the list, and the date on which the safeguard measure applies to the countries dropped from the list;
- (iii) if applicable, names of the countries which are added to the list of developing countries to which the safeguard measure does not apply pursuant to Article 9.1, the list of all the countries on the list, the individual and collective import shares of the developing countries on the list, and the date from which the safeguard measure does not apply to the countries which are added to the list.

Not applicable

ANNEX

AL	Albania	LS	Lesotho
AO	Angola	MG	Madagascar
AG	Antigua and Barbuda	MY	Malaysia
AR	Argentina	MW	Malawi
BH	Kingdom of Bahrain	MV	Maldives
BD	Bangladesh	ML	Mali
BB	Barbados	MR	Mauritania
BZ	Belize	MU	Mauritius
BJ	Benin	MX	Mexico
BO	Bolivia	MD	Moldova
BW	Botswana	MN	Mongolia
BR	Brazil	MA	Morocco
BN	Brunei Darussalam	MZ	Mozambique
BF	Burkina Faso	MM	Myanmar
BI	Burundi	NA	Namibia
CM	Cameroon	NI	Nicaragua
CF	Central African Republic	NE	Niger
TD	Chad	NG	Nigeria
CL	Chile	OM	Oman
CN	China	PK	Pakistan
CO	Colombia	PA	Panama
CG	Congo	PG	Papua New Guinea
CR	Costa Rica	PY	Paraguay
CI	Côte d'Ivoire	PE	Peru
CU	Cuba	PH	Philippines
CD	Democratic Republic of the Congo	QA	Qatar
DJ	Djibouti	RW	Rwanda
DM	Dominica	LC	Saint Lucia
DO	Dominican Republic	VC	Saint Vincent and the Grenadines
EC	Ecuador	SN	Senegal
EG	Egypt	SL	Sierra Leone
SV	El Salvador	SB	Solomon Islands
FJ	Fiji	ZA	South Africa
GA	Gabon	LK	Sri Lanka
GM	Gambia	SR	Suriname

GE	Georgia	SZ	Swaziland
GH	Ghana	TZ	Tanzania
GD	Grenada	TH	Thailand
GT	Guatemala	TG	Togo
GN	Guinea	TT	Trinidad and Tobago
GW	Guinea-Bissau	TN	Tunisia
GY	Guyana	UG	Uganda
HT	Haiti	AE	United Arab Emirates
HN	Honduras	UY	Uruguay
IN	India	VE	Venezuela
ID	Indonesia	ZM	Zambia
JM	Jamaica	ZW	Zimbabwe
JO	Jordan		
KE	Kenya		
KW	Kuwait		
KG	Kyrgyz Republic		
