

WORLD TRADE ORGANIZATION

G/SG/N/8/EGY/6
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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**

EGYPT

(Cotton Yarn)

The following notification, dated 17 July 2012, is being circulated at the request of the Delegation of Egypt.

The Arab Republic of Egypt hereby wishes to notify the Committee on Safeguards pursuant to Article 12.1(b) of the Agreement on Safeguards on finding serious injury caused by increased imports, Article 12.1(c) of the Agreement of Safeguard on the decision to apply a definitive safeguard measure and footnote 2 of Article 9 of the Agreement on Safeguards.

Consistent with Article 12.3 of the Agreement on Safeguards, Egypt is prepared to consult with those Members having a substantial interest as exporters of the subject product.

**A. NOTIFICATIONS UNDER ARTICLE 12.1(B) AND 12.1(C) OF THE AGREEMENT ON
SAFEGUARDS UPON MAKING A FINDING OF SERIOUS INJURY**

1. Evidence of serious injury caused by increased imports

(a) Serious injury

In order to make a final determination of serious injury to the domestic industry producing the like or directly competitive product, an evaluation of all relevant factors on an objective and quantifiable basis having a bearing on its situation has been undertaken.

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(i) *Market Share*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Market share of domestic industry	-	(38)	28	(54)
Market share of imports	-	26	(9)	26

The market share of the domestic industry decreased by 38 per cent in 2008/2009 when compared to 2007/2008, then it increased by 28 per cent in 2009/2010 when compared to 2008/2009, and then decreased by 54 per cent in 2010/2011 when compared to 2009/2010. At the same time, the market share of imports increased by 26 per cent in 2008/2009 when compared to 2007/2008; decreased by 9 per cent in 2009/2010 when compared to 2008/2009, and then increased by 26 per cent in 2010/2011 when compared to 2009/2010.

(ii) *Domestic Sales*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Change in sales volume	-	(10)	41	(48)

The domestic industry's sales decreased by 10 per cent in 2008/2009 when compared to 2007/2008, then increased by 41 per cent in 2009/2010 when compared to 2008/2009, and decreased by 48 per cent in 2010/2011 when compared to 2009/2010.

(iii) *Production*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Change in production volume	-	(7)	2	(19)

The domestic industry's production decreased by 7 per cent in 2008/2009 when compared to 2007/2008, then it increased by 2 per cent in 2009/2010 when compared to 2008/2009, and finally decreased by 19 per cent in 2010/2011 when compared to 2009/2010.

(iv) *Productivity*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Change in productivity	-	-	12	(19)

Labour productivity was stable in 2008/2009 compared to the previous year, then increased by 12 per cent in 2009/2010 when compared to 2008/2009 and decreased by 19 per cent in 2010/2011 when compared to 2009/2010.

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(v) *Capacity utilisation*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Change in capacity utilization	-	(2)	14	(1)

The capacity utilisation decreased by 2 per cent in 2008/2009 when compared to 2007/2008, then increased by 14 per cent in 2009/2010 when compared to 2008/2009, and in 2010/2011 the capacity utilisation declined by 1 per cent in 2010/2011 compared to 2009/2010.

(vi) *Profit and loss*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Change in losses	-	(72)	(78)	655

Losses decreased by 72 per cent in 2008/2009 when compared to 2007/2008, then it decreased by 78 per cent in 2009/2010 when compared to 2008/2009. Finally, in 2010/2011 losses increased by 655 per cent when compared to 2009/2010.

(vii) *Employment*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Number of employees	-	(6)	(9)	(0.02)

The number of employees decreased by 6 per cent in 2008/2009 when compared to 2007/2008, then it decreased by 9 per cent in 2009/2010 when compared to 2008/2009. In 2010/2011 the number of employment declined by 0.02 per cent when compared to 2009/2010.

(viii) *Inventory*

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Inventories	-	38	(65)	52

Inventory volumes increased by 38 per cent in 2008/2009 when compared to 2007/2008, then it decreased by 65 per cent in 2009/2010 when compared to 2008/2009. In 2010/2011 the inventory volume increased by 52 per cent when compared to 2009/2010.

(ix) *Conclusion*

When the volume of imports increased sharply, the sales and market share of the domestic industry declined significantly; production and capacity utilisation declined; labour numbers and productivity declined; the volume of inventory increased and there was a sharp increase in the domestic industry's losses. Considering all relevant factors, a final determination was made that the domestic industry is suffering serious injury.

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(b) Causation

(i) *Increase in imports*

There has been a significant increase in imports of the product concerned in year 2010/2011 in both absolute and relative terms, its market share increased and absorbed the major percentage of the domestic market volume. Such increase coincided with the deterioration in economic indices of the domestic industry which is represented in the decline in production volume, productivity, quantity of domestic sales and market share, in addition to the increase in the inventory volume and losses.

(ii) *Other causes*

The IA concludes that there are no other known factors, other than the increasing imports of the product concerned, caused serious injury suffered by domestic industry except the increase in costs of domestic industry represented in the increase in financial expenses and wages.

2. Absolute or relative increase in imports

An analysis of the increase in the volume of imports into the Egyptian market of the subject product has been carried out over the period 2007/2008 to 2010/2011, both in absolute terms, and relative to domestic production. The analysis has shown that imports of the product concerned increased sharply in that period.

(Quantity/Ton)

(Year/year percentage)	2007/2008	2008/2009	2009/2010	2010/2011
Imports	55124	101467	101012	142289
Change %		84	-	41
Imports as % of domestic production		97	(2)	75

Import statistics reveal an increase in imports by 84 per cent in 2008/2009 compared to 2007/2008, declined slightly in 2009/2010 compared to the previous year, and increased substantially by 41 per cent in 2010/2011.

The imports as percentage of the production increased by 97 per cent in 2008/2009 when compared to 2007/2008 then it declined slightly by 2 per cent in 2009/2010 when compared to 2008/2009, and increased substantially by 75 per cent in 2010/2011 when compared to 2009/2010.

3. Description of the subject product

The product under investigation is Cotton and Cotton Mixed Yarns (except for sewing thread). The product concerned is currently classified under the customs tariff subheadings 52.05, 52.06 and 52.07 within the Egyptian Customs Tariff Classification.

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4. Description of the proposed measure

It is proposed to impose a definitive safeguard measure is in the form of a specific duty of 3.48 EGP/kg for the first year, 3.13 EGP/kg for the second year and 2 EGP/kg for the third year.

5. Entry into force of the proposed definitive safeguard measure

The definitive safeguard measure is proposed to enter into force, with the publication of the decree of the Minister of Foreign Trade and Industry in the Official Gazette.

6. Expected duration of the measure

The expected duration of the proposed measure is three years.

7. Date of review

Not available.

8. Timetable for the progressive liberalisation of the measure

To facilitate adjustment, the proposed measure will be liberalised as follows:

(EGP/kg)

Period	Publishing date till 30/12/2012	From 31/12/2012 to 1/1/2013	From 2/1/2013 to 29/12/2014
Duty	3.48	3.13	2

B. NOTIFICATIONS PURSUANT TO ARTICLE 9, FOOTNOTE 2 OF THE AGREEMENT ON SAFEGUARDS

1. Description of the subject product

The product under investigation is Cotton and Cotton Mixed Yarns (except for sewing thread). The product concerned is currently classified under the customs tariff subheadings 52.05, 52.06 and 52.07 within the Egyptian Customs Tariff Classification.

2. Description of the proposed measure

It is proposed to impose a definitive safeguard measure is in the form of a specific duty of 3.48 EGP/kg for the first year, 3.13 EGP/kg for the second year and 2 EGP/kg for the third year.

3. Developing countries exempted from the safeguard measure

Imports from developing country Members shall not be subject to the definitive safeguard measure as long as each Member's imports do not exceed three per cent of total imports into Egypt and the share of the Members with less than a three per cent import share do not collectively account for more than nine per cent of total imports into Egypt.

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