

# WORLD TRADE ORGANIZATION

G/SG/N/6/EGY/6  
G/SG/N/7/EGY/5  
G/SG/N/11/EGY/3  
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Committee on Safeguards

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## 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

EGYPT

(Cotton Textile and Mixed Cotton Textile)

The following communication, dated 1 March 2012, is being circulated at the request of the Delegation of Egypt.

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The Arab Republic of Egypt, hereby wishes to notify the Committee on Safeguards: pursuant to Article 12.1(a) of the Agreement on Safeguards of the initiation of a safeguard investigation on the imports of Cotton Textile, Mixed Cotton Textile, and pursuant to article 12.4 of the Agreement on Safeguards, before taking a provisional safeguard measure against imports of Cotton Textile, Mixed Cotton Textile; and a notification pursuant to Article 9, footnote 2 of the Agreement on Safeguards, on taking a decision not to apply the measure to products originating in developing countries.

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

1. **The date when the investigation was initiated**

The investigation was initiated further to an approval of the Minister of Foreign Trade and Industry dated 23 February 2012.

2. **The product subject to the investigation**

Cotton Textile and Mixed Cotton Textile. The product is classified under HS tariff item numbers: 52 08 52 09, 52 10, 52 11, 52 12, 54 07, 54 08, 55 12, 55 13, 55 14, 55 15 and 55 16 within the Egyptian Customs Tariff Schedule.

G/SG/N/6/EGY/6  
G/SG/N/7/EGY/5  
G/SG/N/11/EGY/3  
Page 2

### **3. The reasons for the initiation of investigation**

The investigation was initiated after examination of a documented safeguards petition filed by Cotton and Textile Industries Holding Co. on behalf of the Masr for Yarn and Textile/Almahala Alkourba which it alleged that increased imports of the subject product had caused serious injury to the domestic industry producing similar products.

The data currently available also shows a situation of sharply declining in domestic sales, domestic production and market share for the domestic industry, decreasing in the number of workers, decreasing in Capacity utilization and workers' productivity, continuation losses, in conjunction with the increase in imports.

Accordingly, it was established that there was sufficient evidence in the application to justify the initiation of the investigation in order to determine whether or not the increase of imports had caused serious injury to the domestic industry.

### **4. Further information**

Interested parties must make themselves known to the investigating authority within a period of 30 days after the initiation of the investigation.

Any information which the interested parties may wish to submit before the investigating authority should be submitted in writing; and any request for a hearing should be submitted within 30 days following the initiation of this investigation.

## **B. NOTIFICATION UNDER ARTICLE 12.4 BEFORE TAKING A PROVISIONAL SAFEGUARD MEASURE**

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

The product subject to the proposed provisional safeguard measure is Cotton Textile and Mixed Cotton Textile. The product is currently classified under HS tariff item numbers: 52 08 52 09, 52 10, 52 11, 52 12, 54 07, 54 08, 55 12, 55 13, 55 14, 55 15 and 55 16 within the Egyptian Customs Tariff Classification.

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

It is proposed to impose a provisional safeguard measure in the form of additional duty 10% of the CIF value and not less than 3.33 per kilo /L.E net.

### **3. Entry into force of the proposed provisional safeguard measure**

The provisional safeguard measure is proposed to enter into force, with the publication of the decree of the Minister of Foreign Trade and Industry, which is published on 29 February 2012 in the Official Gazette.

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

The provisional safeguard measure will be applied for 200 days from the date of publication in the Official Gazette.

G/SG/N/6/EGY/6  
 G/SG/N/7/EGY/5  
 G/SG/N/11/EGY/3  
 Page 3

**5. The basis for:**

**(a) Making a preliminary determination, as provided for in Article 6 of the Agreement on Safeguards that increased imports are causing or threatening to cause serious injury:**

**Increase in imports**

A preliminary analysis of the increase in imports into the Egyptian market of the subject product has been carried out over the period 2008/2009 to 2010/2011, both in absolute terms, and relative to domestic production. The analysis found that imports of the product concerned increased considerably in that period.

(year/year percentage)	2008/2009	2009/2010	2010/2011
Imports volume/thousand meter	278,926	570,327	2,209,235
Change %		104	287
Change Imports/Domestic Production		98	385

The information indicates an increase in imports by 104 percent in 2009/2010 when compared to 2008/2009, and an increase by 287 percent in 2010/2011 when compared to 2009/2010.

The information further indicates that the change of imports as a percentage of domestic production increased by 98 per cent in 2009/2010 when compared to 2008/2009, and decreased by 385 per cent in 2010/2011 when compared to 2009/2010.

**Serious injury**

In order to make a preliminary 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.

**1. Market share**

(year/year percentage)	2008/2009	2009/2010	2010/2011
Change in Market share of the Domestic Industry		(45)	(81)
Change in Market share of imports		3	3

The market share of the domestic industry decreased by 45 percent in 2009/2010 when compared to 2008/2009, and then decreased by 81 percent in 2010/2011 when compared to 2009/2010. At the same time, the market share of imports increased by 3 percent in 2009/2010 when compared to 2008/2009, and then increased by 3 percent in 2010/2011 when compared to 2009/2010.

**2. Domestic sales**

(year/year percentage)	2008/2009	2009/2010	2010/2011
Change in Sales volume		10	(27)

G/SG/N/6/EGY/6  
 G/SG/N/7/EGY/5  
 G/SG/N/11/EGY/3  
 Page 4

The domestic industry's sales increased by 10 percent in 2009/2010 when compared to 2008/2009; and decreased by 27 percent in 2010/2011 when compared to 2009/2010.

### 3. Production

(year/year percentage)	2008/2009	2009/2010	2010/2011
Change in Production volume		3	(20)

Production increased by 3 percent in 2009/2010 when compared to 2008/2009, and finally decreased by 20 per cent in 2010/2011 when compared to 2009/2010.

### 4. Productivity

(year/year percentage)	2008/2009	2009/2010	2010/2011
Change in Productivity	-	9	(16)

Productivity increased by 9 percent in 2009/2010 when compared to 2008/2009 and decreased by 16 percent in 2010/2011 when compared to 2009/2010.

### 5. Capacity utilisation rate

	2008/2009	2009/2010	2010/2011
Change in Capacity utilization		2	(28)

The capacity utilisation increased by 2 percent in 2009/2010 when compared to 2008/2009, and in 2010/2011 the capacity utilisation decreased by 28 percent when compared to 2009/2010.

### 6. Profit and Loss

(year/year percentage)	2008/2009	2009/2010	2010/2011
Change in Losses		73	(12)

Losses increased by 73 percent in 2009/2010 when compared to 2008/2009, in 2010/2011 losses decreased by 12 percent when compared to 2009/2010.

### 7. Employment

(year/year percentage)	2008/2009	2009/2010	2010/2011
Number of employees		(5)	(5)

The number of employees decreased by 5 percent in 2009/2010 when compare to 2008/2009. In 2010/2011 the employment decreased by 5 per cent when compared to 2009/2010.

### Conclusion

There has been a significant increase in imports of the product concerned in year 2010/2011 in both absolute and relative terms, which led to a deterioration of the indices of the domestic industry

G/SG/N/6/EGY/6  
G/SG/N/7/EGY/5  
G/SG/N/11/EGY/3  
Page 5

represented in a decline in the domestic sales and their market share, a decline in the production and productivity, decline in Capacity utilization, decline in Employment in addition to continuation losses.

#### **Causation**

For the foregoing reasons, the preliminary conclusion is that there is a correlation between the significant increase in imports and serious injury suffered by the domestic industry.

**(b) Determining the existence of critical circumstances where delay would cause damage, which will be difficult to repair**

A preliminary determination has been made that critical circumstances exist in which delay would cause damage which would be difficult to repair.

As indicated above, the serious injury suffered by the domestic industry has worsened during the 2010/2011 with the ever continuing increase in the volume of imports. Given the rate of increase of imports and the situation of the domestic industry, it is considered that the latter will suffer damage, which will be difficult to repair, in the absence of a provisional safeguard measure.

#### **6. Offer of Consultations under Article 12.4**

Consistent with Article 12.4 of the Agreement on Safeguards, Egypt is prepared to consult on the provisional safeguard measure with those Members having a substantial interest as exporters of the subject products.

**NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2 UPON TAKING A DECISION  
NOT TO APPLY THE PROVISIONAL SAFEGUARD MEASURE TO CERTAIN  
PRODUCTS ORIGINATING IN DEVELOPING COUNTRIES**

#### **Developing Countries Exempted from the Safeguard Measure**

Imports from developing country Members shall not be subject to the proposed provisional 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 three per cent import share do not collectively account for more than nine per cent of total imports into Egypt.

G/SG/N/6/EGY/6  
G/SG/N/7/EGY/5  
G/SG/N/11/EGY/3  
Page 6

The address of the competent authority for correspondence is:

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