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10. NEXT STEPS
1. CONTEXT

- Global steel market is continually grappling with the challenges in the steel sector characterised by structural problems, persistent excess capacity, exacerbated by weak global economic recovery and market demand, causing a negative impact on trade and employment.

- Indications of modest improvement - growth in steel demand and a recovery in prices from the historic lows recorded in 2015.

- Sustained recovery uncertain due to megatrends associated with lower steel intensity i.e. move towards recycling (circular economy), climate change, ageing population and increased digitilisation.
1. CONTEXT

- The world is still grappling with the steel crisis due to structural problems, massive excess capacity, exacerbated by a weak global economic recovery and depressed market demand, causing a negative impact on trade and workers.

- By late 2017, indications of improvement and a return to growth in steel demand and a recovery in prices from the historic lows recorded in 2015.

- Recovery is expected to come from growth in emerging and developing economies outside of China.

- However, excess capacity remains a challenge and the move towards recycling (circular economy) and increased digitalisation point towards less steel use per economic growth in the long term.

- 2004 – 2007 demand and supply were closely matched.

- Current global demand – 1.6 bn tons/annum.

- Plant utilization below 80% for past few years.

- Capacity unevenly distributed between regions.

Source: OECD for capacity and World Steel for production.
1. CONTEXT

• Formation of G20 Global Forum on Excess Steel Capacity led by OECD
• Slight decrease in capacity to 2,268 million tons in 2017 (-1%) .
• 45 million tons of new capacity additions currently underway coming on stream by 2020 and 37 million tons in the planning stages - mainly in India, Vietnam and the Middle East
• Many developing countries/regions- have similar views on industry growth and increasing steel capacities for domestic consumption subject to demand
• A developing economy paper developed and presented to the G20 in June 2018 (SA, India and Indonesia)
• Large increase in trade remedy measures against unfair trade and localisation policies, contraction of global steel trade
2. SA SITUATION

The effects of the steel crisis are evident across the value chain from mining, primary steel mills to domestic manufacturers struggling to compete, sustain jobs and invest.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low economic activity</td>
<td>Slow growth in apparent steel demand</td>
</tr>
<tr>
<td>High cost of production, aged plants and inefficiencies</td>
<td>Less competitive</td>
</tr>
<tr>
<td>- lack of investment, maintenance, upgrades</td>
<td></td>
</tr>
<tr>
<td>Low capacity utilisation, lost economies of scale</td>
<td></td>
</tr>
<tr>
<td>Increasing cost base (electricity, rail, logistics, inefficiencies and high tariffs on export vs domestic ), raw material costs (coking coal)</td>
<td>Escalating production costs</td>
</tr>
<tr>
<td>Inconsistency of primary supply</td>
<td>Supplier/customer distrust</td>
</tr>
<tr>
<td>Reduced primary product range - mining, tooling and automotive applications</td>
<td>Creating additional import opportunities</td>
</tr>
<tr>
<td>Downstream industry facing increasing competition against low priced imports of finished goods</td>
<td>Erosion of manufacturing capacity and capability</td>
</tr>
<tr>
<td>Access to scrap metal</td>
<td>Threat to new and future mini-mill investments. Global trends moving towards more profitable modern mini-mills better placed to compete and reduce dependency on iron-ore and coal)</td>
</tr>
<tr>
<td>Increasing trade remedies (US Section232)</td>
<td>Limited export markets and increased exposure to imports</td>
</tr>
</tbody>
</table>
South Africa’s steel industry has been in a constant decline since 2010. Apart from weak demand, a major cause of the decline is cheap steel imports which adversely affects the profitability and capacity utilization rates of the domestic steel producers aggravated over the years due to the situation of global excess capacity and falling domestic primary steel production competitiveness.

- SA Capacity = 10 million tons /year
- 60-65% low average capacity utilisation
- Cisco restarted
3. SA IMPORTS OF STEEL PRODUCTS

- Total imports of manufactured steel products gone up by >250% from 2000 to 2016
- Imports from China increased from 12% in 2000 to 54% in 2016 of total imports
- Region imports 2/3 of steel consumption needs
3. EXPORTS

Primary steel exports per region

Africa overland exports of manufactured products

Source: SAISI SARS data
4. REGIONAL PRIMARY STEEL USE AND PRODUCTION

African Crude Steel Production

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Egypt</td>
<td>5.5</td>
<td>7.5</td>
<td>11.1</td>
<td>9.3</td>
<td>7.8</td>
<td>9.5</td>
<td>9.2</td>
<td>10.2</td>
<td>10.9</td>
</tr>
<tr>
<td>South Africa</td>
<td>5.8</td>
<td>6.1</td>
<td>4.5</td>
<td>5.0</td>
<td>5.3</td>
<td>5.3</td>
<td>5.7</td>
<td>5.1</td>
<td>5.4</td>
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<tr>
<td>Other African</td>
<td>11.4</td>
<td>14.6</td>
<td>16.4</td>
<td>14.1</td>
<td>16.3</td>
<td>18.2</td>
<td>21.5</td>
<td>22.1</td>
<td>22.8</td>
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<td>Countries</td>
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<tr>
<td>Africa</td>
<td>22.7</td>
<td>28.2</td>
<td>31.9</td>
<td>28.4</td>
<td>29.4</td>
<td>32.9</td>
<td>36.4</td>
<td>37.4</td>
<td>39.0</td>
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<tr>
<td>World</td>
<td>1,151.7</td>
<td>1,310.5</td>
<td>1,415.4</td>
<td>1,443.7</td>
<td>1,534.2</td>
<td>1,546.9</td>
<td>1,500.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Sub-Saharan Africa’s Steel use stagnated over the last few years (low commodity and oil prices)
- Demand in South Africa shrunk by about 10% since 2007
- 2/3 of regional demand supplied by imports
- Africa steel use - 39mtons/year with only 13.7 mtons supplied by region

Steel Use (Source: Worldsteel Organisation Steel Statistical Tables 2016)
# 4. SA & REGIONAL OUTLOOK

## Average Steel Use Per Capita

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>European Union (28)</td>
<td>242.1</td>
<td>291.6</td>
<td>311.6</td>
<td>278.5</td>
<td>281.6</td>
<td>295.5</td>
<td>303.5</td>
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<tr>
<td>Turkey</td>
<td>253.0</td>
<td>325.9</td>
<td>366.3</td>
<td>380.3</td>
<td>410.6</td>
<td>396.9</td>
<td>436.8</td>
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<tr>
<td>Russia</td>
<td>173.5</td>
<td>256.7</td>
<td>289.7</td>
<td>298.7</td>
<td>302.1</td>
<td>299.8</td>
<td>274.6</td>
</tr>
<tr>
<td>NAFTA</td>
<td>183.3</td>
<td>241.6</td>
<td>263.6</td>
<td>281.3</td>
<td>272.9</td>
<td>305.4</td>
<td>277.4</td>
</tr>
<tr>
<td>Central and South America</td>
<td>73.1</td>
<td>98.3</td>
<td>101.1</td>
<td>103.5</td>
<td>107.9</td>
<td>101.8</td>
<td>93.5</td>
</tr>
<tr>
<td>Egypt</td>
<td>137.4</td>
<td>113.7</td>
<td>92.9</td>
<td>110.5</td>
<td>105.1</td>
<td>113.7</td>
<td>118.7</td>
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<tr>
<td>South Africa</td>
<td>87.4</td>
<td>96.9</td>
<td>102.1</td>
<td>99.7</td>
<td>106.5</td>
<td>94.7</td>
<td>98.5</td>
</tr>
<tr>
<td>Other Africa</td>
<td>18.6</td>
<td>15.6</td>
<td>17.6</td>
<td>19.1</td>
<td>22.0</td>
<td>22.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Africa</td>
<td>31.5</td>
<td>27.4</td>
<td>27.6</td>
<td>30.1</td>
<td>32.5</td>
<td>32.5</td>
<td>33.1</td>
</tr>
<tr>
<td>Middle East</td>
<td>221.1</td>
<td>228.3</td>
<td>235.2</td>
<td>228.2</td>
<td>228.1</td>
<td>232.0</td>
<td>225.4</td>
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<tr>
<td>China</td>
<td>413.4</td>
<td>438.2</td>
<td>475.6</td>
<td>487.0</td>
<td>539.5</td>
<td>519.0</td>
<td>488.6</td>
</tr>
<tr>
<td>India</td>
<td>47.7</td>
<td>52.8</td>
<td>55.9</td>
<td>57.3</td>
<td>57.6</td>
<td>58.7</td>
<td>60.6</td>
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<tr>
<td>Japan</td>
<td>414.6</td>
<td>499.3</td>
<td>503.7</td>
<td>503.0</td>
<td>513.8</td>
<td>533.9</td>
<td>497.3</td>
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<tr>
<td>South Korea</td>
<td>930.5</td>
<td>1,067</td>
<td>1,142</td>
<td>1,090</td>
<td>1,038</td>
<td>1,109</td>
<td>1,114</td>
</tr>
<tr>
<td>Taiwan, China</td>
<td>487.7</td>
<td>766.8</td>
<td>778.0</td>
<td>762.8</td>
<td>795.8</td>
<td>837.2</td>
<td>750.6</td>
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<tr>
<td>Asia</td>
<td>209.0</td>
<td>226.7</td>
<td>242.9</td>
<td>247.5</td>
<td>266.4</td>
<td>261.3</td>
<td>250.5</td>
</tr>
<tr>
<td>Oceania</td>
<td>168.2</td>
<td>215.4</td>
<td>185.2</td>
<td>194.9</td>
<td>174.2</td>
<td>191.5</td>
<td>185.1</td>
</tr>
<tr>
<td>World</td>
<td>171.4</td>
<td>192.8</td>
<td>205.7</td>
<td>207.4</td>
<td>217.8</td>
<td>217.1</td>
<td>208.2</td>
</tr>
</tbody>
</table>

## Why do we need a steel industry?

- Steel is fundamental to manufacturing in SA - significant value add, representing 190,000 jobs in the direct iron-ore, steel making and fabrication industries.
- Top steel consuming industries (mining, construction, autos, cables, structural steel) contribute ~R600bn to SA’s GDP (~15%) and employ ~8m people (direct and indirect)
- The primary steel industry are the top users of electricity and logistics (rail) – key customers to both Eskom and Transnet
- The loss of SA’s primary steel production capacity - becoming an exporter of iron ore and an importer of steel will preclude us from using our comparative mineral resource endowment advantage
- Growth opportunities - SA low steel consumption, other African economies are even lower
4. SUB SAHARAN AFRICA

- Africa’s steel demand is gaining momentum, supported by relative better economic growth
- SSA: 4% growth projected by 2025, primarily due to:
  - Infrastructure investment; mining, oil and gas
  - Increased agricultural production; &
  - Growing services
- Key growth countries (copper, coal and oil & gas) - Mozambique, Tanzania, Zambia, Kenya, Uganda, Namibia, the DRC, Ghana and Ethiopia
- East Africa – forecast growth of >6%
- Key products – pipe and tube, structures, wire
- Strong supply competition
5. STEEL INTERVENTIONS

Since onset of crisis in 2015, government established a task team (dti, EDD, NT, IDC) which intervened to save the steel industry from threat of closure and loss of capacity.

The list of short-medium term measures put in place to support the steel industry:

1. Increase in the general rate of customs duty on primary steel products to 10% and safeguard measures for a period of 3 years on hot rolled coil and plate products.
2. Tariff increases on a range of downstream products and the deployment of rebates where products are not manufactured or additional value added before export.
3. Agreement on a set of principles for flat steel pricing in SA that is priced appropriately to ensure that steel-dependent industries are competitive while at the same time ensuring that the upstream steel mills remain sustainable and that AMSA will not add duties to the prices.
4. Local procurement by government
   - undeeming of primary steel in designated products (requiring the use of locally manufactured primary steel)
   - designation of downstream steel intensive construction steel products and components.
5. Settlement of the Competition Commission issues with AMSA.
6. Establishment of a R1.5 bn Steel Development Fund to support key downstream steel sectors/sub sectors.
7. Development of a short term negotiated electricity pricing framework for energy intensive users to be implemented.
8. Investment support through 12i tax incentives, Incubation support for SME development.
10. SARS reference price system being developed for downstream products to address low priced imports.
6. SUPPORT WITH COMMITMENTS

1. Integrated set of both policy and industry reform measures adopted taking into account the interests of the other players (mini mills) and downstream industry

2. Developed Principles for government support subject to reciprocal commitments from AMSA

3. Consultation – Nedlac, Downstream industry engagement with Minister dti, EDD

Reciprocal Commitments
- Investment and upgrading
- Pricing
- Improving industrial output
- Job retention
- EBIT margin cap to ensure benefits are passed further downstream
- Transformation and developing black industrialists aligned to B-BBEE codes of good practice

Enforcement and Compliance
- ITAC tariff awards include commitments
- CompCom settlement
7. LOCAL PROCUREMENT

1. Both primary and downstream have raised the need for increased local demand to drive economies of scale and relieve price and cost pressures.

2. Primary producers have requested government to reconsider public procurement of locally manufactured primary steel as input into current and future designated steel products.

3. Steel crisis led to the review of the deeming of steel as one of the measures to support the industry and protect jobs.

4. Revised instruction notes for the ‘undeeming’ of primary steel published by National Treasury for 7 designated products in July 2016 (two way radio terminals, photovoltaic systems and components, solar water heaters, rail rolling stock, cables, conveyance pipes, working vessels, steel power pylons).

5. Instruction Note issued in Jan 2017 - Additional designations of steel construction materials to support the downstream job intensive steel sectors:
   - fabricated structural steel
   - wire products
   - roofing and cladding
   - ducting and structural pipework, gutters, downpipes and launders
   - frames
   - fasteners, joining and connecting components
8. DOWNSTREAM INDUSTRY DEVELOPMENT FUND

- National Treasury approved R95 million for a Steel Development Fund
  - R30 million for 2017/18
  - R30 million for 2018/19
  - R35 million for 2019/20

- The IDC, with its own funding leveraged the allocation to form an aggregate Steel Development Fund of approximately R 1.5 billion

- The key objective is to assist qualifying enterprises to improve competitiveness and assist companies in the sector that are in distress but have a turnaround plan

- Within the downstream steel intensive sector, the following industries will be targeted:
  - Foundries
  - Fabricators
  - parts and component manufacturers
  - valve and pump manufacturers
  - machining plants and capital equipment manufacturers
8. DOWNSTREAM SUPPORT MEASURES

TARIFF REVIEW - the dti requested ITAC to lead a proactive investigation and review of downstream tariffs.

<table>
<thead>
<tr>
<th>No</th>
<th>Company/s Name</th>
<th>Product description</th>
<th>Tariff subheading</th>
<th>Rate of Duty</th>
<th>WTO Bound rate</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cape Gate Proprietary Limited</td>
<td>Wire of iron or non-alloy steel</td>
<td>7217.10, 7217.20, 7217.30, 7217.90</td>
<td>Free</td>
<td>10%</td>
<td>Commission supported the duty increase to the WTO Bound rate. Implemented on 31 March 2017.</td>
</tr>
<tr>
<td>2.</td>
<td>Tel-Screw Products (Pty) Ltd</td>
<td>Fasteners</td>
<td>7318</td>
<td>Free, 10% &amp; 20%</td>
<td>10% &amp; 20%</td>
<td>Commission supported the duty increase to the WTO Bound rate. Implemented on 31 March 2017.</td>
</tr>
<tr>
<td>3.</td>
<td>Clyde Steel (Pty)Ltd</td>
<td>Roofing products</td>
<td>7308, 8302</td>
<td>Free, 10%, 20%, 5% &amp; 20%</td>
<td>15%, 30% &amp; 20%</td>
<td>Requested information from Clyde Steel (Pty) Ltd. Information still outstanding.</td>
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</tbody>
</table>
### 8. DOWNSTREAM SUPPORT MEASURES

#### PHASE 1 TARIFF REVIEW CONT.

<table>
<thead>
<tr>
<th>No</th>
<th>Company/s Name</th>
<th>Product description</th>
<th>Tariff subheading</th>
<th>Rate of Duty</th>
<th>WTO Bound rate</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Kwikspace Modular Buildings (Pty) Ltd</td>
<td>Prefabricated steel buildings</td>
<td>9406</td>
<td>Free</td>
<td>20%</td>
<td>- Commission supported the duty increase to the WTO Bound rate.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Implemented on 17 November 2017.</td>
</tr>
<tr>
<td>5</td>
<td>Scaw Metal Group</td>
<td>Steel ropes, stranded wire &amp; cables</td>
<td>7312.10.10, 7312.10.15, 7312.10.20, 7312.10.25, 7312.10.40</td>
<td>Free &amp; 5%</td>
<td>15%</td>
<td>- Investigation finalised.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Awaiting implementation</td>
</tr>
<tr>
<td>6</td>
<td>Whirlpool SA (Pty) Ltd</td>
<td>Domestic appliances Freezers &amp; Fridges</td>
<td>8418.10, 8418.21, 8418.29, 8418.30.90, 8418.40.90, 8451.21.10, 8451.21.20, 8451.21.90, 8450.11, 8450.20.90</td>
<td>Free - 25%</td>
<td>20-30%</td>
<td>- Commission decided to maintain the customs duty at the current applied rates.</td>
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<tr>
<td></td>
<td>Defy Appliances (Pty) Ltd</td>
<td>Fridges, Washing Machines, Drying Machines</td>
<td></td>
<td></td>
<td></td>
<td>- Imports not increasing, domestic industry has price advantage</td>
</tr>
</tbody>
</table>
### 8. DOWNSTREAM SUPPORT MEASURES

<table>
<thead>
<tr>
<th>No</th>
<th>Company Name</th>
<th>Product description</th>
<th>Tariff subheading</th>
<th>Rate of Duty</th>
<th>WTO Bound rate</th>
<th>Status</th>
</tr>
</thead>
</table>
| 1. | Gabion Baskets (Pty) Ltd | Gabions of wire netting | 7326.20.10 | Free | 30% | - Commission supported the duty increase to the WTO Bound rate.  
- Implemented on 1 September 2017 |
| - | Macafferi (Pty) Ltd | | | | | |
| 2. | Scaw South Africa (Pty) Ltd | Welded Link Chain Products | 7315.82.01  
7315.82.03  
7315.82.05  
7315.82.07  
7315.82.90 | Free | 15% | - Commission supported the duty increase to the WTO Bound rate.  
- Implemented on 1 September 2017 |
| - | Steel Wire Rope and Wire and Strand Divisions | | | | | |
| 3. | Scaw South Africa (Pty) Ltd | Grinding balls/ media and similar articles for mills | 7326.11 | Free | 15% | - Commission supported the duty increase to the WTO Bound rate.  
- Implemented on 1 September 2017 |
| - | Grinding Media Division | | | | | |
| 4. | Fisher Stainless Steel Tubing Pty Ltd. | Tubes and pipes | 7306 | 10% | 15% | - Commission decided to maintain the duty.  
Investigation has been finalised. |
| - | Robor (Pty) Ltd | | | | | |
| - | Macsteel Tubes and Pipes | | | | | |
| - | Bosal Afrika (Pty) Ltd | | | | | |
| - | Hall Longmore (Pty) Ltd | | | | | |
# 8. Rebates

<table>
<thead>
<tr>
<th>No</th>
<th>Company name</th>
<th>Product description</th>
<th>Tariff subheading</th>
<th>Rate of duty</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Defy Appliances (Pty) Ltd</td>
<td>Flat rolled steel for appliances</td>
<td>7210.61 7210.70</td>
<td>Full waiver of duty</td>
<td>Rebate provision implemented on 02 December 2016.</td>
</tr>
<tr>
<td>2</td>
<td>SS Profiling (Pty) Ltd</td>
<td>Flat rolled steel for corrugated roofing</td>
<td>7210.49</td>
<td>Full waiver of duty</td>
<td>The Commission rejected the application. Thin gauge - not compliant with compulsory specs</td>
</tr>
<tr>
<td>3</td>
<td>SAISI - Aveng Trident Steel (Pty) Ltd</td>
<td>Structural Steel in the form of U, I, H &amp; L sections of other alloy steel, not further worked than hot-rolled, hot-drawn of extruded, of a height of 80 mm or more</td>
<td>7228.70 7216.40</td>
<td>Full waiver of duty</td>
<td>Implemented on 29 December 2017</td>
</tr>
<tr>
<td>4</td>
<td>George Scott and Company</td>
<td>Other bars and rods, not further worked than hot-rolled, hot-drawn or extruded</td>
<td>7228.40</td>
<td>Full waiver of duty</td>
<td>Investigation on preliminary phase. Investigation withdrawn by the applicant</td>
</tr>
</tbody>
</table>
The dti requested ITAC to investigate the possibility of creating rebates provision for primary steel products not manufactured locally. ITAC initiated the investigation on 20 October 2017 in this regard. The following investigations has been conducted in this regard:

<table>
<thead>
<tr>
<th>No.</th>
<th>APPLICANT</th>
<th>PRODUCTS</th>
<th>STATUS OF ACTIONS OF THE INVESTIGATIONS IN PROCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Aveng Trident Steel (Pty) Ltd (Gauteng)</td>
<td>Hot-rolled coils, not further worked than hot rolled, pickled classified under tariff subheadings 7208.25 and 7208.26 of a width exceeding 2mm used in construction applications</td>
<td>Final findings were presented to the Commission Meeting. Investigation at an advanced stage.</td>
</tr>
<tr>
<td>2.</td>
<td>TW Profile Service (Pty) Ltd (Gauteng)</td>
<td>Certain steel plate and hot-rolled coil used in the manufacture of heavy machinery and earthmoving equipment.</td>
<td>Final findings were presented to the Commission Meeting. Investigation at an advanced stage.</td>
</tr>
<tr>
<td>3.</td>
<td>Traxys Africa (Pty)Ltd (Gauteng)</td>
<td>Certain steel plate used in the manufacture of heavy machinery and earthmoving equipment.</td>
<td>Final findings were presented to the Commission Meeting. Investigation at an advanced stage.</td>
</tr>
<tr>
<td>4.</td>
<td>John Thompson-Division of Actom (Pty) Ltd (Western Cape)</td>
<td>Steel plate used in the manufacture of boilers.</td>
<td>Final findings were presented to the Commission Meeting. Investigation at an advanced stage.</td>
</tr>
<tr>
<td>5.</td>
<td>Robor (Pty) Ltd (Western Cape) &amp; Gascon ADO Southern Holdings (Pty)Ltd (Gauteng)</td>
<td>Certain hot rolled steel</td>
<td>Final findings were presented to the Commission meeting of 06 March 2018 and the Commission supported the publication of the investigation, GG notice published on 16 March 2018.</td>
</tr>
<tr>
<td>6.</td>
<td>SCS Impex Trading cc Gauteng</td>
<td>Steel plate used in the manufacture of parts/components used mainly in mining machinery</td>
<td>The investigation is at preliminary stage.</td>
</tr>
<tr>
<td>7.</td>
<td>Toyota Tsusho South Africa Processing (Pty) Ltd</td>
<td>Certain HRC not manufactured locally</td>
<td>The investigation is at preliminary stage.</td>
</tr>
</tbody>
</table>
9. TRADE REMEDY MEASURES: US SECTION 232

With effect from 23 March 2018, President Trump imposed 25% duties on imports of steel articles and 10% on imports of aluminium articles, following a US Section 232 report by the US Secretary of Commerce that determined that imports of these products threaten to impair US national security. The steel and aluminium products impacted include Chapter 72, 73 and 76 tariff lines.

The Presidential Proclamation, giving effect to the imposition of the duties, also made country-based exclusions from these duties in cases where a country reached a satisfactory alternative means for address such threats to US national security.

SA made two submissions to the US requesting exemption arguing that:
1. SA does not pose a threat to US national security and to the US steel and aluminium industries accounting for 1-2% of total US imports
2. SA is a source of strategic primary and secondary products used in further value added manufacturing in the US contributing to jobs in both countries.
3. Furthermore, SA offered to restrict exports to a quota based on 2017 exports level
4. SA also assured the US that it has strict customs control measures to prevent circumvention and trans-shipment from third countries.
5. Furthermore, SA has introduced trade remedy measures to protect capacity and capability and participate in the G20 global forum to address steel excess capacity

However, despite these assurances, the US has decided not to exempt South Africa from the duties.
9. TRADE REMEDY MEASURES: US SECTION 232

Countries that have been excluded from the duties include Argentina, Australia, Brazil, and South Korea.

It is reported that:

- Brazil agreed to a quota of 70 percent of its average finished steel exports to the U.S over the last three years, in addition to a 100 percent quota on semi-finished exports. But on aluminium, Brazil opted for tariffs, rather than a quota.

- Argentina agreed to a quota deal capping steel exports at 135 percent and aluminium exports at 100 percent of average exports to the U.S over the last three years.

- South Korea would be limited to an annual quota for steel of about 2.68 million tons, which is equivalent to about 70 percent of the annual average exports between 2015 and 2017. Korea did not request exemption for its imports of aluminium.
10. IMPACT OF US SECTION 232 ON SA INDUSTRY

- South Africa’s exporters would face competition from other non-exempted countries, as well as current and potential US manufacturers.

- As per Commerce Department Report, the tariffs and quotas will enable U.S. steel and aluminium production to utilize an average of 80 percent of production capacity.

- Therefore, it is expected that some US companies will increase their production and/or new US companies will also emerge.

- The South African Government will keep the lines of communication open with the United States for any country-exemption discussions in future.

- The SA Government will also use the 2018 AGOA Forum in Washington, DC, scheduled for 10-11 July 2018, to further engage the US Government.
1. CONTEXT

- The world is still grappling with the steel crisis due to structural problems, massive excess capacity, exacerbated by a weak global economic recovery and depressed market demand, causing a negative impact on trade and workers.
- By late 2017, indications of improvement and a return to growth in steel demand and a recovery in prices from the historic lows recorded in 2015.
- Recovery is expected to come from growth in emerging and developing economies outside of China.
- However, excess capacity remains a challenge and the move towards recycling (circular economy) and increased digitilisation point towards less steel use per economic growth in the long term.

10. IMPACT OF US SECTION 232 ON SA INDUSTRY

The companies that will be impacted are:

**Steel**

1. Durferco (exports 57% of production to US) - 400 direct jobs in Saldanha
2. Hall Longmore (pipe and tube for oil and gas industry) - 56 highly skilled direct jobs
3. Columbus Stainless Steel (niche product for US coal and railcar and bus industries)
4. AMSA (seamless tube for oil and gas, thin hot rolled coil)
5. Cape Town Iron and Steel Works

**Aluminium**

1. Hulamin (25% of sales to the US - plate, coil and sheet for automotive, construction and aerospace) - 300 direct jobs
2. South 32 Hillside (17% of production to US as well as supply to Hulamin - sustainability of Hillside)
10. MEASURES TAKEN TO MITIGATE IMPACT

Industry engagement – led by the dti Minister the following actions of support have been identified:

1. Assist companies to explore other markets with a focus on SSA region (Hulamin has started this process)

2. The Mission in Washington is assisting SA companies to engage US buyers to apply for product exemptions in cases where the US does not have capacity and capability to supply. In many cases SA supplies unique products that have been perfected over time to meet US buyers needs. Several companies have started this process

3. Trade remedy measures to protect local industry – some aluminium products are currently not at the bound rate and applications will be made to ITAC

4. Countries exempted are subject to absolute quotas and hence there is still an opportunity for our companies to export at the higher price

5. We will also continue our advocacy efforts with the US counterparts focussing on: (trade and investment relations, SA share of US steel and aluminium imports, measures taken, national security relations, quotas)

6. Discussion led by Minister at 2018 AGOA Forum (NEDLAC Constituencies have expressed interest to participate)
11. DISCUSSIONS OF THE US SECTION 232 AT THE WTO

- Several countries, in particular, India, China, and the EU opened cases at the WTO Dispute Settlement Body against the US for violating WTO trade rules for imposing additional tariffs on their aluminium and steel imports.

- On the 232, the US argues that their new tariffs on steel and aluminium are covered by GATT article 21 - the exemption based on national security.

- China, India and EU have argued that the US Section 232 actions are safeguard measures and on that basis they notified the Council for Trade in Goods that they would seek compensation (i.e. tariffs on US goods of an equivalent amount).

- US has also launched Section 232 on autos.
12. NEXT STEPS

Focus will be on engaging and developing long term policy, programme and project interventions

1. Develop a long-term strategy and vision for the SA steel industry across the value chain with short- and medium-term goals with strong industry collaboration

2. Engage SADC and African Development Bank (AFDB) on steel intensive infrastructure projects

3. Designation and localisation monitoring and evaluation, Mining Charter localisation

4. dti, EDD and ITAC engaging SARS on circumvention and developing a reference price system for steel products

5. Continued participation in G20 - corrective measures do not limit the policy levers to preserve and grow our primary steelmaking capacity, access the growing regional market and develop our domestic capability and capacity

6. Key focus must be on upgrading, innovation and higher value added steel products for export into the regional construction and mining sector to move towards a more sustainable path in the current situation of excess capacity
References:
1. The Health and Growth Potential of the Steel Manufacturing Industries in SA, SAISI COSM Study
2. World Steel Organisation Data and Statistics

THANK YOU QUESTIONS?