

CUSTOMS e-Alert

9 MAY 2017

Definitive Safeguard Duties on Steel Products

Safeguard duties are one of the trade and protection measures introduced by the World Trade Organisation that can counteract the sudden and sharp increase of imports of a product that causes serious harm to the domestic market. Safeguard duties can be imposed should such circumstances arise. Nevertheless, national interest must be taken into account when deciding on the imposition of this measure.

For only the second and third time in Malaysia, the government has imposed definitive and final safeguard duties on products imported into Malaysia. The products concerned are Steel Concrete Reinforcing Bar Products ("steel bars") and Steel Wired Rods & Deformed Bar in Coils ("steel wire rods").

This was made definitive vide the *Gazette* orders PU(B) 191 and 192/2017 published on 13 April 2017. It is stated in the said orders that the safeguard duties applicable during specified periods, and their rates, shall be as follows:

Steel bars

14.4.2017 to 13.4.2018 (13.42%)
14.4.2018 to 13.4.2019 (12.27%)
14.4.2019 to 13.4.2020 (11.10%)

Steel wire rods

15.4.2017 to 14.4.2018 (13.90%)
15.4.2018 to 14.4.2019 (12.90%)
15.4.2019 to 14.4.2020 (11.90%)

In imposing such duties, the government found that there was an absolute and relative increase in the imports of the products and that under such conditions, the imports have caused harm to the domestic industry.

Contact persons:

Datuk D. P. Naban

Senior Partner,
Tax, GST & Customs Practice
+603-6208 5858
dpn@lh-ag.com

S. Saravana Kumar

Partner,
Tax, GST & Customs Practice
+603-6208 5813
sks@lh-ag.com

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Preceding sequence of events

On 29.3.2016 and 31.3.2016, the domestic industries for steel bars and steel wire rods (Malaysia Steel Association) filed a petition to the Ministry of International Trade and Industry (MITI) to initiate investigations on safeguards. The domestic industries were represented by the Tax, GST & Customs Practice of Lee Hishammuddin Allen & Gledhill.

On 28.5.2016 and 29.5.2016, MITI commenced investigations.

On 1.8.2016 and 15.8.2016, MITI held public hearings for both the investigations. Close to 50 other interested parties were present to oppose the imposition of safeguard duties. This included delegates and foreign dignitaries from the delegation of the European Union to Malaysia; the Directorate General of Foreign Trade; the Ministry of Trade Republic of Indonesia; the Embassy of Japan; the Office of Commercial Counselor, the Embassy of Turkey; the Taipei Economic and Cultural Office in Malaysia; the Embassy of Spain and the Embassy of South Korea. Also present to oppose the imposition were the Master Builders Association Malaysia, the China Iron and Steel Association, the Malaysia Steel & Metal Distributors, and other local distributors, importers and stakeholders.

Upon hearing the views put forth by the domestic industries, as well as those of the other opposing interested parties, the government imposed provisional safeguard duties on 23.9.2016 for both products at 13.42% (steel bars) and 13.90% (steel wire rods) respectively. These provisional safeguard duties were only in effect until 13.4.2017, where the government would then need to make a final determination as to whether definitive safeguard duties should be imposed.

On 13.4.2017, despite vigorous opposition from both the international and local fronts, the government imposed definitive safeguard measures on both products.

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Lee Hishammuddin Allen & Gledhill

Level 6, Menara 1 Dutamas
Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Malaysia
Tel: +603 6208 5888
Fax: +603 6201 0122
Email: tax@lh-ag.com

This measure will definitely benefit the local steel manufacturers and rejuvenate the steel industry. It is seen as a temporary relief from the effects of cheap and large volumes of steel coming into Malaysia.

On behalf of the Malaysian Steel Association, the Tax, GST & Customs Practice of Lee Hishammuddin Allen & Gledhill successfully applied for the definitive safeguard duties.

Contact persons:

Datuk D. P. Naban

Senior Partner,
Tax, GST & Customs Practice
+603-6208 5858
dpn@lh-ag.com

S. Saravana Kumar

Partner,
Tax, GST & Customs Practice
+603-6208 5813
sks@lh-ag.com

Please contact us at tax@lh-ag.com if you have any queries.

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No. 1, Jalan Dutamas 1
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Malaysia
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Fax: +603 6201 0122
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