

Chapter 11

RUSSIAN FEDERATION

SAFEGUARDS

Safeguard Measure against Large-Diameter Circular Steel Pipes

< Outline of the measure >

On February 3, 2005, the Russian Ministry of Economic Development and Trade initiated an investigation concerning a safeguard measure against imports of large-diameter circular steel pipes in response to a complaint from the Russian steel industry. The complainants requested (1) an increase in the tariff rate to 20% as a provisional measure and (2) the imposition of an import quota for five years as a final measure. On occasions such as public hearings, bilateral consultations and various ministerial meetings, Japan has repeatedly contended that the Russian government should not apply a safeguard measure in this case, as the move might violate Russian Federal law, and that it would be undesirable for Russia to implement a measure inconsistent with the WTO agreements prior to its accession to the WTO.

< Problems under international rules >

The conditions for applying safeguard measures are (1) unforeseen developments, (2) a rapid increase in imports, (3) serious injury to domestic industry or threat of serious injury and (4) a causal link between increased imports and injury. The findings of an investigation report published by Russia in November 2005 include conflicts with the WTO agreements. First, during the investigation period, there were increases in domestic production and sales by Russian steel pipe manufacturers, gross exports, the production capacity utilization ratio and the number of employees engaged in the production, making it unlikely that the Russian industry suffered serious injury. Secondly, there was no objective examination based on positive evidence of a causal link between the increased imports and serious injury. Furthermore, Japanese-made, large-diameter circular steel pipes targeted by this safeguard measure are not like

products or directly competitive to Russian-made ones in terms of product features, end uses and evaluation by the market. For these reasons, it is inappropriate for Russia to apply the safeguard measure.

<Recent Developments>

Although Japan repeatedly raised this issue and complained that the safeguard measure would be inappropriate, the Russian Ministry of Economic Development and Trade on July 21, 2006 submitted its investigation report to the Russian government, which on November 18, 2006 announced its decision to apply the safeguard measure against imported large-diameter circular steel pipes. As a result, a special duty of 8% has been imposed on large-diameter circular steel pipes from Japan and other countries, effective for three years from December 21, 2006. As Russia was not a member of the WTO when the safeguard measure was imposed, it is impossible to seek a solution to this issue through the WTO dispute settlement system. However, Japan will continue studying appropriate responses such as seeking the revocation of the safeguard measure.