

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

RUSSIA

(Combine Harvesters and Modules)

The following communication, dated 6 September 2012, is being circulated at the request of the Delegation of the Russian Federation.

Pursuant to the Article 12.1(a) of the Agreement on Safeguards the Russian Federation hereby provides notification to the Committee on Safeguards of the initiation of an investigation and the reasons for it.

1. The date when the investigation was initiated

On 6 July 2012, the Department for Internal Market Defence of the Eurasian Economic Commission initiated a safeguard investigation. Public notice of the safeguards investigation was provided on 6 July 2012.

2. The product subject to the investigation

Combine harvesters and modules, consisting at least of threshing and separating device, equipped or not equipped with the threshing drum, cleaning systems and engine mounted on the support base and the frame and chassis, provides for the installation of bridges, wheels or tracks (collectively as "products" or "harvesters"), classified under HS codes 8433 51 000 1, 8433 51 000 9, 8433 90 000 0. HS codes are indicated only for information purpose.

3. The reasons for the initiation of investigation

In accordance with the Agreement on the application of safeguards, antidumping and countervailing measures against third countries of 25 January 2008, Decision of the Board of the Eurasian economic commission of 7 March 2012 No. 1 and on the basis of results of consideration of the application filed by LLC "Combine plant" Rostselmash "and JSC" Production Association "Krasnoyarsk Combine Plant" the Department for Internal Market Defence of the Eurasian Economic Commission initiated the safeguards investigation.

The application includes the following information:

(1) Increase in imports of combine harvesters to the Customs Union customs territory (further – CU CT) during 2009 – 2011 in absolute terms by 25%, while the average price for combine harvesters imported into the CU CT, excluding import duties decreased by 18.6%;

(2) Serious injury to the Customs Union (further – CU) member-states industry.

During 2009 - 2011 there was a decrease in production and sales by manufacturers of the CU by 6.9% and 23.1%, respectively, and a decrease in the share of products in the CU market by 4.1% while the market capacity of combine harvesters in the CU was decreased by 19.5%.

During 2009 - 2011 a negative trend in the CU industry for the majority of industrial and economic indicators was observed:

- reduced production of combine harvesters in the enterprises of the applicant by 14.4%;
- decline in sales of combine harvesters by 42.9%;
- share of products sent by applicant in the CU market was decreased by 14.9%;
- inventory growth by 44.5% and an increase of the volume of production by 1.7 times;
- increase in cost per unit of product by 17.7%;
- net value of a product in the CU market in the period remained stable;
- reduction in profitability of production by 3.6 times;
- reducing profit by 5.4 times;
- reducing capacity utilization at the enterprises of applicant by 4.3%;
- decline in investments for the production development by 5.2 times;
- increase in productivity by 4.8% and an increase in wages of personnel involved in the production of products by 51.3% while the number of personnel involved in the production of combine harvesters in the enterprises of applicants was decreased by 18.3%.

(3) Causal link between increased imports and serious injury to the CU member-states industry. In particular:

- substitution of manufacturers of the CU in the CU market while the share of imported goods has been increasing;
- decrease in sales of the product of producers in the CU member-states in the CU market while the imported supplies has been increasing.

4. Further information

A copy of the Notice of Initiation which is available on <http://www.tsouz.ru> is being submitted to the Committee on Safeguards.¹

All views or comments should be made in writing and submitted to the following address:

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¹ In Russian only. Those wishing to consult this document are requested to contact Ms Budd (hilary.budd@wto.org) or Ms Naville (delphine.naville@wto.org) of the Rules Division.