



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

SOUTH AFRICA

Imports of bolts with hexagon heads of iron or steel

The following communication, dated 21 May 2020, is being circulated at the request of the delegation of South Africa.

Pursuant to Article 12.1(a) of the Agreement on Safeguards, South Africa hereby gives notification of the initiation of a safeguard investigation on the imports of bolts with hexagon heads of iron or steel.

1 THE DATE WHEN THE INVESTIGATION WAS INITIATED

The notice of initiation by the investigating authority was published through notice No. 272 of 2020 in Government Gazette No 43316 on 15 May 2020.

2 THE PRODUCT SUBJECT TO THE INVESTIGATION

The subject product is described as bolts with hexagon heads of iron or steel, under tariff sub-heading 7318.15.43.

3 THE REASONS FOR THE INITIATION OF INVESTIGATION

- i. The application was lodged by South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA) and its members producing the subject products.

The claim is that the subject product is being imported into the SACU market in such increasing quantities in absolute terms and relative to SACU production and under such conditions, to be causing serious injury to the SACU industry.

- ii. *Prima facie* information on which the investigation was initiated:

The Commission found that the applicant submitted *prima facie* information to indicate that volumes of bolts with hexagon heads of iron or steel increased both in absolute terms and relative to domestic production in the 2017/18 (1 July 2016 to 30 June 2019) period.

4 SERIOUS INJURY AND CAUSAL LINK

The period of investigation for data evaluation for the purposes of determining the allegation of serious injury is 1 July 2016 to 30 June 2019.

The injury analysis relates to information submitted by CBC Fasteners (Pty) Ltd, SA Bolt Manufacturers (Pty) Ltd and Transvaal Pressed Nuts, Bolts & Rivets (Pty) Ltd representing more than 80% of the SACU industry by production volumes.

The Applicant alleged and submitted *prima facie* information indicating that it is experiencing serious injury in the form of a decline in sales volumes, output, market share, utilisation of capacity, net profit and productivity for the period 1 July 2016 to 30 June 2019.

On this basis the Commission found that *prima facie* information was submitted to indicate that the SACU industry was suffering serious injury which could be causally linked to the surge in the volumes of imports of the subject products.

5 UNFORESEEN DEVELOPMENTS

The Commission considered the following information:

The Applicant submitted that a confluence of events forms the basis of the unforeseen development that supports this application. This confluence of events is led notably by China which is the biggest producer of global fasteners, accounting for more than 50% of global fasteners capacity and output.

The Applicant stated that during the Uruguay Round of negotiations, South Africa did not foresee the following events:

- The unprecedented steep rate of increase in fasteners production capacity (including the subject products) over the ensuing two decades (increased 8 folds since 1994) to support growing construction and manufacturing activity, as well as to help build infrastructure, particularly in emerging economies;
- The contraction of the world economy and in particular the Chinese economy resulted in the contraction of demand for fasteners, that contribute to the imbalance between capacity and demand;
- Record export volumes by countries with excess capacity, especially Chinese producers fuelled by excess capacity and output; and
- This excess output, capacity and export volumes led by China, displaced production in other regions, thus harming producers in other markets. This has already led to several trade actions by major fasteners markets, including the SACU market. The fact that their markets are now protected, contracts the global demand for fasteners even further, exasperating the problem of increased imports into the SACU.

6 FURTHER INFORMATION

Interested parties must make themselves known within a period of 20 days after the initiation of the investigation.

Any information which the interested parties may wish to submit in writing and any request for a hearing before the Commission that they may wish to put forward should be submitted within 20 days following the initiation of this investigation to the Directorate Trade Remedies II at the following address:

The DTI Campus
77 Meintjies Street
Sunnyside, Block E, Ground Floor
Pretoria 0002
tel: +27 12 394 3600
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If part of the information provided is of a confidential nature, the party concerned should give the grounds justifying confidentiality and furnish public summaries of such information, which should be

as detailed as possible. In instances that a public summary cannot be provided a sworn statement must be provided stating the reasons why the information cannot be summarized.

This requirement is designed to secure transparency and due access by all the parties to the information relating to this investigation. If the summaries are not duly provided and in the absence of just cause, ITAC may disregard the information deemed to be confidential.
