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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON
SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT
THEREOF CAUSED BY INCREASED IMPORTS**

**NOTIFICATION OF A PROPOSAL
TO IMPOSE A MEASURE**

**NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2
OF THE AGREEMENT ON SAFEGUARDS**

SOUTH AFRICA

Bolts with Hexagon Heads of Iron or Steel

The following communication, dated and received on 8 November 2021, is being circulated at the request of the delegation of South Africa.

Pursuant to Article 9, Footnote 2, of the Agreement on Safeguards, South Africa provides notifications to the Committee on Safeguards of findings of serious injury or threat thereof caused by increased imports of bolts with hexagon heads of iron or steel and proposed safeguard measures.

On 15 May 2020, the International Trade Administration Commission (the Commission) initiated an investigation for remedial action in the form of a safeguard against the increased imports of bolts with hexagon heads of iron or steel.

On 11 September 2020, the Commission communicated its proposed preliminary determination to the WTO. The preliminary determination was published in the Government Gazette on 13 November 2020.

The initiation of the investigation and the preliminary determination has been notified to the Committee on Safeguards (see WTO documents G/SG/N/6/ZAF/8 and G/SG/N/7/ZAF/5 - G/SG/N/11/ZAF/7).

1 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.

2 NOTIFICATION UNDER ARTICLE 12.1(B) AND (C)

Pursuant to Article 12.1(b) of the Agreement on Safeguards, the Government of South Africa hereby gives notification upon making a finding of serious injury caused by increased imports of bolts with hexagon heads of iron or steel.

Pursuant to Article 12.1(c) of the Agreement on Safeguards, the Government of South Africa hereby gives notification upon taking a decision to apply a safeguard measure on imports of bolts with hexagon heads of iron or steel.

3 PROVIDE THE BASIS FOR:

- (i) Making a finding of serious injury caused by increased imports, as provided for in Article 12.1(a);
- (ii) Taking a decision to apply a safeguard measure, as provided for in Article 12.1(b); and
- (iii) Specifying the developing countries to which the measure is not applied under Article 9.1 of the Agreement of Safeguards.

The International Trade Administration Commission of South African initiated an investigation pursuant to an application by South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA) (the Applicant), on behalf of the SACU industry in order to determine whether increased imports have caused serious injury to the domestic industry, within the meaning of the Agreement on Safeguards, in connection with bolts with hexagon heads of iron or steel.

3.1 The Commission made a final determination on the following:

(a) Unforeseen Developments

The Commission made a final determination on obligations incurred post 1994 with regard to the imported products and the effects of such obligations:

The Commission made a final determination that the SA government committed to bind the ordinary customs duty on the imported products of bolts of iron or steel with hexagon head at 30% *ad valorem*. The effects of these led to the confluence of events, which form the basis of the unforeseen development and these events are led notably by China, which is the biggest producer of global fasteners, accounting for more than 50% of global fasteners capacity and output. 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.

(b) Increased Imports

The Commission made a final determination that in absolute terms, there was an increase in import volumes of the subject product of 12.5% between 2016/17 and 2017/18, however, between 2017/18 and 2018/19, imports of the subject products decreased by 3.7%. During the period of investigation, there was an overall increase of 8.4%, with the highest increase being that which took place in 2017/18 year.

The Commission made a final determination that relative to production, import volumes of bolts with hexagon heads of iron or steel increased by 46 index points between 2016/17 and 2017/18, however, between 2017/18 and 2018/19, there was a decline of 9 index points. During the period of investigation there was an overall increase of 37%, with the highest increase of imports relative to production taking place in 2017/18 year.

The Commission made a final determination that the surge in the volume of imports occurred in the 2017/18 year, both in absolute terms and relative to production.

(c) Serious injury

The period of investigation for data evaluation for the purposes of determining the allegation of serious injury is 01 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.

There is sufficient evidence that the SACU industry 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 made a final determination that the SACU industry is suffering serious injury.

(d) Causal link between increased imports and causal link

The Commission made a final determination that there is sufficient evidence of serious injury to the domestic industry caused by the surge in the volume of imports. There are no other known factors other than the increased imports that sufficiently detract from this causal link.

(e) Public Interest

The Commission made a final determination that it will be in the public interest to impose definitive safeguard measures.

(f) Adjustment Plan

The domestic industry has submitted an adjustment plan, outlining the measures it has taken and those it plans to take for facilitation of adjustment of the domestic industry to the competitive conditions with the imports. The measures include the following:

- Increase in production volume;
- Increase in investment (plant, machinery and buildings);
- Increase in supply side measures (research and development, skills development and training, upgrading machinery and equipment);
- Increase in exports (volumes and value); and
- Increase in total employment.

(e) Offer of consultations under Article 12.3

The Government of South Africa offers consultations on the definitive safeguard measures.

3.2 Provide a precise description of the proposed measure

A definitive measure of 31.8% *ad valorem* on the imports of bolts with hexagon heads of iron or steel, imported under tariff sub-heading 7318.15.43.

3.3 Provide the proposed date of introduction of the measure

It is expected that the definitive measure, if adopted, will come into effect in December 2021.

3.4 Provide the expected duration of the measure

The safeguard measure, if adopted, will remain in force for 3 years.

3.5 For a measure with a duration of more than three years, provide the proposed date for the review (under Article 7.4) to be held not later than the mid-term of the measure, if such date for the review has already been scheduled

Not applicable.

3.6 If the expected duration is over one year, provide the expected timetable for progressive liberalization of the measure

Period	Rate of safeguard measure
10 December 2021 – 09 December 2022	31.8%
10 December 2022 – 09 December 2023	30.8%
10 December 2023 – 09 December 2024	29.8%

3.7 If the measure is being extended, also provide: (i) evidence that the industry concerned is adjusting and that the safeguard measure continues to be necessary to prevent or remedy serious injury

Not applicable.

4 NOTIFICATION UNDER ARTICLE 9, FOOTNOTE 2

4.1 Specify the measure

The measure consists of 31.8% *ad valorem* described in the notification under Article 12.1(c), above.

4.2 Specify the product subject to the measure

The measure shall be applied to the products described above, in paragraph 1 of this notification.

4.3 Specify the developing countries to which the measure is not applied under Article 9.1 of the Agreement on Safeguards

Afghanistan	Madagascar
Albania	Malawi
Algeria	Latvia
American Samoa	Lebanon
Angola	Maldives
Antigua and Barbuda	Mali
Argentina	Marshall Islands
Armenia	Mauritania
Azerbaijan	Mauritius
Bangladesh	Mexico
Bahrain, Kingdom of	Micronesia, Fed. States of
Belarus	Moldova, Republic of
Belize	Mongolia
Benin	Montenegro
Bhutan	Morocco
Brunei Darussalam	Mozambique
Bolivia, Plur State of	Myanmar
Bosnia and Herzegovina	Namibia
Botswana	Nepal
Brazil	Nicaragua

Bulgaria	Niger
Burkina Faso	Nigeria
Burundi	North Macedonia
Cabo Verde	Oman
Cambodia	Pakistan
Cameroon	Palestine
Central African Republic	Palau
Chad	Panama
Chile	Papua New Guinea
Colombia	Paraguay
Comoros	Peru
Costa Rica	Philippines
Côte d'Ivoire	Qatar
Cuba	Romania
Democratic Republic of the Congo	Rwanda
Congo Republic	Saudi Arabia, Kingdom of
Djibouti	St. Kitts and Nevis
Dominica	St. Lucia
Dominican Republic	Saint Vincent and the Grenadines
Ecuador	Sao Tome and Principe
Egypt, Arab Rep.	Samoa
El Salvador	Senegal
Eritrea	Seychelles
Eswatini	Sierra Leone
Equatorial Guinea	Singapore
Ethiopia	Solomon Islands
Fiji	Serbia
Gabon	Somalia
The Gambia	South Sudan
Georgia	Sri Lanka
Ghana	Sudan
Grenada	Suriname
Guatemala	Syrian Arab Republic
Guinea	Tajikistan
Guinea-Bissau	Tanzania
Guyana	Timor-Leste
Haiti	Togo
Honduras	Tonga
Indonesia	Trinidad and Tobago
Iran, Islamic Rep. of	Tunisia
Iraq	Turkey
Jamaica	Turkmenistan
Jordan	Tuvalu
Kazakhstan	Uganda
Kenya	Ukraine
Kiribati	United Arab Emirates
Korea, Democratic People's Republic of	Uruguay
Kyrgyz Republic	Uzbekistan
Kosovo	Viet Nam

Kuwait, the State of	Vanuatu
Lao People's Dem. Republic	Venezuela, Bolivarian Republic of
Lebanon	West Bank and Gaza*)
Lesotho	Yemen
Liberia	Zambia
Libya	Zimbabwe
Lithuania	

5 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 Pretoria, Block E, Ground Floor, tel: +27 12 394 3600, fax +27 12 394 0518.

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.
