



16 September 2020

(20-6212)

Page: 1/5

Committee on Safeguards

Original: English

**NOTIFICATION UNDER ARTICLE 12.1(A) OF THE AGREEMENT ON SAFEGUARDS BEFORE
TAKING A PROVISIONAL SAFEGUARD MEASURE REFERRED TO IN ARTICLE 6**

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

SOUTH AFRICA

Imports of bolts with hexagon heads of iron or steel

The following communication, dated 11 September 2020, is being circulated at the request of the delegation of South Africa.

Pursuant to Article 12.4 of the Agreement on Safeguards the Government of South Africa hereby gives notification before taking provisional safeguards measures on imports of bolts with hexagon heads of iron or steel.

Pursuant to Article 9, footnote 2 of the Agreement on Safeguards, the Government of South Africa hereby gives notification on a decision not to apply provisional measures on imports from developing countries.

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 THE PROVISIONAL SAFEGUARD MEASURE

The provisional safeguard measure consists of ad valorem Safeguard duty of 31.8%.

3 THE PROPOSED DATE OF IMPOSITION OF THE SAFEGUARD MEASURE

The Commission intends to impose the provisional safeguard measure on 02 October 2020.

4 THE EXPECTED DURATION OF THE PROVISIONAL SAFEGUARD MEASURE

The expected duration of the provisional safeguard measure is two hundred (200) days.

5 PROVIDE THE BASIS FOR:

- i. Making a preliminary determination, as provided for in Article 6, that increased imports have caused serious injury.

The International Trade Administration Commission of South African initiated an investigation pursuant to an application by the South African Iron and Steel Institute (the Applicant), on behalf of the South African Fasteners Manufacturers' Association (SAFMA) 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.

The Commission made a preliminary determination that:

(a) Unforeseen Developments

That a confluence of events formed the basis of the unforeseen development and 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 confluence of events are as follows:

- 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 (including the subject products), 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.

The Commission considered that the South Africa government committed to bind the ordinary customs duty on the imported products of bolts with hexagon heads of iron or steel at 30% *ad valorem*.

(b) Increased Imports

The data evaluation for the purposes of determining increased imports covered the period from 1 July 2016 to 30 June 2019.

The Commission considered that the subject product is being imported into the SACU market in such increasing quantities in absolute terms and relative to SACU production.

The Commission made a preliminary determination that the recent, sudden, sharp and significant increase of the imports of bolts with hexagon heads of iron or steel occurred in 2017/18 full year in absolute terms and relative to production. The Commission considered that imports decreased slightly in 2018/19 but remained at higher levels than 2016/17. Although there is a slight decrease in 2018/19 imports are still in such increased quantities, and have been higher than SACU production throughout the period of investigation. The decrease in imports in 2017/18 in absolute terms and relative to production can be attributed more to a decline in SACU consumption, which declined in line with imports. Notwithstanding this slight decline in imports, the subject product continued to be imported in increased quantities 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 suffering serious injury in the form of a decline in sales volumes, output, market share, utilisation of capacity, productivity and employment for the period of investigation. The Commission further considered that although there was a slight improvement in the losses made by the SACU industry, it was still in a loss making situation.

(d) Causal Link between Increased Imports and Serious Injury

A surge in imports of bolts with hexagon heads of iron or steel occurred in 2017/18 which caused serious to the SACU industry. During the period of the surge, the SACU industry's sales volumes, profits output, market share, employment, productivity and capacity declined when compared to 2016/17. The SACU industry's decline in sales volumes, output, capacity utilisation and market share was the highest decline in 2017/18, which coincided with the highest increase in the market share of imports.

The serious injury suffered by the SACU is causally linked to the increased and there are no other known factors that sufficiently detract from the causal link.

The position of the SACU industry is unsustainable, and the increased imports may cause further damage which may lead to the demise of the SACU industry if it is not immediately protected, given that the imports are entering the SACU market at such high volumes. On this basis, the Commission considered that there are critical circumstances were a delay would cause serious damage to the SACU industry.

6 MAJOR EXPORTING COUNTRIES

The Government of South Africa offers consultations on the provisional measures under Article 12.4.

7 DEVELOPING COUNTRIES

Below is the list of developing countries excluded from measures as they exported less than 3% of total imports to South Africa (Article 9.1 of the Agreement on Safeguards):

DEVELOPING COUNTRIES TO BE EXCLUDED FROM THE DUTY

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

Cabo Verde	Pakistan
Cambodia	Palestine
Cameroon	Palau
Central African Republic	Panama
Chad	Papua New Guinea
Chile	Paraguay
Colombia	Peru
Comoros	Philippines
Costa Rica	Qatar
Côte d'Ivoire	Romania
Cuba	Russian Federation
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, Democ. P. Republic of	Uruguay
Kosovo	Uzbekistan

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