Report No. 620

INVESTIGATION INTO REMEDIAL ACTION IN THE FORM OF A SAFEGUARD MEASURE AGAINST THE INCREASED IMPORTS OF THREADED FASTENERS OF IRON OR STEEL: BOLT ENDS & SCREW STUDS, SCREW STUDDING AND OTHER HEXAGON NUTS (EXCLUDING THOSE OF STAINLESS STEEL AND THOSE IDENTIFIABLE FOR AIRCRAFT): FINAL DETERMINATION

The International Trade Administration Commission of South Africa herewith presents its **Report No. 620: INVESTIGATION INTO REMEDIAL ACTION IN THE FORM OF A SAFEGUARD MEASURE AGAINST THE INCREASED IMPORTS OF THREADED FASTENERS OF IRON OR STEEL: BOLT ENDS & SCREW STUDS, SCREW STUDDING AND OTHER HEXAGON NUTS (EXCLUDING THOSE OF STAINLESS STEEL AND THOSE IDENTIFIABLE FOR AIRCRAFT): FINAL DETERMINATION**

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PRETORIA
30/01/ **2020**

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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SYNOPSIS

On 01 March 2019, the Commission initiated an investigation for a remedial action in the form of a safeguard against increased imports of threaded fasteners of iron and steel: bolt ends & screw studs, screw studding and other hexagon nuts (excluding those of stainless steel and those identifiable for aircraft) through Notice Number 109 which was published in the Government Gazette number 42258.

The application was lodged by the South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA). On bolt ends & screw studs, screw studding, SAFMA was supported by Bascol Manufacturing Engineers. SAFMA members constitute more than 80% of the total Southern African Customs Union (SACU) industry by production volume. On hexagon nuts SAFMA members constitute 100% of the total SACU industry by production volume.

On initiation of the investigation, the World Trade Organisation (WTO), and the countries with a significant volume of exports of the subject products were notified of the initiation of the investigation.

Interested parties responded by submitting comments on initiation of the investigation, which were taken into consideration in making a preliminary determination. The Commission made a preliminary determination that:

- Events cited are regarded as unforeseen developments, which, together with the effect of the obligations incurred by South Africa (or SACU) under the WTO (WTO obligations) led to the increased volume of imports;

- there was a surge in the volume of imports;
- the SACU industry is suffering serious injury and there is a causal link between the serious injury suffered by the SACU industry and the surge in volume of imports; and further delay will cause damage which will be difficult to repair;
- Provisional payments be imposed on imports of the subject products pending the finalisation of the investigation.

A preliminary determination report was issued and interested parties provided comments which were considered for the final determination.

The Commission further invited interested parties to make submissions on whether it will be in the public interest for safeguard measures to be imposed on the subject products. Interested parties made written and oral submissions and those that wished to participate during the public hearings held on 28 August 2019 indicated such, and made presentations during the hearings.

Based on the information contained in the Commission's preliminary report, comments received and public interest submissions, the Commission made a final determination before "essential facts" that:

- Events cited are regarded as unforeseen developments, which, together with the effect of the WTO obligations led to the increased volume of imports;
- There is a surge in volume of imports;
- The SACU industry is suffering serious injury;
- There is a causal link between the serious injury suffered by the SACU industry and the surge in volume of imports;
- Imposition of safeguard measures would be in the public interest; and
- Definitive safeguard measures be imposed on imports of the subject products.

Essential facts letters were sent to interested parties, informing them of the "essential facts" which were being considered by the Commission, and inviting comments from interested parties on those "essential facts" for the Commission's consideration prior to making a final determination.

After considering all interested parties' comments received, the Commission made a final determination that:

- Events cited can be regarded as unforeseen developments, which, together with the effect of the WTO obligations led to the increased volume of imports;
- There is a surge in volume of imports;
- The SACU industry is suffering serious injury;
- There is a causal link between the serious injury suffered by the SACU industry and the surge in volume of imports.

The Commission made a final determination to recommend to the Minister of Trade Industry that it will be in the public interest to impose safeguard duties of 54.04% *ad varolem* on imports of bolt ends & screw studs, screw studding and other hexagon nuts of iron and steel (excluding those of stainless steel and those identifiable for aircraft) for all exporters, excluding imports originating from developing WTO member countries that meet the requirements for exclusion.

The Commission further recommended that the definitive safeguard duties be imposed for a period of three years, to be liberalised as follows: Year 1- 54.04%; Year 2- 52.04%; Year 3 - 50.04%.

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002, the International Trade Administration Commission of South Africa Amended Safeguard Regulations (SGR) and giving due regard to the WTO Agreement on Safeguards.

1.2 APPLICANT

The application was lodged by the South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA). On bolt ends & screw studs, screw studding (threaded rods), SAFMA was supported by Bascol Manufacturing Engineers. SAFMA members constitute more than 80% of the total SACU industry by production volume. On hexagon nuts SAFMA members constitute 100% of the total SACU industry by production volume.

1.3 ALLEGATIONS BY THE APPLICANT

The applicant stated that in submitting information on unforeseen developments when reference is made to fasteners it invariably refers to the products concerned.

The applicant indicated China is the world major producer of fasteners. Therefore information on unforeseen developments focuses on the developments in China. According to the applicant, the Chinese significant influence and developments with regard to fasteners will have an impact on the world developments.

The applicant submitted that a confluence of events (listed below) forms the basis of the unforeseen developments. The applicant further stated that during the Uruguay Round of negotiations, South Africa did not foresee the following events:

- The unprecedented steep rate of increase in global fastener production capacity which was mainly fuelled by the growth of the Chinese and Asian fastener market. The growth of the Chinese fastener market which was

driven by such steep increase in production of fasteners and such steep increase in fastener export volumes;

- The slowdown of the Chinese economy and the global contraction in demand. The slowdown of Chinese economy and the financial crisis of 2008 to 2010 had an impact on the demand for fasteners and with increased production created an imbalance between supply and demand which added to increased export volumes;

- The significant unused production capacity of carbon steel fasteners in China demonstrates the growth of Chinese fastener market; and

- This in turn led to an increase in trade remedy actions taken against fastener products (including the subject product) by countries such as Canada and the United States of America.

1.4 INVESTIGATION PERIOD

The data evaluation for purposes of determining increased import volumes and serious injury covers the period from 01 July 2014 to 30 June 2018.

1.5 INVESTIGATION PROCESS

1.5.1 The serious injury information was verified from 06 September 2018 to 29 October 2018.

1.5.2 The application was accepted as being properly documented on 20 February 2019.

1.5.3 The investigation was initiated on 01 March 2019.

1.5.4 Interested parties known to the applicant are:

- All Trade/Rutherford;
- BMG;
- Bolt fast;
- Boltworld (Pty) Ltd;
- Joes Fasteners;

- National Socket Screws;
- Pro-Tech;
- Screw Distributors;
- Shenka;
- Supa Fix;
- Shanghai Fasteners Manufacturing Co. Ltd; Changshu Standard Co Ltd;
- Beilum Hardware Factory;
- Ningbo Ningli High-Strength Fasteners Co Ltd;
- Jiangsu Standard Fasteners Co;
- Shangai Fasteners Import & Export Co Ltd;
- XYLX Xinghi Fasteners;
- Chite Enterprises Co Ltd, Taiwan;
- Newill Co Ltd, Kaosiung;
- Rei-lin Solid Brass Co Ltd;
- Kaohsiung;
- Jinn Herr;
- San Shing Fastech Corp;
- Shih Hsang Ywa Industries; and
- Kao Fen Bolt Co Ltd.

1.5.5 The following interested parties responded and provided comments to the initiation notice which were considered for preliminary determination:

- Embassy of the Republic of Turkey;
- Embassy of the Republic of Indonesia;
- Dominican Republic;
- Arab Republic of Egypt;
- Ministry of Trade and Industry Malaysia;
- Embassy of Brazil;
- Department of Foreign trade (DFT), Ministry of Commerce, Thailand;
- NSS Fasteners;
- European Union;
- Fastener Distributors Association;

- Taipei Laison Office in Pretoria (Chinese Taipei); and
- South African Iron and Steel Institute (SAISI) (The applicant).

1.6 PRELIMINARY DETERMINATION

The Commission made a preliminary determination on 11 June 2019, which was published in Notice No. R.1012 of Government Gazette No. 42594 dated 26 July 2019, with details of the findings contained in Commission's Report No. 605.

The Commission made a preliminary determination that the events cited are regarded as unforeseen developments, which, together with the effect of the WTO obligations led to the increased volume of imports; there is a surge in volume of imports; the SACU industry is suffering serious injury, there is a causal link between the serious injury suffered by the SACU industry and the surge in volume of imports and further delay will cause damage which will be difficult to repair. The Commission further made a preliminary determination to impose provisional payments of 102.10% *ad varolem* on imports of the subject products pending the finalisation of the investigation.

1.6.1 The following interested parties responded and provided comments on preliminary determination:

- Taipei Laison Office (Chinese Taipei);
- European Union ;
- Fastener Distributors Association;
- Department of Foreign Trade (DFT), Thailand;
- NSS Fasteners and;
- South African Iron and Steel Institute (SAISI) (The applicant).

1.7 PUBLIC INTEREST

The Commission through Notice No. 396 of 2019 of Government Gazette No. 42593 also invited interested parties to make submissions on public interest matters of the investigation. Interested parties made written and those that wished

to participate during the public hearings held on 28 August 2019 indicated such, thereafter made presentations during the hearings.

1.7.1 The following interested parties that made submissions and/or presented at public hearing:

- South African Iron and Steel Institute(SAISI) together with SAFMA
- Taipei Laison Office (Chinese Taipei) and;
- Bravo Group Lounge.

1.8 FINAL BEFORE ESSENTIAL FACTS DETERMINATION

Based on the details as contained in the Commission's Preliminary Report, comments received, and comments on public interest, the Commission on 12 November 2019 made a final determination before "essentials facts" that:

- Events cited are regarded as unforeseen developments, which, together with the effect of the WTO obligations led to the increased volume of imports;
- There is a surge in volume of imports;
- The SACU industry is suffering serious injury;
- There is a causal link between the serious injury suffered by the SACU industry and the surge in volume of imports;
- Imposition of safeguard measures would be in the public interest; and
- Definitive safeguard measures of 54.04% be imposed on imports of the subject products.

On 19 November 2019 "essential facts" letters were sent out to all interested parties informing them of the "essentials facts" which were being considered by the Commission and invited comments from interested parties on those "essentials facts" being considered.

1.8.1 The following interested parties responded and provided comments to the essential facts letter:

- Taipei Laison Office (Chinese Taipei);
- European Union ;

- Protech Fasteners;
- Fastener Distributors Association;
- NSS Fasteners and;
- South African Iron and Steel Institute (SAISI) (the Applicant).

The Commission considered comments received from interested parties in making a final determination. All submissions made by interested parties are contained in the Commission's non-confidential file for this investigation and are available for perusal. It should be noted that this report does not purport to present all comments received and considered by the Commission. However some salient and pivotal comments received from interested parties and the Commission's consideration of these comments is specifically included in this report.

1.9 FINAL DETERMINATION

The Commission made a final determination that:

- Events cited can be regarded as unforeseen developments, which, together with the effect of the WTO obligations led to the increased volume of imports;
- There is a surge in volume of imports;
- The SACU industry is suffering serious injury;
- There is a causal link between the serious injury suffered by the SACU industry and the surge in volume of imports;

The Commission made a final determination to recommend to the Minister of Trade Industry that it will be in the public interest to impose safeguard duties of 54.04% *ad varolem* on imports of bolt ends & screw studs, screw studding and other hexagon nuts of iron and steel (excluding those of stainless steel and those identifiable for aircraft), excluding imports originating from developing WTO member countries that meet the requirements for exclusion. It further recommended that the definitive safeguard duties be imposed for a period of three years, to be liberalised as follows: Year 1- 54.04%; Year 2- 52.04%; Year 3 - 50.04%.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject products are described as hexagon nuts made of steel and steel threaded rod. Steel threaded rod is certain threaded rod, bar or studs of carbon quality steel having a solid circular cross section of any diameter in any straight length that have been turned, cold-drawn, cold-rolled, machine straightened or otherwise cold-finished and into which threaded grooves have been applied. In addition the steel threaded rod, bar, or studs subject to this investigation are non-headed. A variety of finishes or coatings such as plain oil finish as a temporary rust protectant, zinc coating (i.e., galvanized, whether by electroplating or hot-dipping) may be applied to the products.

2.1.2 Possible tariff loopholes

The applicant indicated that it is specifically aware of and is experiencing injury from substantial increases in imports of unthreaded hexagon nuts. Importers classify these products as unthreaded fasteners and declare under tariff subheading 7318.29 which carries an import duty of only 15%. The applicant is also aware of and is experiencing injury from substantial increases in imports of screw studding, where indications are that the importers are not paying the import duty for the product concerned.

2.1.3 Tariff Classification

The following table indicates customs duties applicable to the subject products:

Table 2.1.3: Applicable duties

Tariff subheading	Description		Customs Duty				Mercosur
			General	EU	EFTA	SADC	
7318.15	Other screws and bolts, whether or not with their nuts or washers						
7318.15.41	Bolt ends and screw studs (excluding those of stainless steel and those identifiable for aircraft)	Kg	30%	Free	Free	Free	30%
7318.15.42	Screw studding (excluding those of stainless steel and those identifiable for aircraft)	Kg	30%	Free	Free	Free	30%
7318.16	Nuts:						
7318.16.30	Other hexagon nuts	Kg	30%	Free	10%	Free	30%

Source: SARS

2.1.4 Other applicable duties and rebates

There are currently no other applicable duties and rebates on bolts ends & screw studs, screw studding and other hexagon nuts apart from those contained in Table 2.1.3.

2.1.5 Production process

The applicant stated the production process to be as follows:

The manufacturers purchase wire rod/bar from steel merchants. The steel is cut to size. Steel rod is fed into a thread rolling machine by hand or by automated bar feeder. Threaded rod is then counted and bundled for black stock or sent to electro-galvanizers for plating. Threaded rod is then bundled and counted and put into stock.

Raw steel coils are received from the supplier. The steel coil goes through the steel preparation process which includes an acid clean and the addition of a phosphate coating to allow for easier forging. Once cleaned, the forging of the steel into a hexagon nut takes place on a forging machine. The cut-off coil pieces move through various stages from forging to shaping. The heads are then cut into a hexagonal shape. Threading is done on a separate thread tapper machine.

2.1.6 Raw material used

The applicant stated that the main raw materials used in the production of threaded rods are hot rolled bars and rods and the main raw materials used in the production of hexagon nuts are steel coils.

2.1.7 Application or end use

The applicant stated that the subject product is used for joining materials, clamping/fastening or interference-fit type and is used in the building, mining, construction, utilities, process industries, automotive industry, general engineering, agricultural industries and do-it-yourself market.

2.1.8 Technical characteristics

Steel threaded rod is certain threaded rod, bar, or studs of carbon quality steel having a solid circular cross section of any diameter in any straight length that have been turned, cold-drawn, cold-rolled, machine straightened, or otherwise cold-finished, and into which threaded grooves have been applied.

In addition, the steel threaded rod, bar or studs subject to this investigation are non-headed. A variety of finishes or coatings, such as plain oil finish as a temporary rust protectant, zinc coating (i.e., galvanized, whether by electroplating or hot-dipping) may be applied to the products. Specific technical specifications pertaining to hexagon nuts are not known to the applicant, other than to state that on appearance there do not seem to be any differences between the imported product and the domestically produced product.

2.1.9 Substitutability

The applicant indicated that the imported subject product and the SACU produced subject product are fully substitutable.

2.2 SACU PRODUCT

2.2.1 Description

The applicant described the imported products as hexagon nuts made of steel and steel threaded rod. Steel threaded rod is certain threaded rod, bar or studs of carbon quality steel having a solid circular cross section of any diameter in any straight length that have been turned, cold-drawn, cold-rolled, machine straightened or otherwise cold-finished and into which threaded grooves have been applied. In addition the steel threaded rod, bar, or studs subject to this investigation are non-headed. A variety of finishes or coatings such as plain oil finish as a temporary rust protectant, zinc coating (i.e., galvanized, whether by electroplating or hot-dipping) may be applied to the products.

2.2.2 Production process

The applicant stated the production process to be as follows:

The manufacturers purchase wire rod/bar from steel merchants. The steel is cut to size. Steel rod is fed into a thread rolling machine by hand or by automated bar feeder. Threaded rod is then counted and bundled for black stock or sent to electro-galvanizers for plating. Threaded rod is then bundled and counted and put into stock.

Raw steel coils are received from the supplier. The steel coil goes through the steel preparation process which includes an acid clean and the addition of a phosphate coating to allow for easier forging. Once cleaned, the forging of the steel into a hexagon nut takes place on a forging machine.

The cut-off coil pieces move through various stages from forging to shaping. The heads are then cut into a hexagonal shape. Threading is done on a separate thread tapper machine.

2.2.3 Raw Material used

The applicant stated that the main raw materials used in the production of threaded rods are hot rolled bars and rods and the main raw materials used in the production of hexagon nuts are steel coils.

2.2.4 Application or end use

The applicant stated that the subject product is used for joining materials, clamping/fastening or interference-fit type and is used in the building, mining, construction, utilities, process industries, automotive industry, general engineering, agricultural industries and do-it-yourself market.

2.2.5 Technical characteristics

Steel threaded rod is certain threaded rod, bar, or studs, of carbon quality steel, having a solid, circular cross section, of any diameter, in any straight length, that have been turned, cold-drawn, cold-rolled, machine straightened, or otherwise cold-finished, and into which threaded grooves have been applied. In addition, the steel threaded rod, bar, or studs subject to this investigation are non-headed. A variety of finishes or coatings, such as plain oil finish as a temporary rust protectant, zinc coating (i.e., galvanized, whether by electroplating or hot-dipping) may be applied to the products. Specific technical specifications pertaining to hexagon nuts are not known to the applicant, other than to state that on appearance, there do not seem to be any differences between the imported product and the domestically produced product. Various technical specifications of DIN, ISO, EN and SABS.

2.2.6 Substitutability

The applicant indicated that the imported subject product and the SACU produced subject product are fully substitutable.

After considering all of the above, the Commission made a final determination that the SACU product and the imported products are "like products", for purposes of comparison, in terms of the definition of "like product" in Section 2 of the Amended Safeguard Regulations.

3. INDUSTRY STANDING

The application was lodged by the South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA). On threaded rods SAFMA was supported by Bascol Manufacturing Engineers. SAFMA members constitute more than 80% of the total SACU industry by production volume. On hexagon nuts SAFMA members constitute 100% of the total SACU industry by production volume.

Comments from interested parties

(i) To confirm whether Protech Fasteners is a producer, interested parties have provided estimates of 30% to 50% as production of hexagon nuts and the applicant provided production volume estimates based on AMSA's raw material sales both information can be used to establish production volume applicable.

(ii) It is not clear whether Protech Fasteners, Benoni Bolt & Tool, Bascol and Telscrew provided production figures and support for the application.

Commission's consideration

(i) The basis for the production volumes percentages indicated to be applicable to Protech Fasteners was not explained. With regard to production volume estimates supplied by the applicant, it is not known in production of which product the raw materials were used and whether they produced the products concerned during the period of investigation.

(ii) Bascol and Telscrew provided production figures and support for the application.

After considering the above, the Commission made a final determination that the application can be regarded as being made "by or on behalf of the domestic industry."

4. UNFORESEEN DEVELOPMENTS

Article XIX of the GATT provides as follows:
"If, as a result of unforeseen developments and of the effect of obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession." In analysing the effects of obligations of GATT 1994, it was considered that South Africa committed to binding the ordinary customs duty on subject products at 30% *ad valorem.*

In terms of the WTO Panels and Appellate Body reports this is interpreted to mean that the developments/conditions and or circumstances in the market should have been unexpected or unforeseen at the time of negotiating the relevant tariff concessions.

4.1 Information submitted by the applicant

To contextualise the information provided in support of allegation of unforeseen developments, the applicant commenced with a detailed explanation on what constitutes a fastener. A fastener is designed to join items together or hold items in place. Articles such as screws, bolts, nuts and studs are used to assemble or fasten goods so that they can readily be disassembled without damage. For a product to be classified under heading 7318 it must meet the terms of the heading, meaning it must be an article of iron or steel and have a purpose and character similar to the items that are mentioned above.

The applicant further stated that the subject products form an integral part of the fasteners industry and therefore information on fasteners must be taken as invariably referring to the subject products. To further expatiate why the unforeseen developments cited are applicable to the subject products the applicant quoted United Nations Conference on Trade and Development (UNCTAD) report titled *"Tracing the value added in global value chains: product level studies in China"* published in 2015 on the

fastener industry in China from 2002 to 2011. The 2011 figures in the report indicate that products of tariff headings 7318.15 and 7318.16 represent 68% of total fastener exports. The subject products are classified under the same tariff headings at six-digit level.

The applicant indicated that since China is the world major producer of fasteners, the applicant's information on unforeseen developments focuses on the developments in China. The applicant cited an anti-dumping report by Canada (2014) which states that China is the world's biggest producer of screws, threaded rods nuts, bolts and washers (fasteners). Therefore, according to the applicant, the Chinese significant influence and developments with regard to fasteners will have an impact on the world developments.

The applicant submitted that a confluence of events (listed below) forms the basis of the unforeseen development that could not have been foreseen in the Uruguay round of negotiations from 1986 to 1994:

4.1.1 The unprecedented steep rate of increase in fastener production capacity

The applicant stated that this unprecedented steep rate of increase in global fastener production capacity was mainly fuelled by the growth of the Chinese and Asian fastener markets. To support that, the applicant provided the following information sourced from various publications, articles and reports such as UNCTAD and Canadian investigation report:

Growth of the Chinese fastener market

Production of fasteners

The information submitted by the applicant indicated that:

- Chinese total production volumes of fasteners was 690 thousand metric tons in 1991, and the level of production volumes reached 2.2 million metric tons ten years later, i.e. 2001.
- Fasteners production in China was 2.5 million tons in 2002.
- Chinese fasteners production was about 6.4 million tons in 2011.
- Fasteners production volumes in China reached 6.8 million tons in 2013.
- China produced about 7.9 million tons of fasteners in 2014.

To collaborate the increase in production volumes, the information submitted by the applicant indicates that there were 1 716 enterprises in the fastener sector in 1991 in China. The number of enterprises in the same sector reached 6 800 ten years later, i.e. 2001. There were about 10 000 manufacturers of fasteners in 2014.

Export volumes

The applicant indicated that exportation of fasteners dates back to the beginning of 1960s and after 1985 both volume and amount of exportation of fasteners has been on an uprising trend each year.

The export volumes from 1991 to 2002 are as follows:

Table 4.1: China's export volumes

Year	Volumes(Thousand metric Tons)
1991	196.0
1992	193.3
1994	222.8
1995	300.8
1996	240.6
1997	295.0
1998	344.8
1999	383.0
2000	506.6
2001	520.8
2002	658.0

Source: Analysis on current status of China's fasteners products import & export and forecasts on markets (2003)

The information submitted by the applicant also indicated that:

- Fasteners exports reached 2.5 million tons in 2011.
- China exported 2.6 million tons of fasteners in 2013.
- Although there is no data available for 2014 period, however it is reported, that China export volumes grew to be ranked first globally.

4.2 Slowdown of the Chinese economy and a global contraction in demand

The significant downturn of the fasteners market as a result of the Asian financial crisis contributed to the imbalance between capacity and demand which resulted in increase in the global supply of fasteners.

The information submitted by the applicant indicated that the Chinese economy has grown rapidly at an average of approximately 10% every year over the past three decades. However, the Chinese economic growth was at 7.7% in 2013; 7.5% in 2014; and 7.3% in 2015. The applicant submits that with the slowdown in economic growth in China, the Chinese producers depended more on foreign markets to absorb their excess production.

Furthermore, the financial crisis of 2008 to 2010 affected the fasteners industry with a drop in fasteners demand in Asia and other world markets. The applicant submits that the lower demand remains a factor today as the global economic recovery continues.

4.3 Unused capacity in China

The applicant also argued that the significant unused production capacity of carbon steel fasteners in China demonstrates the growth of Chinese fastener market. To support that, the applicant provided the following findings from the Canadian anti-dumping investigation report:

- Kwantex Research Inc., an exporter from Chinese Taipei, reported that in 2013 it had 33% of unused production capacity of certain carbon steel fasteners at its manufacturing facility in China.

- Chun Yu, a producer from Chinese Taipei, reported that in 2011 it established a new plant in China, which was capable of producing carbon steel fasteners.

- Ningbo Fastener Factory and Xiamen Haixingcheng Metal Products, the producers from China, reported that there was a production overcapacity in the fastener industry in China.

4.4 Trade remedies actions on fastener products

The applicant stated that excess capacity available has prompted various countries to institute trade remedies actions on fasteners. Canada imposed anti-dumping and countervailing duties on certain carbon steel fasteners and certain stainless-steel fasteners from China and Chinese Taipei. The duties were first introduced in December 2004. The United States of America imposed anti-dumping duties on steel threaded rod from China. The duties were imposed in February 2009. Trade remedies duties in both USA and Canada are still in place.

Commission's consideration

The information provided for the period prior to 1994 indicates that there were 1 716 enterprises in China, producing 690 thousand tons of fasteners, and post 1994 indicates that there were 6 800 enterprises, producing 2.2 million tons of fasteners. This represented a steep increase of 296.27% in the growth of the number of enterprises and a steep increase of 218.84% in the growth of production volumes.

The information provided for the periods after 1994 indicates that production volumes and the number of enterprises producing fasteners continued to increase on yearly basis. For example production volumes grew by 15% from 2001 to 2002, and demonstrated a steep increase of 259.09% between 2001 and 2014 overall period; and the growth of enterprises is represented by the steep increase of about 50% between 2001 and 2014.

With such steep increases in producers and production volumes, coming from low base experienced prior to 1994, China eventually grew to be ranked largest producer of fasteners in 2014. China's production of fasteners coupled with the number of producers has increased at such steep rates and such increases could not have reasonably been foreseen in 1994.

The information provided indicates that for the periods prior to 1994, export volumes increased over the period covered, representing an increase of 13.67% from 1991 to 1994. The increase in export volumes gained momentum from the late 1990s to the early 2000s.

The information provided for the periods after 1994 indicates that export volumes continued to increase on yearly basis and over the period covered by the information. Export volumes grew by 32% from 1999 to 2000, demonstrated a steep increase of 119% between 1995 and 2002, and further increased by a steep rate of 295.14% between 2002 and 2013. The momentum in increase on Chinese export volumes was notable in the 2000s. In the same period the number of fastener exporting enterprises increased and continuously added to number of countries and regions to where fasteners are exported to. Furthermore it is worth noting that that in one year alone from 2001 to 2002 export volumes increased by 26.42%, which is nearly double the rate of growth of 13.67% experienced in a period of three years prior to 1994.

With such steep increases in export volumes, coming from low base experienced prior to 1994, China eventually grew to be ranked largest exporter of fasteners in 2014. China's export volumes have increased at such steep rates and such increases could not have reasonably been foreseen in 1994.

The GDP growth rates of China have continued to decrease even up to the end of 2018, according to information obtained from the IMF website (accessed on 05 February 2019). China's economic growth was at 6.7% in 2016, 6.9% in 2017 and 6.6% in 2018. Furthermore an analysis of China's growth rates over ten years from 2009 to 2018 shows that China grew at an average of 7.9% which is lower than the 10% experienced every year for three decades.

Although the economic growth of China declined, production volumes over the period 1991 to 2014 increased, and therefore creating an imbalance between supply and demand. The Commission considered that the Chinese fastener production was geared for the 10% economic growth. However, when the growth of the Chinese domestic economy decreased, the demand for fasteners declined which led to the oversupply of fasteners in the Chinese market and leading to increased export volumes.

It is also worth noting that with the existence of a number of fastener producers, China can easily penetrate export markets. This, coupled with many exporting enterprises, suggests that channeling the volumes as a result of oversupply to exports markets would

not be difficult as there are already markets for them. Furthermore the introduction of tariffs on steel products by the USA administration mainly on Chinese imports in 2018 might be having an impact on the trade patterns of fasteners globally. China will have to find markets for their products and which might include SACU as they already have a footprint in this market. The excess production and reduced demand have contributed to unused production capacity in China.

Based on the above information, the Commission made a final determination that the growth of fasteners production in the People's Republic of China (PRC); growth of PRC exports; slowdown of PRC's economy and contraction in demand together with available unused capacity: together with trade remedies imposed by various institutions are events that can be regarded as unforeseen developments, which, together with the effect of the obligations incurred by South Africa(or SACU) under the WTO led to the surge of imports of the subject products.

5. SURGE OF IMPORTS

The information considered for the increased imports covered the period from 01 July 2014 to 30 June 2018.

5.1 Increase in import volumes in absolute terms

The following table shows all import volumes of the subject products as sourced from the South African Revenues Service (SARS) for the period from 01 July 2014 to 30 June 2018:

Table 5.1: Import volumes in absolute terms

Tons	2014/15	2015/16	2016/17	2017/18
Threaded Rods	2 460	2 336	4 402	2 853
Hexagon nuts	3 609	3 209	4 295	3 565
Total imports volumes	**6 069**	**5 545**	**8 697**	**6 418**

Threaded rods imports decreased by 5.0% from 2014/15 to 2015/16, increased by 88.4% from 2015/16 to 2016/17, decreased by 35.2% from 2016/17 to 2017/18. Over the period of investigation, imports of threaded rods increased by 15.97%. The increase in imports of threaded rods in 2016/17 of 88.4% is significant. Threaded rods imports decreased by 35.2% in 2017/18 but remained at higher levels than 2014/15 and 2015/16. Even with a decrease in 2017/18, imports still reflect such increased quantities.

Hexagon nuts imports decreased by 11.1% from 2014/15 to 2015/16, increased by 33.8% from 2015/16 to 2016/17, decreased by 17% from 2016/17 to 2017/18. Over the period of investigation, imports of hexagon nuts decreased by 1.22%. The increased imports in 2016/17 of 33.8% is significant. Hexagon nuts imports decreased by 17% in 2017/18 but are slightly lower than 2014/15, higher level than 2015/16. The Commission considered that imports are going down during the period of investigation, but trends do not signify a permanent downward trend.

Overall, the table above indicates that total import volumes decreased by 8.6% from 2014/15 to 2015/16, increased by 56.8% from 2015/16 to 2016/17, decreased by 26.20% from 2016/17 to 2017/18. Over the period of investigation, total imports increased by 5.75%. The highest increase in the level of imports was recorded in 2016/17. Imports decreased in 2017/18 but remained higher than 2014/15 and 2015/16. Unexpectedly in 2016/17 imports changed from the downward to the upward trajectory and increased by 56.8%. Import volumes were within the range of 4 000-6 000 tons during the past two years before the increase in 2016/17. Imports increased by 56.8% in 2016/17 representing the highest pitch on year–to-year basis. The level of imports increased to 8 697 tons from 5 545 tons.

5.2 Increase in imports in relative terms

The following table shows all import volumes of the subject products as sourced from the SARS and actual production volumes of the applicant for the period from 01 July 2014 to 30 June 2018:

Table 5.2: Import volumes relative to SACU production

	2014/15	2015/16	2016/17	2017/18
Threaded rods				
Imports as a % of SACU production	100	76	123	19
Hexagon nuts				
Imports as a % of SACU production	100	117	118	105
Total imports as a % of SACU production	100	105	129	50

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that the imports of threaded rods relative to SACU production volume decreased by 24 index points from 2014/15 to 2015/16, increased by 47 index points from 2015/16 to 2016/17, decreased by 104 index points from 2016/17 to 2017/18. Over the period of investigation, imports of threaded rods relative to SACU production decreased 81 index points. The decrease from 2016/17 and 2017/18 can be attributed more to an increase in domestic production which outweighed the 34% decrease in imports by 459 index points.

The table above also indicates that the imports of hexagon nuts relative to SACU production volume increased by 17 index points from 2014/15 to 2015/16, increased by 1 index points from 2015/16 to 2016/17, decreased by 13 index points from 2016/17 to 2017/18. Over the period of investigation, imports of hexagon nuts relative to SACU production increased by 5 index points. Overall, the table above indicates that import volumes relative to SACU production volumes increased by 5 index points from 2014/15 to 2015/16, further increased by 24 index points in 2016/17, before a decline of 79 index points at the end of the period of investigation. There was an overall decrease of 50 index points over the period of investigation.

Comments from interested parties

(i) Hexagon imports decreased in absolute terms over the period of investigation.

(ii) Any surge in imports is a result of the anticipation for an impending increase in customs duty.

(iii) Definitive safeguard measures not warranted under Safeguard Agreement as imports trends do not demonstrate a recent, sudden and significant increase in imports of the products concerned. There is a significant decrease in imports in 2017/18, which is the most recent in the period of investigation.

(iv) The increase in threaded rod imports by 16% during the period of investigation is not indicative of any surges.

(v) The increase in hexagon imports in 2016/17 cannot be considered a surge.

(vi) Applicant's imports contributed to the increase in total imports and the resulting surge.

(vii) Threaded rods import volumes for 2017/18 are incorrect, actual import volumes are 2550 tons.

Applicant's response

(i) Taking the magnitude of the increase relative to the size of local manufacture, the serious injury being inflicted will lead to closure of the production capability if not addressed. The increase in hexagon nuts imports is twice the local production.

(ii) The statement that imports increased due to stockpiling shows a narrow view and analysis of import volumes. Hexagon nuts continued to increase and will further increase if the preliminary determination is reversed.

(iii) There is no requirement that imports should be increasing till the end of the period of investigation, as long as imports are still being imported in such increased quantities.

Commission's consideration

(i) Note is taken of the fact that hexagon nuts slightly decreased over the period of investigation. However changing the starting point (base year) from 2014/15 to 2015/16 shows that imports increased over the period of investigation and changing the end-point from 2017/18 to 2016/17 shows that imports increased over the period of investigation.

(ii) The conditions for the determination of a surge in imports under a safeguard investigation were considered to have been met.

(iii) The analysis of imports indicates that there was "such an increased volume" of imports during the period of investigation.

(iv) The surge in imports of threaded rods occurred in 2016/17. Although trends are examined over a period of investigation, a surge is determined at one point.

(v) The increase in imports of hexagon nuts in 2016/17 is considered a surge in terms of Regulation 1.2 of the Amended Safeguard Regulations.

(vi) While the applicant's imports may have contributed to the increased volume of imports it does not mean that a conclusion cannot be reached that there was such an increased volume of imports. The effect of applicant's imports is taken into account under causal link analysis.

(vii) Not all applicable tariff-subheadings were taken into account in concluding that 20171/18 import volumes are incorrect.

Based on the above, the Commission made a final determination that there is a surge in the volume of imports of the subject products which occurred in 2016/17 both in absolute terms and relative to SACU production.

6. SERIOUS INJURY

6.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The injury analysis for threaded rods relates to information submitted by T&I Chalmers Engineering (Pty) Ltd which constitutes around 50% of SACU production volumes. The injury analysis for hexagon nuts relates to information submitted by CBC Fasteners (Pty) Ltd, SA Bolt Manufacturers (Pty) Ltd, Transvaal Pressed Nuts, Bolts & Rivets (Pty) Ltd which constitutes more than 90% of the SACU production volumes.

The Commission made a final determination that this constitutes "a major proportion" of the total domestic production, in accordance with the Amended Safeguard Regulations.

6.2 CONSEQUENT IMPACT OF THE INCREASED IMPORTS ON THE INDUSTRY

Section 8.1 of Amended Safeguard Regulations state that serious injury shall be understood to mean "significant overall impairment" in the position of the domestic industry.

6.2.1 Actual and potential decline in sales

The following table shows the applicant's SACU sales volumes of the subject product for the period of investigation:

Table 6.2.1: Sales volumes

Tons	2014/15	2015/16	2016/17	2017/18
Total sales volumes	100	109	125	85
Threaded rods	100	122	115	78
Hexagon nuts	100	89	142	97

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that threaded rods sales volumes increased by 22 index points from 2014/15 to 2015/16, decreased by 7 index points from 2015/16 to 2016/17 and decreased by 37 index points from 2016/17 to 2017/18. Threaded rods sales volumes decreased by 22 index points during the period of investigation.

The table above further indicates that hexagon nuts sales volumes decreased by 11 index points from 2014/15 to 2015/16, increased by 53 index points from 2015/16 to 2016/17 and decreased by 45 index points from 2016/17 to 2017/18. Sales volumes for hexagon nuts decreased by 3 index points during the period of investigation.

Overall, the table above indicates that the total sales volumes increased by 9 index points from 2014/15 to 2015/16, increased by 16 index points from 2015/16 to 2016/17 and decreased by 40 index points from 2016/17 to 2017/18. The table further shows that total sales volumes decreased by 15 index points during the period of investigation.

6.2.2 Market share

The following table shows the market share for the subject products based on sales and import volumes.

Table 6.2.2: Market share

	2014/15	2015/16	2016/17	2017/18
Threaded rods				
Applicant's market share as % of total market	100	127	67	54
Other SACU producers' market share as % of total market	100	103	69	234
Imports' market share as % of total market	100	68	141	140
Hexagon nuts				
Applicant's market share as % of total market	100	104	127	100
Other SACU producers' market share as % of total market	100	152	90	78
Imports' market share as % of total market	100	79	95	108
Total market share: Threaded rods & Hexagon nuts				
Applicant's market share as % of total market	100	122	93	74
Other SACU producers' market share as % of total market	100	142	76	91
Imports' market share as % of total market	100	75	111	118

The table above shows that the applicant's market share for threaded rods is going down, almost halved during the period of investigation. This is despite the applicant having resorted to imports in order to cover some costs, complimenting own production and maintaining a presence in the SACU market.

During the same period imports and other SACU producer's gained market share. However the increase in other SACU producer's market share is less in comparison to an increase in imports.

The applicant's market share for hexagon nuts remained relatively constant during the period of investigation when the market for hexagon nuts grew. Other SACU producer's market share decreased and imports market share increased. The applicant is unable to further increase market share as imports account for a bigger share of the market.

Overall, the applicant's market share is going down, almost halved during the period of investigation. This is despite the applicant having resorted to imports in order to cover some costs, complimenting own production and maintaining a presence in the SACU market. Other SACU producer's market share decreased and imports market share increased. The applicant is unable to further increase market share as imports account for a bigger share of the market.

6.2.3 Profit

The following tables show the applicant's profit situation:

Table 6.2.3: Profits

	2014/15	2015/16	2016/17	2017/18
Threaded rods				
Gross Profits	100	76	96	Negative
Net Profits	100	Negative	Negative	Negative
Hexagon nuts				
Gross Profits	100	97	146	93
Net Profits	Negative	Negative	Negative	Negative
Total Profits				
Gross Profits	100	88	125	Negative
Net Profits	100	Negative	Negative	Negative

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that threaded rods gross profits decreased by 24 index points from 2014/15 to 2015/16, and net profits decreased to negative in the same period. The gross profits showed a recovery in 2016/17, with an increase of 20 index points, while

net losses continued. The table also indicates that gross profits drastically decreased to negative, and net losses were still negative in 2017/18. Gross profits declined and net losses were incurred during the period of investigation.

The table above further indicates that hexagon nuts gross profits decreased by 3 index points from 2014/15 to 2015/16, and there were net losses in the same period. The gross profits showed a recovery in 2016/17 with an increase of 49 index points, while net losses continued in the same period. The table also indicates that gross profits decreased by 53 index points, and net profits were still negative from 2016/17 to 2017/18. Gross profits declined by 7 index points and net losses were incurred during the period of investigation.

Overall, the table above indicates that the total gross profits decreased by 12 index points from 2014/15 to 2015/16, and the total net profits decreased to negative in the same period. The total gross profits showed a recovery in 2016/17 with an increase of 37 index points, while net losses continued in the same period. The table also indicates that total gross profits drastically decreased to negative, and total net losses were still negative in 2017/18. Gross profits declined to negative and net losses were incurred during the period of investigation.

It was considered that owing to the continued high volumes being imported into SACU, gross and net profit margins remain severely depressed threatening the viability of the entire industry.

6.2.4 Output

The following table shows the applicant's domestic output of the subject products for the period of investigation:

Table 6.2.4: Output

Tons	2014/15	2015/16	2016/17	2017/18
Threaded rods	100	125	146	605
Hexagon nuts	100	76	101	94
Total output volumes	100	87	111	212

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that the output volumes for threaded rods increased by 25 index points from 2014/15 to 2015/16, increased by 21 index points and 459 points in 2016/17, and 2017/18 respectively. Threaded rods output volumes increased by 505 index points during the period of investigation.

The table above further indicates that the output volumes for hexagon nuts decreased by 24 index points from 2014/15 to 2015/16, increased by 25 index points in 2016/17 and decreased by 7 index points in 2017/18. Hexagon nuts output volumes decreased by 6 index points during the period of investigation.

Overall, the table above indicates that the total output volumes decreased by 13 index points from 2014/15 to 2015/16, increased by 24 index points and 101 index points in 2016/17, and 2017/18 respectively. The table also shows that total output increased by 112 index points during the period of investigation.

The applicant stated that the increase in production can be attributed to the anticipation that the current safeguard application will be successful.

6.2.5 Employment

The following table provides the applicant's total employment figures:

Table 6.2.5: Employment

	2014/15	2015/16	2016/17	2017/18
Threaded rods				
No. of employees (manufacturing)	100	102	109	115
No. of employees (SG&A)	100	131	154	162
Total No. of employees	100	107	118	124
Hexagon nuts				
No. of employees (manufacturing)	100	109	111	101
No. of employees (SG&A)	100	95	97	78
Total No. of employees	100	102	105	90
Total employment				
No. of employees (manufacturing)	100	108	111	103
No. of employees (SG&A)	100	97	100	83
Total No. of employees	100	103	106	95

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that the number of employees involved in manufacturing of threaded rods increased from 2014/15 to 2015/16 by 2 index points, increased by 7 index points in 2016/17 and increased by 6 index points from 2017/18. The number of employees involved in manufacturing increased by 15 index points during the period of investigation.

The table above further indicates that the number of employees involved in manufacturing of hexagon nuts increased from 2014/15 to 2015/16 by 9 index points, increased by 2 index points in 2016/17, and decreased by 10 index points in to 2017/18. The number of employees involved in manufacturing increased by 1 index points during the period of investigation.

Overall, the table above indicates that the number of employees involved in manufacturing increased from 2014/15 to 2015/16 by 8 index points, increased by 3 index points in 2016/17, and decreased by 8 index points in 2017/18. The number of employees involved in manufacturing increased 3 index points during the period of investigation. It was considered that the employment figures presented for hexagon nuts relate to total company. Some of the companies which provided injury information on hexagon nuts produce other products which are not part of the investigation.

Employees involved in the production of the subject product are also involved in the production of other products produced by these companies.

6.2.6 Productivity

Using the applicant's production and employment figures, its productivity in respect of the subject products is as follows:

Table 6.2.6: Productivity

	2014/15	2015/16	2016/17	2017/18
Threaded rods				
Productivity	100	123	134	528
Output volumes	100	125	148	605
No. of employees (manufacturing)	100	102	109	115
Hexagon nuts				

Productivity	100	70	91	94
Output volumes	100	76	101	94
No. of employees (manufacturing)	100	109	111	101
Total productivity				
Productivity	100	81	100	205
Output volumes	100	87	111	212
No. of employees (manufacturing)	100	108	111	103

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that productivity for threaded rods increased by 23 index points from 2014/15 to 2015/16, increased by 11 index points and 394 points from in 2016/17 and 2017/18 respectively. Threaded rods productivity increased by 428 index points during the period of investigation.

The table above further indicates that productivity for hexagon nuts decreased by 30 index points from 2014/15 to 2015/16, increased by 21 index points and 3 index points in 2016/17 and 2017/18 respectively. Hexagon nuts productivity decreased by 6 index points during the period of investigation.

Overall, the table above indicates that the total productivity decreased by 19 index points from 2014/15 to 2015/16, increased by 19 index points and 105 index points in 2016/17 and 2017/18 respectively. The table also shows that total productivity increased by during the period of investigation.

6.2.7 Utilisation of production capacity

The following table provides the applicant's capacity utilisation, using plant capacity and output for the subject products:

Table 6.2.7: Utilisation of production capacity

	2014/15	2015/16	2016/17	2017/18
Threaded rods				
Total capacity (tons)	100	100	100	100
Output volumes(tons)	100	125	146	605
Capacity utilisation %	100	129	150	607
Hexagon nuts				

Total capacity (tons)	100	100	100	100
Output volumes (tons)	100	76	101	94
Capacity utilisation %	100	80	100	100
Total capacity utilisation				
Total capacity (tons)	100	100	100	100
Output volumes (tons)	100	87	111	212
Capacity utilisation %	100	87	113	213

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that threaded rods capacity utilisation increased by 29 index points from 2014/15 to 2015/16 and increased by 21 index points and 457 index points in 2016/17 and 2017/18 respectively. Threaded rods capacity utilisation increased by 507 index points over the period of investigation. The Commission considered that although capacity utilisation has significantly increased the situation may be reversed if the industry is not protected in the short term given that the imports are coming in at such high levels.

The table above further indicates that hexagon nuts capacity utilisation decreased by 20 index points from 2014/15 to 2015/16 and increased by 20 index points in 2016/17 and in 2017/18 remained constant. Hexagon nuts capacity utilisation remained fairly constant over the period of investigation. The Commission considered that the situation for hexagon nuts is more precarious with such low level of capacity utilisation and increased imports at such high levels.

The Commission further considered that the applicant submitted that the capacity utilisation can be increased by increasing the number of shifts in a day and utilising all the available machines.

Overall, the table above indicates that the total capacity utilisation decreased by 13 index points from 2014/15 to 2015/16 and increased by 26 index points and 100 index points from 2015/16 to 2016/17 and 2016/17 to 2017/18 respectively. The table also shows that total capacity utilisation increased by 113 index points over the period of investigation. The Commission considered that although capacity utilisation has increased these percentages are still at their lowest levels and need to increase for industry to be sustainable.

Comments from interested parties

(i) Some of the serious injury indicators show an improvement during the period of investigation and this does not indicate serious injury claimed by the industry.

(ii) It is unclear whether the increase in threaded rods output was influenced by increased stocks and/or exports.

(iii) The industry seems to have structural problems not related to imports as capacity utilisation is still considered low after it has more than doubled.

(iv) Pertinent information on costs and prices is omitted in the non-confidential application.

Applicant's response

(i) Serious injury currently suffered by the local industry has led to the overall impairment of the fastening manufacturing capability unless urgent intervention in the form of a safeguard action is implemented the loss of local manufacture of the product concerned is imminent.

(ii) Although the local industry increased production in the aftermath of the increase in general duty this was done at a significant cost as it operated at a loss during the period of investigation.

Commission's consideration

(i) The determination on serious injury is not only made on a few indicators but on the collective situation of the industry.

(ii) Output is determined based on actual production volumes not on exports or stocks.

(iii) Safeguard measures maybe what is required to assist the industry to position itself to increase capacity while dealing with any structural issues if any.

(iv) The applicant provided cost and price information and claimed that it is confidential by nature in terms of the ITA Act, therefore could not be summarised or indexed.

Based on the above information, the evaluation of the injury information for the period 01 July 2014 to 30 June 2018 is summarised as follows:

Table 6.2.8: Serious Injury Indicators

Serious injury indicators	Threaded Rods	Hexagon nuts	Total
Imports (tons)	Increased	Decreased	Increased
Imports relative to production(tons)	Decreased	Increased	Decreased
Sales volumes	Decreased	Decreased	Decreased
Gross Profit	Decreased	Decreased	Decreased
Net Profit	Negative	Negative	Negative
Output(tons)	Increased	Decreased	Increased
Applicant's market share	Decreased	Constant	Decreased
Import's market share	Increased	Increased	Increased
Number of employees in manufacturing	Increased	Increased	Increased
Productivity	Increased	Decreased	Increased
Capacity utilisation	Increased	Constant	Increased

Overall, during a surge in 2016/17 the applicant experienced serious injury by losing market share incurred a loss and low capacity utilisation. In 2017/18 after a surge of imports the applicant experienced serious injury through decreased sales volume, losing market share, negative gross profits, negative profits, employment decreased and low capacity utilisation. During the period of investigation, the applicant's sales volumes decreased, lost market share, gross profits decreased, incurred negative profits and low capacity utilisation and imports market share increased.

Taking the above into consideration, the Commission made a final determination that the SACU industry is suffering serious injury.

7. CAUSAL LINK

In considering, whether there is a causal link between increased imports of the subject products concerned and serious injury experienced by SACU industry, the Commission considered all relevant factors, including factors other than imports of the subject products that may have contributed to the SACU industry's serious injury.

7.1 VOLUME OF IMPORTS AND MARKET SHARE

7.1.1 Import volumes

The following table shows imports volumes of the subject product:

Table 7.1.1: Imports volumes

Tons	2014/15	2015/16	2016/17	2017/18
Threaded Rods	2 460	2 336	4 402	2 853
Hexagon nuts	3 609	3 209	4 295	3 565
Total imports volumes	**6 069**	**5 545**	**8 697**	**6 418**

Threaded rods imports decreased by 5.0% from 2014/15 to 2015/16, increased by 88.4% from 2015/16 to 2016/17, decreased by 35.2% from 2016/17 to 2017/18. Over the period of investigation, imports of threaded rods increased by 15.97%. The increase in imports of threaded rods in 2016/17 of 88.4% is significant. Threaded rods imports decreased by 35.2% in 2017/18 but remained at higher levels than 2014/15 and 2015/16. Even with a decrease in 2017/18, imports still reflect such increased quantities.

Hexagon nuts imports decreased by 11.1% from 2014/15 to 2015/16, increased by 33.8% from 2015/16 to 2016/17, decreased by 17% from 2016/17 to 2017/18. Over the period of investigation, imports of hexagon nuts decreased by 1.22%. The increased imports in 2016/17 of 33.8% is considered significant. Hexagon nuts imports decreased by 17% in 2017/18 but are slightly lower than 2014/15, higher level than 2015/16. It is considered that imports are going down during the period of investigation but trends do not signify a permanent downward trend.

Overall, the table above indicates that total import volumes decreased by 8.6% from 2014/15 to 2015/16, increased by 56.8% from 2015/16 to 2016/17, decreased by 26.20% from 2016/17 to 2017/18. Over the period of investigation, total imports increased by 5.75%. The highest increase in the level of imports was recorded in 2016/17. Imports decreased in 2017/18 but remained higher than 2014/15 and 2015/16.

7.1.2 Market share

To assess whether the applicant caused its own serious injury, the table below gives a breakdown of market share for the subject products when the applicant's and other SACU producer's own imports during the period of investigation are included in imports.

Table 7.1.2: Market share

	2014/15	2015/16	2016/17	2017/18
Threaded rods				
Applicant's market share as % of total market	100	103	69	234
Other SACU producers' market share as % of total market	100	103	69	234
Imports market share as % of total market	100	99	105	80
Hexagon nuts				
Applicant's market share as % of total market	100	84	75	90
Other SACU producers' market share as % of total market	100	85	75	90
Imports market share as % of total market	100	104	106	103
Total market share: Threaded rods & Hexagon nuts				
Applicant's market share as % of total market	100	87	68	124
Other SACU producers' market share as % of total market	100	104	82	246
Imports market share as % of total market	100	102	106	92

These figures were indexed due to confidentiality using 2014/15 as a base year

The table above indicates that on threaded rods during a surge in 2016/17, both the applicant and other SACU producers lost market share by 34 index points. Imports gained market share by 6 index points. Both the applicant and other SACU producers market share increased in 2017/18, after a decline during a surge. During the period of investigation, the applicant's market share increased by 134 index points and imports' market share decreased by 20 index points.

The applicant's market share grew in line with a growing SACU market. It was considered that even though the applicant gained market share, it is still low, and imports are still dominant in the market. The increase in the applicant's market share and that of the other SACU producers commences from a very low base. Furthermore, the decrease in market share for imports in 2017/18 does not detract from the fact that imports over the period of investigation increased.

The table above further indicates that on hexagon nuts during a surge in 2016/17, the applicant and other SACU producers lost market share by 9 index points and 10 index points respectively. Imports gained market share by 2 index points. Both the applicant and other SACU producers' market share increased in 2017/18, after a decline during a surge. During the period of investigation, both the applicant and other SACU producers market share decreased by 10 index points. Imports market share increased by 3 index points. It was considered that the applicant lost market share in a growing market. Imports account for a significant share of the market in 2017/18 and a decrease does not detract from the fact that imports market share over the period of investigation increased.

Overall, during a surge in 2016/17 the applicant and other SACU producers lost market share by 19 index points and 22 index points respectively. Imports gained market share by 4 index points. Both the applicant and other SACU producers market share increased in 2017/18, after a decline during a surge. During the period of investigation, the applicant and other SACU producers market share increased by 24 index points and 146 index points respectively. Imports market share decreased by 8 index points. The applicant's market share grew in line with a growing SACU market. It was considered that even though the applicant gained market share, it is still low, and imports are still dominant in the market. The increase in the applicant's market share and that of the other SACU producers commences from a very low base. Furthermore, the decrease in market share for imports in 2017/18 does not detract from the fact that imports over the period of investigation increased.

7.2 CONSEQUENT IMPACT OF ALLEGED INCREASE IN IMPORTS

Table 7.2: Serious injury

Serious injury indicators	Threaded Rods	Hexagon nuts	Total
Imports (tons)	Increased	Decreased	Increased
Imports relative to production(tons)	Decreased	Increased	Decreased
Sales volumes	Decreased	Decreased	Decreased
Gross Profit	Decreased	Decreased	Decreased
Net Profit	Negative	Negative	Negative
Output(tons)	Increased	Decreased	Increased
Applicant's market share	Decreased	Constant	Decreased
Import's market share	Increased	Increased	Increased
Number of employees in manufacturing	Increased	Increased	Increased
Productivity	Increased	Decreased	Increased
Capacity utilisation	Increased	Constant	Increased

7.3 VIEW OF THE APPLICANT'S CLIENTS REGARDING QUALITY, DELIVERY TIMES, SERVICE AND AFTER SALES SERVICE

- **Quality**

  The applicant stated that the quality of the subject product is generally regarded as good, even for demanding applications; the products are tested and delivered to international specifications on material properties and tolerances and several quality checks are systematically performed to minimize defective material.

- **Delivery times**

  The applicant indicated that the delivery times are regarded as good because most of the general items are sold from stock.

- **Service and after sales**

  The applicant stated that the service is generally regarded as good and it also

regularly interacts with its customers regarding service levels.

- **After sales service, including guarantees and warrantees and technical training to customers**

  The applicant indicated that a small but experienced technical team support customers with regard to the product. Products are fully guaranteed to the applicable international specification ordered and a dedicated team resolves promptly any quality claims.

7.4 ATTITUDE OF THE WORKFORCE TOWARDS THE COMPANY

The applicant indicated that the attitude of the workforce is generally regarded as good and wage negotiations are conducted through a bargaining council.

7.5 FACTORS OTHER THAN THE INCREASED IMPORTS CAUSING INJURY

Table: 7.5

Strikes, go-slows or lock outs during the past twelve months	The Commission considered the applicant's submission that it only had a go slow in 2014 that lasted for 5 weeks.
Contraction in demand or changes in patterns of consumption	During the period of investigation both the size of the SACU market for threaded rods and hexagon nuts increased.
Developments in technology	The applicant stated that there is no significant development in technology which has taken place during the period of investigation.
Productivity of the domestic industry vis-a-vis that of the exporters	The applicant stated that productivity is on par with exporters.

Comments from interested parties

(i) CBC and TI Chalmers reduced own imports and the situation of the industry improved considerably.

(ii) On threaded rods, the applicant lost market share to other SACU producers.

(iii) Any losses in profit cannot be attributed to decreased import prices.

Applicant's response

(i) Surge in threaded rods imports is not self-inflicted. Chalmers downscaled imports significantly. Therefore any increases in imports impacted directly and in competition to local production deteriorating competitive position.

(ii) This is a severely depressed industry where only a small loss in market share can have a significant consequences for the industry's viability.

(iii) The industry had to resort to imports to remain competitive in an import dominated industry and has now moved away from such imports in awaiting safeguard duties which will allow it to restructure and become competitive.

Commission's consideration

(i) The SACU industry's situation worsened at the end of the investigation period.

(ii) When applicant's imports are analysed as part of imports, applicant's market share during the period of investigation increased. However, the applicant lost market share to both imports and other SACU producers, with imports gaining the biggest share when the applicant's imports are treated as sales.

(iii) Serious injury suffered by the applicant is attributed to a surge in imports volume.

7.6 CAUSAL LINK SUMMARY

With regard to causal link the Commission considered the following:

A surge in imports of threaded rods occurred in 2016/17 which caused serious injury to the SACU industry. While output increased during the period of investigation it is unsustainable for the industry given the pressure from imports which are still in such increased quantities. Although capacity utilisation has significantly increased the

situation may be reversed if the industry is not protected in the short term given the imports are coming in at such high levels. It appears that the industry pushes sales volumes and operates at a loss. The increase in sales volumes is insufficient as seen in the industry being unable to capture a significant market share as imports continue their dominance in the market.

A surge in imports of hexagon nuts occurred in 2016/17 which caused serious injury to the SACU industry. Hexagon nuts capacity utilisation remained fairly constant over the period of investigation. The situation for hexagon nuts is more precarious with such low level of capacity utilisation and imports which are still in such high levels. Capacity utilization is at a level which is considered unsustainable for the industry. It appears that the industry pushes sales volumes and operates at a loss. To show that sales volumes are insufficient, the industry being unable to capture a significant market share as imports continue their dominance in the market.

Overall, a surge of imports occurred in 2016/17 which caused serious injury to the SACU industry. While output increased during the period of investigation it is unsustainable for the industry. Imports are still at a high level. Capacity utilization is at a level which is considered unsustainable for the industry. It appears that the industry pushes sales volumes and operates at a loss. To show that sales volumes are insufficient, the industry has been unable to capture additional market share. It is considered that the SACU industry is coming from a low base of production which started to be revived against the backdrop of the anticipated increase in the ordinary customs duty on 31 March 2017. The situation may be unsustainable if the industry is not given an opportunity to ramp up production.

Taking the above into consideration, the Commission made a final determination that that there is a causal link between the surge in imports of the subject products and the serious injury suffered by the SACU industry.

8. PUBLIC INTEREST

A public interest hearing was held on 28 August 2019. Interested parties made submissions on public interest issues that needed to be considered prior to the Commission's making its final determination. The Commission on 19 November 2019 issued essential facts letters stating that it was considering making a final determination that it will be in the public interest to impose definitive safeguard duties on the imports of the subject products. Comments were received from interested parties. The Commission considered all comments received and made a final determination that the application of a safeguard measure would be in the public interest.

9. DEFINITIVE SAFEGUARD MEASURES

The applicant requested that a safeguard duty be imposed. It proposed that it be calculated based on price disadvantage. The applicant further stated that the proposal is based on the fact that the applicant has been unable to recover costs from the selling price.

9.1 Price disadvantage

The Commission calculated the definitive safeguard measures based on price disadvantage. Price disadvantage is the difference between unsuppressed selling price and the landed cost of the imported product. The difference is then expressed as a percentage of the Free on Board (FOB) export price.

9.1.1 Unsuppressed selling price

To construct, the cost and unsuppressed ex-factory price applicable, cost of production from 01 July 2017 to 30 June 2018 was adjusted with PPI annual average of 1.76% on intermediate manufactured goods. Selling, General and Administration and finance expenses were adjusted with CPI annual average of 4.53%. PPI and CPI annual averages were obtained from Statistics South Africa's website for the period July 2017 to June 2018.

The Commission considered profit margins before tax earned by companies in fastener industry in various countries together with what the applicant requested. It was however determined that the applicant presented profit margins determined based on return on assets of company not producing fasteners. The profit margins from various countries ranged from 9.36% to 17.95%. India provided middle range profit margin of 15.07%. The Commission decided to use a profit margin of 15.07% which was then added to the calculated selling, general and administrative and finance expense and the calculated cost of production to obtain the unsuppressed selling price.

9.1.2 Fob Export price and Landed cost calculation:

The Commission determined the price of the imported product using weighted average fob export price for China from 01 July 2017 to 30 June 2018 as obtained from South African Revenue Service import statistics. The Commission considered that China FOB prices as representative of import prices of the subject products from 01 July 2017 to 30 June 2018. The cost of freight, insurance, clearing and applicable custom duties were then added to the fob export price to arrive at the landed cost. The price disadvantage was determined to be 54.04% expressed as a percentage of the FOB export price.

Comments from Interested parties

(i) The use of anti-dumping would have been more appropriate as imports mainly stem from specific countries during the period of investigation.

(ii) The reasonable rate of return of 12% on total assets for the industry should be used to determine the required rate of return.

(iii) A country specific tariff rate quota which appropriately addresses imports volumes is proposed in the event that definitive safeguard measure is found warranted instead of the 54.04% *ad varolem* duty.

(iv) A duty at such a high level will close the SACU market to imports.

Commission's consideration

(i) The applicant provided sufficient information to initiate a safeguard investigation.

(ii) It is not explained why the use of profit margin of 15.07% indicated in the preliminary determination report is inappropriate. The proposal of 12% is a response to the information which was submitted by the applicant for initiation which was not considered by the Commission for preliminary determination.

(iii) A tariff is a permissible safeguard measure and was considered appropriate.

(iv) A duty will prevent flood of imports and allow the industry to adjust.

The Commission made a final determination to impose definitive safeguard measure of 54.04% *ad valorem* on imports of the subject products.

10. FINAL DETERMINATION

The Commission made a final determination that:

- Events cited can be regarded as unforeseen developments, which, together with the effect of the obligations incurred by South Africa(or SACU) under the led to the increased volume of imports;
- There is a surge in the volume of imports;
- The SACU industry is suffering serious injury;
- There is a causal link between the serious injury suffered by the applicant and the surge in volume of imports;
- Imposition of safeguard measures would be in the public interest; and
- Definitive Safeguard measures of 54.04% *ad varolem* be imposed on the subject products.

The Commission made a final determination to recommend to the Minister of Trade Industry that it will be in the public interest to impose safeguard duties of 54.04% *ad varolem* on imports of bolt ends & screw studs (classifiable under tariff subheading 7318.15.41), screw studding (classifiable under tariff subheading 7318.15.42) and other hexagon nuts(classifiable under tariff subheading 7318.16.30) of iron and steel (excluding those of stainless steel and those identifiable for aircraft), excluding imports originating from developing WTO member countries that meet the requirements for exclusion.

The Commission further recommended that the definitive safeguard duties be imposed for a period of three years, to be liberalised as follows: Year 1- 54.04%; Year 2- 52.04%; Year 3 - 50.04%. The subject products may not be imported under rebate of customs duty without payment of the safeguard duties without special request from ITAC, with effect from date of publication.

Furthermore a developing country exempted from the application of a safeguard measure may become subject to such safeguard measure without a new investigation being conducted if, subsequent to the imposition of the safeguard measure, its share of the imports increases to a level that exceeds 3% of the total import volumes in the original investigation period.

DEVELOPING COUNTRIES TO BE EXCLUDED FROM THE DUTY

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	Russian Federation
Congo Republic	Rwanda
Djibouti	Saudi Arabia, Kingdom of
Dominica	St. Kitts and Nevis
Dominican Republic	St. Lucia
Ecuador	Saint Vincent and the Grenadines

Egypt, Arab Rep.	Sao Tome and Principe
El Salvador	Samoa
Eritrea	Senegal
Eswatini	Seychelles
Equatorial Guinea	Sierra Leone
Ethiopia	Singapore
Fiji	Solomon Islands
Gabon	Serbia
The Gambia	Somalia
Georgia	South Sudan
Ghana	Sri Lanka
Grenada	Sudan
Guatemala	Suriname
Guinea	Syrian Arab Republic
Guinea-Bissau	Tajikistan
Guyana	Tanzania
Haiti	Timor-Leste
Honduras	Togo
Indonesia	Thailand
Iran, Islamic Rep. of	Tonga
Iraq	Trinidad and Tobago
Jamaica	Tunisia
Jordan	Turkey
Kazakhstan	Turkmenistan
Kenya	Tuvalu
Kiribati	Uganda
Korea, Democ. P. Republic of	Ukraine
Kyrgyz Republic	United Arab Emirates
Kosovo	Uruguay
Kuwait, the State of	Uzbekistan
Lao People's Dem. Republic	Vietnam
Lebanon	Vanuatu
Lesotho	Venezuela, Bolivarian Republic of
Liberia	West Bank and Gaza*)
Libya	Yemen
Lithuania	Zambia
	Zimbabwe