

Jaohsien Chiang
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No.5 Cradock Ave., Rosebank,
Johannesburg

Dear Jaohsien

SAFEGUARD INVESTIGATION AGAINST THE INCREASED IMPORTS OF BOLTS WITH HEXAGON HEADS OF IRON OR STEEL: ESSENTIAL FACTS LETTER

As you are aware, the International Trade Administration Commission of South Africa (the Commission) published its preliminary determination in this matter in Notice Number 272 of *Government Gazette* No. 43316 dated 15 May 2020. Subsequently the Commission issued Report Number 636 (Preliminary Determination) explaining in detail the basis in fact and in law of its finding.

The Commission invited interested parties to comment on its preliminary determination. The Commission further invited interested parties that wish to make submissions on public interest matters related to the investigation. Interested parties made written submissions and those that wished to participate during the public hearings held on 16 February 2021 indicated such, thereafter made presentations during the hearings. The public interest submissions are available in the public interest file.

The Commission considered all information submitted by all the interested parties in making its final before essential facts determination. Non-Confidential versions of all information submitted are available on the public file and are available for perusal.

Where an issue is not specifically addressed, the Commission is considering confirming its preliminary determination as set out in its preliminary report. The considered final determination will be based on all the information submitted during the course of the investigation, together with comments received from interested parties.

This letter therefore serves to inform you that the following “essential facts” as set out below, are being considered by the Commission for purposes of its final determination:

1. Unforeseen Developments

The Commission is considering making a final determination that the events cited by the applicant can be regarded as unforeseen developments, which led to the surge in imports of the subject product, as per the provisions of Article XIX of GATT 1994. The Commission is further considering making a final determination, that South Africa’s commitment to bind the ordinary customs duty on the subject product at a maximum level of 30% *ad valorem* duty constitute the obligation contemplated in Article XIX of GATT 1994, the effects of which was the surge in imports.

2. Surge in volume of imports

For purposes of the final determination, the Commission is considering the following information on imports for determining a surge in import volumes in absolute terms.

Table 2.1: Import volumes

Tons	2015/16	2016/17	2017/18	2018/19
Total imports volumes	3 940	4 443	5 000	4 817

The table above shows that there was an increase in imports of the subject product, of 12.8% in absolute terms between 2015/16 and 2016/17. Between 2016/17 and 2017/18 imports of subject product increased by 12.5% before decreasing by 3.7%. There was an overall increase of 8.4% during the POI.

Table 2.2: Import volumes relative to production

	2016/17	2017/18	2018/19
Total imports volumes (Tons)	100	112.5	108.4
Total SACU production volumes (Tons)	100	77.1	79.3
Imports as a % of SACU production	100%	146%	137%

***The information on the above table is indexed based on 2016/2017 year**

The table above shows that the highest increase in imports relative to production was in 2017/18 and there was a decline in 2018/19. The imports of bolts with hexagon heads of iron or steel relative to production volume increased by 46 percentage points from 2016/17 to 2017/18 and decreased by 9 percentage points from 2017/18 to 2018/19. Over the POI, imports of bolts with hexagon heads relative to production increased by 37 percentage points. It is clear in the table that throughout the POI, the volumes of imports have been significantly higher than the SACU produced volumes.

The Commission is considering making a final determination that there is a surge in the volume of imports of the subject product both in absolute terms and relative to production.

3. Serious injury

The Commission is considering making a final determination that information provided by CBC Fasteners (Pty) Ltd, SA Bolt Manufacturers (Pty) Ltd and Transvaal Pressed Nuts, Bolts & Rivets (Pty) constitutes “a major proportion” of the total domestic production.

The injury information indicates that the SACU industry is suffering serious injury as shown by following indicators:

- Increase in imports (In relative and absolute terms);
- Sales volumes;
- Output;
- Market share;
- Capacity utilisation; and
- Productivity.

The Commission is considering making a final determination that the information provided indicates that the SACU industry is suffering serious injury.

4. Causal link

The Commission, after considering all relevant information submitted, found that no other factors sufficiently detract from the causal link.

The Commission is considering making final determination that the information provided indicates that there is a causal link between the alleged recent, sudden, sharp and significant surge in imports of the subject product, and the alleged serious injury suffered by the SACU industry.

5. Public interest

The commission invited interested parties to make submissions on public interest issues. Various interested parties made submissions on public interest issues which they requested the Commission to consider prior to making its final determination. The submissions on public interest issues are all contained in the public file.

The Commission is considering making a final determination that it will be in the public interest to impose safeguard duties on bolts with hexagon heads of iron or steel.

6. Final determination

The Commission is considering making a final determination:

- that events cited can be regarded as unforeseen developments that led to increased volumes of imports;
- that South Africa's Commitment to bind the ordinary customs duty on the subject product at a maximum level of 30% *ad valorem* duty constitute the obligation contemplated in Article XIX of GATT 1994, the effects of which was the surge in imports;
- that the SACU industry is suffering serious injury;
- that there is a causal link between the surge in imports and the serious injury suffered by the SACU industry, and there are no factors sufficiently detracting causal link;

- that it is in the public interest to impose safeguard measures; and
- to recommend to the Minister of Trade and Industry that it will be in the public interest to impose safeguard duties of 31.8 percent *ad valorem* on imports of bolts with hexagon heads of iron or steel for all exporters, excluding imports originating from a developing country member that meet the requirement for exclusion. It is proposed that the duty be imposed for a period of three years, and liberalised at regular intervals. It is proposed that liberalisation takes place as follows: Year 1 – 31.8%; Year 2 – 30.8%; Year 3 – 29.8%.

It should be emphasized that the Commission has not yet made its final determination and nothing in this letter should be construed as such. The final determination will only be made once the Commission has considered all the parties' comments on this essential facts letter.

Any comments on the above “essential facts” should be submitted within 14 days from the date of this letter to the Senior Manager: Trade Remedies II, in order for the Commission to be in a position to take such comments into consideration before making its final determination and recommendation to the Minister of Trade and Industry.

Should you have any queries, please do not hesitate to contact the investigating officers, Mr Siphumelele Edwin Mkwanazi at emkwanazi@itac.org.za.

Yours sincerely,



Meluleki Nzimande

Chief Commissioner

Date: 25/03/2021