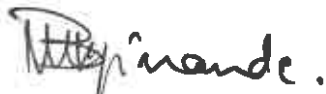


**Report No. 605**

**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): PRELIMINARY DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its  
**Report No. 605: 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): PRELIMINARY DETERMINATION**



**Meluleki Nziemande**  
**CHIEF COMMISSIONER**

**PRETORIA**  
**05/07/2019**

# **INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

## **REPORT NO. 605**

### **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): PRELIMINARY DETERMINATION**

#### **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 South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA) and supported by Bascol Manufacturing Engineers. SAFMA members constitute more than 90% of the total SACU industry by production volumes.

The investigation was initiated after the Commission considered that there was *prima facie* evidence to show that events cited can be regarded as unforeseen developments which resulted in a surge in volumes of imports of the subject product, causing serious injury to SACU industry.

On initiation of the investigation, the WTO, and the countries with a significant interest in the exports of the subject products were notified of the initiation of the investigation.

Comments were received from various interested parties which were taken into consideration in making a preliminary determination.

**Screw studding, bolt ends & screw studs, are referred to as “threaded rods” in this report.**

**On 11 June 2019, the Commission made a preliminary determination that:**

- **Events cited can be regarded as unforeseen developments that led to the increased volume of imports;**
- **there is a surge in volumes of imports;**
- **the SACU industry is suffering serious injury and further delay will cause damage which will be difficult to repair;**
- **there is a causal link between the serious injury suffered by the SACU industry and the surge in volumes of imports; and**
- **Provisional payments of 102.10% *ad valorem* be imposed on imports of the subject products pending the finalisation of the investigation.**

## **1. APPLICATION AND PROCEDURE**

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### **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 World Trade Organisation (WTO) Safeguard Agreement.

### **1.2 Applicant**

The application was lodged by South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA) and supported by Bascol Manufacturing Engineers. SAFMA members constitute more than 90% of the total SACU industry by production volumes.

### **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. That is, ultimately the considerable oversupply of fasteners, specifically the subject product in the world today causing a surge in the volume of imports into the SACU market. 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 economic slowdown of the Chinese economy and the global contraction in demand. The economic 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 injury information was verified between 06 September 2018 and 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 The SACU importers of the subject products known to the applicant are:

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

- Pro-Tech;
- Screw Distributors;
- Shenka; and
- Supa Fix.

**1.5.5 The following interested parties responded and/or provided comments on the investigation:**

- Embassy of the Republic of Turkey;
- Embassy of the Republic of Indonesia;
- Dominican Republic;
- Embassy of Brazil;
- Department of Foreign trade (DFT), Ministry of Commerce, Thailand
- NSS Fasteners;
- European Union;
- Fastener Distributors Association;
- Taipei Liaison Office in Pretoria (Taiwan); and
- South African Iron and Steel Institute (SAISI) (The applicant)

**1.6 The Commission considered comments received from interested parties prior to making a preliminary 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.**

**1.7 The Commission made a preliminary determination that:**

- Events cited can be regarded as unforeseen developments that led to the increased volume of imports;
- there is a surge in volumes of imports;
- the SACU industry is suffering serious injury and further delay will cause damage which will be difficult to repair;
- there is a causal link between the serious injury suffered by the SACU industry

and the surge in volumes of imports; and

- Provisional payments of 102.10% *ad valorem* be imposed on imports of the subject products pending the finalisation of the investigation.



## 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 duty applicable to the subject product:

**Table 2.1.3: Applicable duties**

Tariff subheading	Description		Customs Duty				Mercosur
			General	EU	EFTA	SADC	
<b>7318.15</b>	<b>Other screws and bolts, whether or not with their nuts or washers</b>						
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%
<b>7318.16</b>	<b>Nuts:</b>						
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 taper 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.

### **Comments by interested parties on a product under investigation**

- Taiwanese products differ from SACU products in terms of production processes, physical characteristics, uses and interchangeability. Taiwanese produce products which have more elasticity used in applications which require higher elasticity like automobile engines. SACU does not produce this type of quality.
- South Africa produces the following product ranges Din934, Class 6, M6 to M30 for hexagon nuts and only grades 4.8 and EN8 for threaded rods and the rest should be excluded from the investigation.
- Tariff 7318.15.42 should be excluded from the investigation.
- It is not clear how threaded rods and nuts ended up in the same application as they are completely different products manufactured by completely different businesses.

### **Applicant's response**

- Threaded rods and nuts are a vital part of the SA fastener market, used in tandem with each other as nuts can be fitted onto a threaded rod in order to fasten it into place.
- The entire range of hexagon nuts is manufactured locally. There is a commitment to support exclusions in so far as it will not jeopardise the effectiveness of the application where no domestic manufacturer can make a specific product due to technical constraints.
- It is incorrect to assume that the scope of an application cannot include products that have the same general characteristics and this be excluded on like product determination alone.

### **Commission's consideration**

- The allegation that Taiwan products cannot be considered to be a "like product" is not substantiated.

- The applicant does not have to produce all models or ranges for the determination of the subject product. The applicant made a commitment to support exclusions in so far as it will not jeopardise the effectiveness of this application where no domestic manufacturer can make a specific product due to technical constraints.
- There are no reasons provided as to why the scope of the investigation should be reduced by the exclusion of tariff subheading 7318.15.42 (screw studding) as it includes the subject product.
- The Safeguard Regulations do not prohibit the inclusion of different products in one application.

After considering all of the above, the Commission made a preliminary 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 Safeguard Regulations.

### **3. INDUSTRY STANDING**

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South African Iron and Steel Institute (SAISI) on behalf of the South African Fasteners Manufacturers' Association (SAFMA) and supported by Bascol Manufacturing Engineers lodged the application. SAFMA members constitute more than 90% of the total SACU industry by production volumes.

#### **Comments interested parties on Industry standing**

- The applicant submitted that it represents more than 80% of local production of the products under investigation. However the investigation is on two distinct products hexagon nuts and threaded rods.
- Pro-tech Fasteners produces about 30% to 50% of hexagon nuts. Bascol (Pty) Ltd, Benoni Bolt and Telscrew produce about 65% of threaded rods. However the applicant did not provide information on these companies.

#### **Applicant's response**

- SAISI nor SAFMA members had no idea of the manufacturing capability of Pro-tech or whether this company is just a distributor of imported product. It was understood that Pro-Tech was aligned with FDA against the interest of local manufacturers. Telscrew provided support for this application. Benoni Bolt has expressed no opinion on the matter. Bascol has now indicated their support of the application. At the time of applying for a safeguard measure there was uncertainty on whether it will remain an independent company or merge with one of the manufacturers. It was assumed that their market is small and would not have an impact on standing. It was decided not to include them as SAFMA non-member.

#### **Commission's consideration**

- The applicant submitted that SAFMA members represent 100% of local production in SACU. Industry standing has since been updated and determined to be more than 90%.

- On initiation, the Commission determined based on *prima facie* information provided by the applicant that the identified manufacturers represent the entire SACU industry. Telscrew supported the application from the beginning. The Commission was not aware that there are other producers. On receipt of interested parties' comments, further information was sought and received regarding SACU industry. Therefore information from identified producers and Ebenhaeser Engineering was taken into account in making a preliminary determination.

Considering the above, the Commission made a preliminary determination that the application can be regarded as being made "by or on behalf of the domestic industry" and, therefore, is eligible for initiation in terms of Section 7.2 of the Safeguard Regulations.



## **4. UNFORESEEN DEVELOPMENTS**

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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 an 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**

<b>Year</b>	<b>Volumes(Thousand metric Tons)</b>
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 result of the Asian financial crisis contributed to the imbalance between capacity and demand which resulted in the global supply of fasteners.

The information submitted by the applicant indicated that Chinese economy has grown rapidly at an average of approximately 10% every year over the past three decades. However, 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. To support that, the applicant provided the following:

- Anti-dumping and countervailing duties imposed by Canada on certain carbon steel fasteners and certain stainless-steel fasteners from China and Chinese Taipei. The duties were first introduced in December 2004.
- Anti-dumping duties imposed by European Union on carbon steel fasteners from China and Malaysia in January 2009 and July 2011 respectively.
- Anti-dumping duties imposed by the Republic of Colombia on carbon steel screws from China. The duties were imposed in February 2009.
- Anti-dumping duties imposed by the United States of America on steel threaded rod from China. The duties were imposed in February 2009.
- Anti-dumping duties by Mexico on carbon steel nuts from China. The duties were imposed in August 2010 Mexico.

#### **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 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 fastener 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 foreseen in 1994.

The information provided indicates that for the periods prior to 1994, exports 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 exports 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 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 a low base experienced prior to 1994, China eventually grew to be ranked largest exporter of fastener in 2014. China's export volumes have increased at such steep rates and such increases could not have reasonably 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. An analysis of China's growth rates over ten years from 2009 to 2018 shows that China grew on average of 7.9% which is lower than the 10% average before the global recession.

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 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 exports 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 have an impact on the demand of fasteners. China will have to find markets for their products and which might include SACU as they already have a footprint in this market. Given that there is excess production and reduced demand have contributed to unused production capacity.

#### **Comments by interested parties on unforeseen developments**

The applicant's case seems to be built on the effects of the Chinese market on the global fastener market. No evidence was submitted on any other country.

#### **Applicant's response**

Without the increase in Chinese steel manufacturing capability, excess global capacity and increased trade actions being taken by various countries to protect their steel markets and the product concerned. The local market would not have experienced a surge in imports.

#### **Commission's consideration on interested parties' comments**

China is the world major producer of fasteners therefore any developments in China have an impact globally. There is no legal requirement that evidence of unforeseen developments should include more than one country.

Based on the above information, the Commission made a preliminary determination that 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 are events that can be regarded as unforeseen developments which led to the surge of imports of the subject product.



## **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**

<b>Tons</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Threaded Rods	2 460	2 336	4 402	2 853
Hexagon nuts	3 609	3 209	4 295	9 550
<b>Total Imports volumes</b>	<b>6 069</b>	<b>5 545</b>	<b>8 697</b>	<b>12 403</b>

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 increased 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. Although there is 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, increased by 122.4% from 2016/17 to 2017/18. Over the period of investigation, imports of hexagon nuts increased by 164.61%. The increased in imports of hexagon nuts in 2016/17 of 33.8% is significant and imports increased even higher in 2017/18 by 122.4%.

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, increased by 42.61% from 2016/17 to 2017/18. Over the period of investigation, total imports increased by 104.37%. The highest increase in the level of imports was recorded in 2016/17. The increase continued in 2017/18. Imports continued to rise in 2016/17 and

2017/18 periods even after the ordinary customs duty was increased to the bound rate of 30% on 31 March 2017.

Unexpectedly in 2016/17 imports changed from the downward to the upward trajectory increased by 56.8%. Imports volumes were within the range of 4 000-6 000 tons during 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: Imports volumes relative to production**

	2014/15	2015/16	2016/17	2017/18
<b>Threaded rods</b>				
Imports as a % of SACU production	100	76	123	19
<b>Hexagon nuts</b>				
Imports as a % of SACU production	100	117	118	280
<b>Total imports as a % of SACU production</b>				
	100	105	129	96

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 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 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 production volume increased by 17 index points from 2014/15 to 2015/16, increased by 1 index points from 2015/16 to 2016/17, increased by 162 index points from 2016/17 to 2017/18. Over the period of investigation, imports of hexagon nuts relative to production increased by 180 index points.

Overall, the table above indicates that import volumes relative to 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 33 index points at the end of the period of investigation. There was an overall decrease of 4 index points over the period of investigation.

### **Comments by interested parties on the period of investigation**

The information provided by the applicant shows that the period of investigation is from 01 July 2013 to 30 June 2014. However ITAC chose an investigation period which commences from 01 July 2014.

### **Commission's consideration**

Tariff sub-heading 7318.16.30 (other hexagon nuts) was created on 07 March 2014. There was no separate tariff for other hexagon nuts before then. The import statistics under tariff sub-heading 7318.16.30 for the period 01 July 2013 to 30 June 2014 were for four months (March to June 2014). The Commission considered that it would be unreasonable to compare four months import statistics to full year periods. Therefore a different period of investigation was determined to allow for a fair investigation. The period of investigation was therefore determined to be 01 July 2014 to 30 June 2018 as indicated in the notice of initiation.

### **Comments by interested parties on increased imports of the subject product**

- There is no absolute increase in imports during the period of investigation sufficient to satisfy the requirements under WTO rules. Imports spiked in 2016/2017, however from 2017/2018 there is a substantial decrease of 26%.

- The long term trend on Imports does not show a continuous increase of the product at issue during the period of investigation.
- The increase in import volumes in 2017 was a result of a stockpiling in anticipation of the increased in duty of 30%.

#### **Commission's consideration**

- Imports increased during the period of investigation from 6 069 tons to 12 403 tons and continued being imported in such increased quantities. There is no decrease as indicated by the interested parties.
- During the period of investigation, threaded rods and hexagon nuts import volumes increased by 15.97% and 164.61% respectively.
- Interested parties also acknowledge that there was an increase in import volumes in 2016/17.

Based on the above, the Commission made a preliminary 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. Imports continue to be imported in such increased quantities 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 more than 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 preliminary determination that this constitutes “a major proportion” of the total domestic production, in accordance with Article 4.1 of the Safeguard Agreement.

### **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**

<b>Tons</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Total sales volumes</b>	100	109	125	95
Threaded rods	100	122	115	78
Hexagon nuts	100	89	143	121

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 54 index points from 2015/16 to 2016/17 and decreased by 22 index points from 2016/17 to 2017/18. Sales volumes for hexagon nuts increased by 21 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 30 index points from 2016/17 to 2017/18. The table further shows that total sales volumes decreased by 5 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
<b>Threaded rods</b>				
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
<b>Hexagon nuts</b>				
Applicant's market share as % of total market	100	104	128	53
Other SACU producers' market share as % of total market	100	152	74	25
Imports' market share as % of total market	100	79	100	144
<b>Total market share</b>				
Applicant's market share as % of total market)	100	119	93	48
Other SACU producers' market share as % of total market	100	141	65	45
Imports' market share as % of total market	100	75	114	147

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

The table above indicates that, the applicant's market share for threaded rods decreased by 46 index points and imports market share increased by 40 index points during the period of investigation.

In 2016/17 compared to previous year, the applicant lost market share by 60 index points and imports gained market share by 73 index points.

During the period of investigation, the applicant's market share for hexagon nuts decreased by 47 index points and imports market share increased by 44 index points. In 2016/17 compared to previous year, the applicant gained market share by 24 index points and imports gained market share by 21 index points. It was considered that although the applicant's market share increased followed by a decline in 2017/18, imports share increased during the period of the surge at a much higher rate than the increase in the applicant's market share.

Overall, during the period of investigation, the applicant's total market share decreased by 52 index points and total imports market share increased by 47 index points. In 2016/17 compared to previous year, the applicant lost market share by 26 index points and imports gained market share by 39 index points. In 2015/16 the applicant's total market share improved, which was mainly driven by increased sales volumes as a result of own imports. The applicant submitted that it imported the subject products because it was cheaper to import than to produce locally; there were labour strikes which had endured for more than 5 weeks in 2014; and to a lesser extent, there were inconsistencies in steel supply due to maintenance issues by the supplier.

### 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
<b>Threaded rods</b>				
Gross Profits	100	76	96	Negative
Net Profits	100	Negative	Negative	Negative
<b>Hexagon nuts</b>				
Gross Profits	100	97	146	93
Net Profits	100	Negative	Negative	Negative
<b>Total Profits</b>				
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 to grow. 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 to grow 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**

<b>Tons</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
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**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Threaded rods</b>				
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

<b>Hexagon nuts</b>				
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
<b>Total employment</b>				
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
<b>Threaded rods</b>				
Productivity	100	123	134	528
Output volumes	100	125	146	605
No. of employees (manufacturing)	100	102	109	115
<b>Hexagon nuts</b>				
Productivity	100	70	91	94
Output volumes	100	76	101	94
No. of employees (manufacturing)	100	109	111	101
<b>Total productivity</b>				
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
<b>Threaded rods</b>				
Total capacity (tons)	100	100	100	100
Output volumes(tons)	100	125	146	605
Capacity utilisation %	100	129	150	607
<b>Hexagon nuts</b>				
Total capacity (tons)	100	100	100	100
Output volumes (tons)	100	76	101	94
Capacity utilisation %	100	80	100	100
<b>Total capacity utilisation</b>				
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 of 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 by Interested parties on serious Injury**

- There seems to be positive developments for the industry as shown by some of injury indicators such as sales, market share, output, employment and capacity utilisation.
- Own imports by the applicant distorts output figures.
- The domestic industry decreased imports in 2017 and the situation of the industry seemed to have improved.
- Information for hexagon nuts does not match under output and productivity tables.
- There appears to be a mistake on the consolidated gross/net profit table. The gross/net profit margin and gross/net profit per unit are almost identical. Amount of goods sold shows a negative in 2017/2018.
- The effect of other producers like Impala, Bascol and Protech need to be taken into account on accurate assessment Injury analysis.
- Prices and costs have not been provided in the non-confidential application.

### **Applicant's response**

- Although indexed values individually do not provide a clear picture of the actual state of the industry, they do nonetheless give a broad picture of the industry and the effects of imports as a whole.
- Information submitted by the industry included locally manufactured products and excluded sales of products imported by local manufacturers.
- Domestic industry's market share has been abysmal in the last few years purely owing to an influx of imported fasteners and the dominance of fastener distributors. An increase in market share after an initial decrease in 2017 was a result of domestic manufacturers increasing production and selling at lower prices. Sales increased, profits went down and net losses were reported to have far exceeded that of 2017.

### **Commission's consideration**

- A determination on serious injury is not only made based on a few indicators but on the collective situation of the industry.
- Imports cannot distort output figures as they are not considered part of domestic production. Nonetheless applicant's imports were taken into account in determining the causation.
- While the domestic industry may have decreased imports, in overall imports continued increasing and the industry experienced serious injury during the period of investigation.
- The difference in production volumes for hexagon nuts under output and productivity tables is because the productivity table show total production for the company. The applicant indicated that labour and machinery are used interchangeably, hence there is no specific information provided for hexagon nuts.

- In its determination the Commission considered the verified net and gross profit information for each product concerned.
- The effect of Impala, Bascol and Protech was taken into account in the preliminary determination.
- The applicant provided price and cost information which is confidential by nature and therefore, could not be indexed.

### 6.2.8 Summary - Serious Injury

Based on the above information, the evaluation of the injury information of the applicant 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	Increased	Increased
Imports relative to production(tons)	Decreased	Increased	Increased
Sales volumes	Decreased	Increased	Decreased
Gross Profit	Decreased	Decreased	Decreased
Net Profit	Negative	Negative	Negative
Output(tons)	Increased	Decreased	Increased
Applicant's market share	Decreased	Decreased	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, in 2016/17 compared to previous year, 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 profit, negative net profit, employment decreased and low capacity utilisation.

During a period of investigation, the applicant's sales volumes decreased, lost market share, gross profit decreased, incurred negative net profit, low capacity utilisation and imports' market share increased.

The Commission made a preliminary determination that the SACU industry is suffering serious injury and further delays will cause damage which will be difficult to repair.



## **7. CAUSAL LINK**

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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 Imports volumes**

The following table shows imports volumes of the subject product:

**Table 7.1.1: Imports volumes**

<b>Tons</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Threaded Rods	2 460	2 336	4 402	2 853
Hexagon nuts	3 609	3 209	4 295	9 550
<b>Total Imports volumes</b>	<b>6 069</b>	<b>5 545</b>	<b>8 697</b>	<b>12 403</b>

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 increased imports in 2016/17 of 88.4% are significant. Threaded rods imports decreased by 35.2% in 2017/18 but remained at higher levels than 2014/15 and 2015/16. Although there is a decrease in 2017/18 imports still reflect such increased quantities.

Imports of hexagon nuts decreased 11.1% from 2014/15 to 2015/16, increased by 33.8% and 122.4% in 2016/17 and 2017/18 respectively. Over the period of investigation, imports of hexagon nuts increased by 164.61%. The increased imports in 2016/17 of 33.8% is significant and imports increased even higher in 2017/18 by 122.4%. In overall, the table above indicates that the total imports decreased by 8.6% from 2014/2015 to 2015/16, increased by 56.8% and 42.61% in 2016/17 and 2017/18 respectively. Over the period of investigation, the table indicates that there was an overall increase of 104.37% of total imports.

### 7.1.2 Market share

The table below shows the market share of the SACU industry:

**Table 7.1.2: Market share**

	2014/15	2015/16	2016/17	2017/18
<b>Threaded rods</b>				
Total SACU market (Tons)	100	95	171	146
Applicant's sales (Tons)	100	122	115	78
Other SACU producers (Tons)	100	98	118	341
Imports (Tons)	100	65	241	204
Applicant's share as a % total market	100	127	67	54
Other SACU producers' share as a % of total market	100	103	69	234
Imports share as a % of total market	100	68	141	140
<b>Hexagon nuts</b>				
Total SACU market (Tons)	100	86	112	228
Applicant's sales (Tons)	100	89	143	121
Other SACU producers (Tons)	100	130	83	56
Imports (Tons)	100	68	112	329
Applicant's share as a % total market	100	104	128	53
Other SACU producers' share as a % of total market	100	152	74	25
Imports share as a % of total market	100	79	100	144
<b>Other products</b>				
Total SACU market (Tons)	100	89	135	197
Applicant's sales (Tons)	100	109	125	95
Other SACU producers (Tons)	100	127	87	88
Imports (Tons)	100	67	154	289
Applicant's share as a % total market	100	119	93	48
Other SACU producers' share as a % of total market	100	141	65	45
Imports share as a % of total market	100	75	114	147

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

The table indicates that the applicant's market share for threaded rods decreased by 46 index points and import's market share increased by 40 index points during the period of investigation.

The applicant's market share for threaded rods is going down. 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.

The table above further indicates the applicant's market share for hexagon nuts decreased by 47 index points and imports market share increased by 44 index points during the period of investigation. The applicant's market share for hexagon nuts is going down. 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. It was further considered that Impala also imported hexagon nuts during the period of investigation and its import volumes were included under "other" SACU producers. It was considered that the injury analysis is applicable to those producers which make a major proportion of the SACU industry.

Overall, the applicant's total market share decreased by 52 index points and total imports market share increased by 47 index points during the period of investigation. In overall, the applicant's market share is going down. 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.

Analysing the situation on threaded rods with applicant's imports as part of total imports, the applicant's market share increased during the period of investigation and decreased during a surge in 2016/17. The fact that the SACU industry was forced to import created an artificial situation that makes SACU appear as if it is gaining market share, which they had to do to keep their footprint in the SACU market. The SACU industry was preparing to face the challenges from the surge of imports. Even with the observed growth it is considered that the market share is still low, the industry would not be able to withstand continued pressure from surge of imports without any support.

Analysing the situation on hexagon nuts with applicant's imports as part of total imports, it was found that the applicant's still lost market share during the period of investigation and during a surge in 2016/17.

Overall, when analysing the situation with applicant's imports as part of total imports, it was found that the applicant's still lost market share during the period of investigation and during a surge in 2016/17. The slight decrease in market share of imports in 2017/18 does not detract from the fact that imports' market share over the period of investigation increased.

## 7.2 CONSEQUENT IMPACT OF ALLEGED INCREASE IN IMPORTS

**Table 7.2: Serious Injury**

<b>Serious Injury Indicators</b>	<b>Threaded Rods</b>	<b>Hexagon nuts</b>	<b>Total</b>
Imports (tons)	Increased	Increased	Increased
Imports relative to production(tons)	Decreased	Increased	Increased
Sales volumes	Decreased	Increased	Decreased
Gross Profit	Decreased	Decreased	Decreased
Net Profit	Negative	Negative	Negative
Output(tons)	Increased	Decreased	Increased
Applicant's market share	Decreased	Decreased	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 warranties 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**

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

## **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 increases 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 increased quantities. Capacity utilization is at a percentage which is considered low 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 instead they have lost market share.

Overall, a surge of imports occurred in 2016/17 which caused serious injury to SACU industry. While output increased during the period of investigation it is unsustainable for the industry. Imports still reflect such increased quantities. Capacity utilization is at a percentage which is considered low for the industry. It appears that the SACU industry pushes sales volumes and operates at a loss. To show that sales volumes are insufficient, the industry has not been able to capture additional market share, instead they have lost 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 in 2016/17. The situation may be unsustainable if the industry is not given an opportunity to ramp up production.

### **Comments by Interested parties**

- Applicant's own imports were the cause of injury.
- Injury is caused by cost structures, lack of export opportunities, restructuring, labour unrest, raw material supply difficulties and the exchange rate.
- Taiwan producers have long term supply contracts with South African companies and this does not have a negative impact on domestic producers.
- Information on prices contained in the application seems to indicate that import prices have increased. Increasing import prices and a decrease in import volumes at the end of the investigation period point to injury caused by other factors.
- Domestic consumption appears to have increased by more than 20% during the period of investigation. Other SACU producers benefitted from this increase in demand and this may indicate that the applicant is not able to satisfy domestic demand either in volume or product quality or range.

### **Comments by the applicant**

- Exclusion of own imports in surge determination will not give an accurate portrayal of the current situation.
- Industry received temporary rebates on primary inputs which have now been phased out.
- Without safeguard measures these companies will have no recourse but to re-evaluate their strategic position which might include importing certain unviable product lines. The industry requires an urgent safeguard measure to alleviate the strain caused by imports and to restructure their businesses to become more viable.

### **Commission's consideration**

- Effect of applicant's imports has been taken into account in making a preliminary determination.
- Imports were found to be the major cause of injury to SACU Industry.
- Long term contracts do not mean there are no imports to SACU or injury suffered. Information analysed shows serious injury to SACU.
- It was found that over the period of investigation import prices decreased by 29.41%. It was also found that at the end of the period of investigation import prices decreased and import volumes increased.
- During the period of investigation the size of the SACU market grew. Other SACU producers and applicant's market share decreased. Other SACU producers did not benefit but lost market share together with the applicant. Imports increased market share during the same period. The industry indeed has capacity to satisfy demand but cannot compete with a surge of imports.

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



## **8. PROVISIONAL MEASURES**

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The applicant requested that a safeguard duty be imposed. It proposed that it be calculated based on price disadvantage. Price disadvantage is the extent to which the price of imported product is lower than the unsuppressed selling price of the like product produced by the SACU industry. 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.

### **8.1 Price disadvantage**

The Commission considered determining the relief sought based on price disadvantage. Price disadvantage was determined by the difference between unsuppressed selling price and the landed cost. The difference was then expressed as the percentage of the fob export price.

#### **8.1.1 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 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 administrative and finance expense and the calculated production cost to obtain the unsuppressed selling price.

### **8.1.2 Fob Export price and Landed cost calculation:**

The landed cost was calculated using weighted average fob export price from 01 July 2017 to 30 June 2018 as obtained from South African Revenue Service import statistics. 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 provisional measures were then determined to be 102.10% *ad varolem*.

### **Comments by Interested parties**

- Based on the research conducted 12% is a reasonable rate of return on total assets for the industry. A request is made for a Commission to apply this rate in calculating a reasonable profit margin.
- The use of anti-dumping would have been more appropriate as imports mainly stem from specific countries during the period of investigation.
- Turkey, Indonesia, Dominican Republic requested an exclusion from possible provisional measures since their imports are less than 3%. Furthermore, Thailand requested exclusion if their imports are found to be less than 3%.

### **Commission's consideration**

- The research which is the basis for the proposal of the 12% rate of return is not provided.
- The applicant provided *prima facie* information sufficient to initiate a safeguard investigation.
- Safeguard Regulations state that a safeguard measure shall not be applied against a product originating in a developing country as long as its share of imports of the product concerned in SACU does not exceed 3%.

## 9. PRELIMINARY DETERMINATION

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The Commission made a preliminary determination that:

- Events cited can be regarded as unforeseen developments that led to the increased volume of imports;
- There is a surge in the volume of imports;
- The SACU industry is suffering serious injury and further delays will cause damage which will be difficult to repair ;
- There is a causal link between the serious injury suffered by the applicant and the surge in volumes of imports.
- Provisional payments of 102.10% *ad varoem* be imposed pending the finalisation of the investigation.

The Commission considered that there are critical circumstances which justify the imposition of provisional measures. Therefore decided to make a request to the Commissioner for the South African Revenue Service to impose provisional measures of 102.10% *ad varoem* 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) for a period of 200 days pending the finalisation of the investigation.

The provisional measures should be imposed against all countries, except the following developing countries (see attached Annexure) with imports that do not exceed 3 per cent, and that collectively with other developing countries with less than 3 per cent import share do not collectively account for more than 9 per cent of total imports.

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**

<b>Afghanistan</b>	<b>Madagascar</b>
<b>Albania</b>	<b>Malawi</b>
<b>Algeria</b>	<b>Latvia</b>
<b>American Samoa</b>	<b>Lebanon</b>
<b>Angola</b>	<b>Maldives</b>
<b>Antigua and Barbuda</b>	<b>Mali</b>
<b>Argentina</b>	<b>Marshall Islands</b>
<b>Armenia</b>	<b>Mauritania</b>
<b>Azerbaijan</b>	<b>Mauritius</b>
<b>Bangladesh</b>	<b>Mexico</b>
<b>Bahrain, Kingdom of</b>	<b>Micronesia, Fed. States of</b>
<b>Belarus</b>	<b>Moldova, Republic of</b>
<b>Belize</b>	<b>Mongolia</b>
<b>Benin</b>	<b>Montenegro</b>
<b>Bhutan</b>	<b>Morocco</b>
<b>Brunei Darussalam</b>	<b>Mozambique</b>
<b>Bolivia, Plur State of</b>	<b>Myanmar</b>
<b>Bosnia and Herzegovina</b>	<b>Namibia</b>
<b>Botswana</b>	<b>Nepal</b>
<b>Brazil</b>	<b>Nicaragua</b>
<b>Bulgaria</b>	<b>Niger</b>
<b>Burkina Faso</b>	<b>Nigeria</b>
<b>Burundi</b>	<b>North Macedonia</b>
<b>Cabo Verde</b>	<b>Oman</b>
<b>Cambodia</b>	<b>Pakistan</b>
<b>Cameroon</b>	<b>Palestine</b>
<b>Central African Republic</b>	<b>Palau</b>
<b>Chad</b>	<b>Panama</b>
<b>Chile</b>	<b>Papua New Guinea</b>
<b>Colombia</b>	<b>Paraguay</b>
<b>Comoros</b>	<b>Peru</b>
<b>Costa Rica</b>	<b>Philippines</b>
<b>Côte d'Ivoire</b>	<b>Qatar</b>
<b>Cuba</b>	<b>Romania</b>
<b>Democratic Republic of the Congo</b>	<b>Russian Federation</b>
<b>Congo Republic</b>	<b>Rwanda</b>
<b>Djibouti</b>	<b>Saudi Arabia, Kingdom of</b>
<b>Dominica</b>	<b>St. Kitts and Nevis</b>
<b>Dominican Republic</b>	<b>St. Lucia</b>
<b>Ecuador</b>	<b>Saint Vincent and the Grenadines</b>
<b>Egypt, Arab Rep.</b>	<b>Sao Tome and Principe</b>

El Salvador  
Eritrea  
Eswatini  
Equatorial Guinea  
Ethiopia  
Fiji  
Gabon  
The Gambia  
Georgia  
Ghana  
Grenada  
Guatemala  
Guinea  
Guinea-Bissau  
Guyana  
Haiti  
Honduras  
India  
Indonesia  
Iran, Islamic Rep. of  
Iraq  
Jamaica  
Jordan  
Kazakhstan  
Kenya  
Kiribati  
Korea, Democ. P. Republic of  
Kyrgyz Republic  
Kosovo  
Kuwait, the State of  
Lao People's Dem. Republic  
Lebanon  
Lesotho  
Liberia  
Libya  
Lithuania

Samoa  
Senegal  
Seychelles  
Sierra Leone  
Singapore  
Solomon Islands  
Serbia  
Somalia  
South Sudan  
Sri Lanka  
Sudan  
Suriname  
Syrian Arab Republic  
Tajikistan  
Tanzania  
Timor-Leste  
Togo  
Thailand  
Tonga  
Trinidad and Tobago  
Tunisia  
Turkey  
Turkmenistan  
Tuvalu  
Uganda  
Ukraine  
United Arab Emirates  
Uruguay  
Uzbekistan  
Vietnam  
Vanuatu  
Venezuela, Bolivarian Republic of  
West Bank and Gaza\*)  
Yemen  
Zambia  
Zimbabwe