



1 August 2018

(18-4874)

Page: 1/4

Committee on Safeguards

Original: English

**NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT  
ON SAFEGUARD BEFORE TAKING A PROVISIONAL  
SAFEGUARD MEASURE REFERRED  
TO IN ARTICLE 6**

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

SOUTH AFRICA

*(Other screws fully threaded with hexagon heads made of steel)*

The following communication, dated 30 July 2018, is being circulated at the request of the Delegation of South Africa.

---

Pursuant to Article 12.4 of the *Agreement on safeguards*, the Government of South Africa hereby gives notification before taking provisional safeguards measures for imports of other screws fully threaded with hexagon heads made of steel; and a notification pursuant to Article 9, footnote 2 of the *Agreement on Safeguards*, on taking a decision not to apply those measures to imports from developing countries.

**1. The product subject to the investigation**

The subject product is described as other screws fully threaded with hexagon heads made of steel, classifiable under tariff subheading 7318.15.39.

**2. The provisional safeguard measure**

The provisional safeguard measure consists of *ad valorem* Safeguard duty of 42.09 per cent.

**3. The proposed date of imposition of the safeguard measure**

The provisional safeguard measure is proposed to be imposed on 3 August 2018.

**4. The expected duration of the provisional safeguard measure, if any decision on the duration of the measure has been made**

Two hundred (200) days.

**5. Provide the basis for:**

- (i) making a preliminary determination, as provided for in Article 6, that increased imports have caused serious injury; and,
- (ii) determining that there are critical circumstances where delay would cause damage which it would be difficult to repair.

The International Trade Administration Commission of South African initiated an investigation pursuant to an application by the South African Iron and Steel Institute ("SAISI" or the "Applicant"), on behalf of the SACU industry in order to determine whether increased imports have caused serious injury to the domestic industry, within the meaning of the Agreement on Safeguards, in connection with other screws fully threaded with hexagon heads made of steel.

The preliminary determinations of the investigation are that there is sufficient evidence of serious injury to the domestic industry caused by increased imports.

**a) Increased Imports:** There is sufficient information to indicate that there is a recent, sudden, sharp and significant increase in imports.

The surge in absolute terms began in the period ending June 2013 and it maintained its levels in 2014. The rate and amount of increase from July 2012 to June 2013 is clearly sudden. The high volumes arising from the surge in the volume of imports were maintained throughout the period of investigation both in relative terms and absolute terms.

In conclusion, the recent, sudden, sharp and significant increase of the imports of the subject product occurred in the period ending in June 2013 to the period ending in June 2017 and the subject product continued to be imported in increased quantities both in absolute terms and relative to production.

**b) Unforeseen Developments:** The unforeseen developments are as follows:

- The unprecedented steep rate of increase in fastener production capacity after the Uruguay Round of negotiations. This mainly took place to support growing construction and manufacturing activity, as well as to help build infrastructure, particularly in emerging economies. This growth in global capacity was mainly fuelled by the growth of the Chinese and Asian fastener markets;
- The significant downturn of the fastener market as a result of the Asian financial crisis that contributed to the imbalance between capacity and demand, that is, the global oversupply of fasteners. This led to a significant increase in export volumes by countries with excess capacity; and
- This in turn led to an increase in trade remedy actions being taken on fastener products, including set screws, by a number of countries, notably Canada and the European Union, which are significant export markets for these products. Given the fact that fasteners are a commodity product, excess capacity in one region can, with relative ease, displace production in other regions, thus harming producers in those regions.

**c) Serious injury:** There is sufficient evidence that the SACU industry is suffering serious injury in the form of:

- Sales volumes;
- Net losses;
- Output;
- Market share;
- Utilisation of capacity and
- Employment.

**d) Causal link between increased import and serious injury:** There is sufficient information to indicate that the serious injury experienced by the SACU industry, is caused by the recent, sudden, sharp and significant surge in the volume of imports. Although there are factors other than the surge in imports such as labour strikes, inconsistent steel supply and electricity supply constraints; these factors did not sufficiently detract from the causal link between the surge in imports and the serious

injury experienced by the Applicant, as these factors were temporary and did not take place throughout the period of investigation.

- e) Adjustment plan:** The domestic industry has submitted an adjustment plan, outlining the measures it put in place for facilitating the adjustment of the domestic industry to the competitive conditions with the imports.
- f) Critical circumstances:** The total imports increased by 145 per cent from the period ending June 2013 to the period ending June 2014 and slightly declined by 7 per cent from the period 2014 to 2015. However, the increase from the period ending June 2013 to period ending June 2017 increased by 163 per cent which is 18 per cent more than the surge level in the period ending June 2014. Notwithstanding the increase in the customs duty to 30 per cent *ad valorem* in March 2017, imports continue at levels higher than that in March 2017.

Total imports as a percentage of the SACU industry's output increased significantly during the period of investigation being July 2014 to June 2017.

#### Impact on the Applicant

1. Sales volumes decreased by 32 index points from 2014 to 2017.
2. Output decreased by 30 index points in total production from 2014 to 2017.
3. Market Share declined by 31 index points from 2014 to 2017.
4. Net losses remained even though they decreased from 2014 to 2017.
5. Employment decreased by 8 index points from 2014 to 2017.

In view of the above, the Commission found that critical circumstances exist justifying the imposition of provisional safeguard duties.

- g) Offer of consultations under Article 12.4:** The Government of South Africa offers consultations on the provisional measures.

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

#### LIST OF DEVELOPING COUNTRIES EXCLUDED FROM THE MEASURES

Country	Country
Afghanistan	Fiji
Albania	Gabon
Algeria	Gambia, The
American Samoa	Georgia
Angola	Ghana
Antigua and Barbuda	Grenada
Argentina	Guatemala
Armenia	Guinea
Azerbaijan	Guinea-Bissau
Bangladesh	Guyana
Belarus	Haiti
Belize	Honduras
Benin	India
Bhutan	Indonesia
Bolivia	Iran, Islamic Rep.
Bosnia and Herzegovina	Iraq
Brazil	Jamaica
Bulgaria	Jordan

Country	Country
Burkina Faso	Kazakhstan
Burundi	Kenya
Cambodia	Kiribati
Cameroon	Korea, Dem. Rep.
Cape Verde	Kosovo
Central African Republic	Kyrgyz Republic
Chad	Lao PDR
Chile	Latvia
Colombia	Lebanon
Comoros	Liberia
Congo, Dem. Rep.	Libya
Congo, Rep.	Lithuania
Costa Rica	Macedonia, FYR
Côte d'Ivoire	Madagascar
Cuba	Malawi
Djibouti	Maldives
Dominica	Mali
Dominican Republic	Marshall Islands
Ecuador	Mauritania
Egypt, Arab Rep.	Mauritius
El Salvador	Mexico
Eritrea	Micronesia, Fed. Sts.
Ethiopia	Moldova
Nicaragua	Mongolia
Niger	Montenegro
Nigeria	Morocco
Pakistan	Mozambique
Palau	Myanmar
Panama	Nepal
Papua New Guinea	South Sudan
Paraguay	Sri Lanka
Peru	St. Lucia
Philippines	St. Vincent and the Grenadines
Romania	Sudan
Russian Federation	Suriname
Rwanda	Syrian Arab Republic
Samoa	Tajikistan
São Tomé and Príncipe	Tanzania
Senegal	Thailand
Serbia	Timor-Leste
Seychelles	Togo
Sierra Leone	Tonga
Solomon Islands	Tunisia
Somalia	Turkey
Uganda	Turkmenistan
Ukraine	Tuvalu
Uruguay	
Uzbekistan	
Vanuatu	
Venezuela, RB	
Vietnam	
West Bank and Gaza	
Yemen, Rep.	
Zambia	
Zimbabwe	