

Dear Sir/Madam

INVESTIGATION INTO THE EXTENSION OF THE SAFEGUARD MEASURE AGAINST IMPORTS OF THREADED FASTNERS MADE OF STEEL: BOLT ENDS & SCREW STUDS, SCREW STUDDING AND OTHER HEXAGON NUTS (EXCLUDING THOSE OF STAINLESS STEEL AND THOSE IDENTIFIABLE FOR AIRCRAFT): ESSENTIAL FACTS LETTER

As you are aware, the International Trade Administration Commission of South Africa (“the Commission”) initiated an investigation into the extension of the safeguard duty on threaded fasteners through Notice No. 1695 in *Government Gazette* No. 48294 dated 24 March 2023.

This letter 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. General

The Commission considered all the comments submitted by all the interested parties. Non-confidential versions of all comments submitted are available on the public file.

2. Like product

The subject products are threaded fasteners of iron and steel, consisting of bolts ends and screw studs, screw studding and other hexagon nuts (excluding those of stainless steel and those identifiable for aircraft), classifiable in subheadings 7318.15.41, 7318.15.42, and 7318.16.30. The subject products’ main raw materials are hot rolled steel bars and rods. The subject products are used to join materials, particularly in the mining, construction, agriculture, utilities, process industries, automotive industry, general engineering and the do-it-yourself market.

The Commission is considering making a final determination that the SACU produced product and the imported product are “like products”, for the purposes of comparison.

3. Industry standing

The information available indicates that South African Fasteners' Manufacturers Association ("SAFMA") members collectively represent more than 90 percent of the domestic industry by production volume. There were no known SACU producers opposing the application or that have chosen to remain neutral to the investigation.

The Commission is considering making a final determination that the application can be regarded as being made "by or on behalf of the domestic industry" in terms of Regulation 7.2 of the Amended Safeguard Regulations ("SGR").

4. Major proportion

The information available indicates that the three largest producers, i.e., CBC Fasteners (Pty) Ltd, T&I Chalmers Engineering, and SA Bolt Manufactures, which provided injury information, collectively represent more than 50% of the total SACU production volume.

The Commission is considering making a final determination that the Applicant's production constitutes "a major proportion" of the total domestic production, in accordance with SGR 7.2(b).

5. Recurrence of serious injury

The information available indicates that the industry's performance improved during the period for which a safeguard duty has been in place. This is evident from the increase in sales volumes, production volumes, productivity, employment and capacity utilisation during the period when the duty was in place, although that improvement did not generate more profits and/or market share (market share remained constant). The Commission is considering this improvement as an indication of an industry that is adjusting while the safeguard duty is in place.

However, the assessment of the recurrence of serious injury shows that the SACU industry is likely to experience serious injury should the safeguard duty expire. The assessment shows that all the industry's performance indicators, i.e. sales volumes, production volumes, profits, market share, capacity utilisation, productivity, and employment numbers will all decline in the succeeding period, should the safeguard duty expire. The shrinking profits will decline further and change to losses and the current market share will decline in favour of imports that are likely to increase in the same period. These estimated declines and increase in import volumes are an indication that should the duty not be extended, the serious injury experienced by the SACU industry during 2015-2018 period (period of investigation in the original investigation) will recur.

The Commission is considering making a final determination that the expiry of the safeguard duty will likely lead to a recurrence of serious injury to the SACU industry.

6. Evidence that the industry is adjusting

The information provided by the industry shows that:

- the SACU industry has made considerable investments of more than R6 million over the last 3 years, to improve on their technological abilities to increase efficiencies and thereby be able to compete more equally with the imported product;
- the industry players have increased their employment force considerably, which in turn led to investment in skills development and higher overall production;
- the industry, together with Arcelor Mittal SA ("AMSA") have rationalised raw material qualities thereby allowing AMSA higher production volumes on a narrower product range;
- the industry have volunteered to pilot the Prior Surveillance Initiative to contribute to the Steel Master Plan;
- the industry is working closely with SARS to deal with duty circumvention and import monitoring; and

- the industry supports designation and localisation.

The assessment of the information shows that the industry took meaningful steps in the last 3 years to improve competitiveness and has started to adjust despite being slowed down by stagnant economic growth, the impact of the Covid-19 pandemic, and the bypassing of safeguard duties through the use of developing nations exempted from paying the safeguard duty.

The Commission is considering making a final determination that the information available indicates that the SACU industry is adjusting.

7. Final determination

- (i) The Commission is considering making a final determination that the expiry of the safeguard measure is likely to lead to the recurrence of serious injury, and that there is evidence that the SACU industry is adjusting.
- (ii) The Commission is considering making a final determination to recommend to the Minister of Trade, Industry and Competition that the safeguard measure on imports of threaded fasteners be extended for a period of 3 years from 24 July 2023, and be liberalized as follows:

Table 8: Proposed duties and liberalization schedule

Period	Rate of safeguard measure
24 July 2023 - 23 July 2024	48.04
24 July 2024 - 23 July 2025	46.04
24 July 2024 - 23 July 2026	44.04

- (iii) The Commission is considering making a final determination that all developing WTO member countries (see Table A below) with imports that do not exceed 3 percent, and that collectively with other developing countries with less than 3 percent import share do not collectively account for more than 9 percent of total imports, shall be exempted from the application of the extended safeguard

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duty.

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 7 days from the date of this letter to the investigation officers on the emails below, 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, Industry and Competition.

Should you have any queries, please do not hesitate to contact the investigation officers, Mr Thabelo Tshikomba at ttshikomba@itac.org.za and Mr Sandile Mantolo at smantolo@itac.org.za.

Yours sincerely



Ayabonga Cawe
Chief Commissioner
Date: 29/05/2023

Table A: Developing WTO member countries

Name	Name	Name	Name
Afghanistan	Madagascar	Dominica	Saint Vincent and the Grenadines
Albania	Malawi	Dominican Republic	Sao Tome & Principe
Algeria	Latvia	Ecuador	Samoa
American Samoa	Lebanon	Egypt, Arab Rep.	Senegal
Angola	Maldives	El Salvador	Seychelles
Antigua and Barbuda	Mali	Eritrea	Sierra Leone
Argentina	Marshall Islands	Eswatini	Singapore
Armenia	Mauritania	Equatorial Guinea	Solomon Islands
Azerbaijan	Mauritius	Ethiopia	Serbia
Bangladesh	Mexico	Fiji	Somalia
Bahrain	Micronesia	Gabon	South Sudan
Belarus	Moldova, Republic of	The Gambia	Sri Lanka
Belize	Mongolia	Georgia	Sudan
Benin	Montenegro	Ghana	Suriname
Bhutan	Morocco	Grenada	Syrian Arab Republic
Brunei Darussalam	Mozambique	Guatemala	Tajikistan
Bolivia	Myanmar	Guinea	Tanzania
Bosnia & Herzegovina	Namibia	Guinea-Bissau	Timor-Leste
Botswana	Nepal	Guyana	Togo
Brazil	Nicaragua	Haiti	Thailand
Bulgaria	Niger	Honduras	Tonga
Burkina Faso	Nigeria	St. Lucia	Trinidad and Tobago
Burundi	North Macedonia	Iran, Islamic Rep. of	Tunisia
Cabo Verde	Oman	Iraq	Indonesia
Cambodia	Pakistan	Jamaica	Turkmenistan
Cameroon	Palestine	Jordan	Tuvalu
Central African Republic	Palau	Kazakhstan	Uganda
Chad	Panama	Kenya	Ukraine
Chile	Papua New Guinea	Kiribati	United Arab Emirates
Colombia	Paraguay	Korea	Uruguay
Comoros	Peru	Kyrgyz Republic	Uzbekistan
Costa Rica	Philippines	Kosovo	Vietnam
Côte d'Ivoire	Qatar	Kuwait, the State of	Vanuatu

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Cuba	Romania	Lao People's Dem. Republic	Venezuela
Democratic Republic of the Congo	Russian Federation	Lebanon	West Bank and Gaza*)
Congo	Rwanda	Lesotho	Yemen
Djibouti	Saudi Arabia	Liberia	Zambia
Lithuania	St. Kitts and Nevis	Libya	Zimbabwe