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WTO ruling will not affect fastener supply chain in short term

In common with many organisations worldwide the British Association of Fastener Distributors is working to assess the implications of the recent WTO Appellate Body ruling regarding EU anti dumping measures on steel fasteners from China. While the ruling is a welcome step towards more sensible world trading conditions in fasteners it is clear that the process still has a long way to run. It is extremely improbable anti dumping tariffs on China will be lifted in the short or even medium term. In fact the EU has just applied further high anti dumping tariffs on fastener imports from Malaysia.

On 15th July the World Trade Organisation Appellate Body published its rulings and recommendations regarding the dispute between the EU and Peoples' Republic of China over up to 85% anti dumping tariffs applied to imports of certain steel fasteners since February 2009. As has been dramatically headlined by some general media the Appellate Body affirmed rulings against the EU in this dispute. Specifically it supported a previous WTO Panel ruling that the EU was wrong to apply countrywide duties on imports from a non-market economy rather than determining individual dumping margins for each exporter. The Appellate Body also found against the EU in relation to the mechanism it used to calculate injury to EU producers and on its failure to disclose information contributing to its calculation of dumping duties.

The Appellate Body recommended “that the DSB (Dispute Settlement Body) request the European Union to bring its measures, found in this Report and in the Panel Report as modified by this Report, to be inconsistent with the

Anti-Dumping Agreement and the WTO Agreement, into conformity with its obligations under those Agreements."

For the BAFD, which strongly contested the application of the duties in 2009, this is a welcome step towards a return to sensible world trading conditions. However it is important to recognise that the WTO's Dispute Settlement Body now has a period of time to consider the Appellate Body's recommendation and to issue its final ruling to the EU and China. It remains unclear whether that final ruling will impact existing antidumping measures or simply require the EU to redraft its anti dumping legislation to prevent a recurrence of these failings in future.

The EU will have a further period before it needs to inform the DSB of its intentions to implement the ruling. The EU will then have to comply with the WTO rulings within a "reasonable period of time", which has to be agreed between China and the EU or failing that by an arbitrator. In previous cases, where the timescale has gone to arbitration, periods of up to 15 months have been set⁽¹⁾.

Even then, as far as can be determined at present, there is no certainty that the EU will have to remove or reduce the current anti dumping tariffs on imports from China. In the meantime, far from reducing tariffs, the European Union has now applied 85% anti dumping tariffs on fastener imports from Malaysia following the completion of a circumvention investigation⁽²⁾.

One of the key implications of the anti dumping tariffs on China has been to effectively take a significant proportion of the world's fastener manufacturing capacity out of the equation. The decision in relation to Malaysia has further constrained available world sources for fasteners and there is every indication that the EU intends pursuing similar actions on imports from other countries, further skewing the market towards higher cost European produced fasteners.

As a result of the distortive effect of these protective measures lead-times from factories elsewhere in the world have progressively extended substantially. World demand for fasteners has come back on stream, and this combined with sustained increases in the cost of wire rod, the primary raw material for fastener production, means that fastener prices have been increasing continuously for more than a year.

In the face of all these factors BAFD members have needed to work harder than ever to ensure continuity of supply of reliable quality fasteners, essential to maintaining British manufacturing, maintenance and construction operations. As market demand has ramped up substantially but often quite unpredictably, availability of cost effective working capital has been restricted by the after-effects of the banking crisis, and supply lead times and prices have been adversely affected the role of the fastener distributor as the buffer against uncertainty has seldom been more critical or challenging.

British businesses understandably need to rely on their fastener supply chain to provide quality assured components where needed, when needed to support their own sales and profitability. The BAFD is committed exclusively to the UK fastener distribution industry and will continue to support its members and their customers by providing accurate and realistic assessments of key factors impacting the supply chain - in contrast, in must be said, to often superficial and uninformed headlines from media that has little detailed knowledge of the real issues involved.

Amended: 26 July 2011.

Notes:

1. Full information about the WTO dispute procedure and timescales can be found at www.wto.org where it is also possible to read the detailed findings of the Appellate Body.
2. On 26th July 2011 the European Council publish a regulation applying 85% anti dumping duties to imports of fasteners from Malaysia. Not only do these duties add massively to the cost of fasteners en route from Malaysia they are, in fact, backdated to cover imports since 28 October 2010, additional charges that importers will not be able to recover from the market.