

## **Report No. 249**

# **Investigation into the alleged dumping of welded link steel chain originating in or imported from the People's Republic of China: Preliminary determination**

The International Trade Administration Commission of South Africa herewith presents its Report No 249: INVESTIGATION INTO THE ALLEGED DUMPING OF WELDED LINK STEEL CHAIN ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA: PRELIMINARY DETERMINATION



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PRETORIA  
11/09/2007

## 1. APPLICATION AND PROCEDURE

- 1.1 This investigation is conducted in accordance with the International Trade Administration Commission Act, 2002, (the ITA Act), the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement) and the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR).
- 1.2 The application was lodged by International Trade Services (ITS), on behalf of Scaw Metals Chain Products (the Applicant), being the only manufacturer of the subject product in the SACU.
- 1.3 The application was accepted by the Commission as being properly documented in accordance with Article 5.2 of the Anti-Dumping agreement on 05 December 2007. The trade representative of the country concerned was advised accordingly.
- 1.4 The Commission formally initiated an investigation into the alleged dumping of welded link steel chain originating in or imported from the PRC pursuant to Notice No. 35 which was published in *Government Gazette* No. 29547 on 26 January 2007.
- 1.5 The investigation period for dumping is from 1 July 2005 to 30 June 2006. The injury investigation involved evaluation of data for the period 1 January 2003 to 30 June 2006.
- 1.6 The SACU industry consists of only one producer of the subject product, namely Scaw Metals Chain Products, who submitted the information contained in this submission.
- 1.7 The following importer responded in full to the Commission's importers questionnaire and its information was verified:
  - *L and G Tools and Machinery Distributors.*
- 1.8 The following foreign manufacturers responded in full to the Commission's exporters questionnaire and their information was verified:
  - *Sichuan Longchan Hongfa Chain Produce co Ltd*
  - *Rudong Chain Works*

- 1.9 After considering all parties' information, the Commission made a preliminary determination that the subject product (excluding those imported from Sichuan Longchan Hongfa Chain Produce co Ltd) was being dumped on the SACU market and the SACU industry is suffering material injury as a result.
- 1.10 As the Commission considered that the SACU industry would continue to suffer material injury during the course of the investigation if provisional payments were not imposed, it decided to request the Commissioner for South African Revenue Service to impose provisional payments for a period of twenty-six weeks.
- 1.11 The Commission therefore indicated that it was considering making a final determination to recommend to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on the subject product, after considering comments to this preliminary report.

## **2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES**

### **2.1 IMPORTED PRODUCTS**

#### **2.1.1 Description**

The subject product is described as:

Non-articulated welded link chain, the links of which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4mm or more but not exceeding 10mm, classifiable under tariff subheading, 7315.82.

#### **2.1.2 Country of origin/export**

The subject product is exported from the PRC.

#### **2.1.3 Possible tariff loopholes**

The Applicant indicated that it is not aware of any loopholes in the tariff subheading.

#### **2.1.4 Other applicable duties and rebates**

The following rebate provisions exist in terms whereof the subject product can be imported with rebate of the duty:

**Table 2.1.4: Rebate and drawback items**

<b>Rebate/ Drawback Item</b>	<b>Tariff heading</b>	<b>Description</b>	<b>Extent of rebate</b>
316.13	73.15	MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT PARTS THEREOF	Full duty
316.13		Internal Combustion Piston Engines (Excluding Motor Cycle Engines) and Parts Thereof	
316.13		Timing chains, of iron or steel	
515.00		BASE METALS AND ARTICLES OF BASE METAL PLUMBERS' BRASSWARE AND SANITARY WARE	
515.01	73.15	Chain, of iron or steel, used in the manufacture of sanitary fittings	Full duty

### 2.1.5 Negligibility test

The following table shows the alleged dumped imports as a percentage of the total imports:

**Table 2.1.5: Import volumes**

<b>Negligibility test</b>	<b>Import volumes 1 July 2005 to 30 June 2006 (POI) – Tons</b>	<b>Volume as a percentage of total import volume (2006)</b>
Alleged dumped imports:		
PRC	1 232	71.6%
Total imports	1 720	

If the non-dumped imports from the PRC are excluded from the PRC imports, the PRC imports as a percentage of total imports are still more than 50 percent.

The Commission found that the imports from the PRC are above the negligibility level.

## 2.2 SACU PRODUCT

### 2.2.1 Description

The SACU product is described as:

Non-articulated welded link chain, the links of which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4mm or more but not exceeding 10mm, classifiable under tariff subheading, 7315.82.

## 2.3 LIKE PRODUCTS ANALYSIS

In determining the likeness of products, the Commission uses the following criteria:

**Table 2.4: Like product determination**

Criteria	Imported product	SACU product
<b>Raw materials</b>	Low carbon, low nickel, chrome and molybdenum content manganese steel in round sections.	Low carbon, low nickel, chrome and molybdenum content manganese steel in round sections.
<b>Physical appearance</b>	Both the imported product and the SACU product have the same physical appearance and characteristics.	Both the imported product and the SACU product have the same physical appearance and characteristics.
<b>Tariff classification</b>	7315.82	7315.82
<b>Production process</b>	Pickling, cutting, bending, pressing, welding and packaging.	Pickling, cutting, bending, pressing, welding and packaging.
<b>Application or end use</b>	Retail/hardware, household, transport, marine and industrial applications.	Retail/hardware, household, transport, marine and industrial applications.
<b>Substitutability</b>	The imported product and the SACU product are direct substitutes.	The imported product and the SACU product are direct substitutes.

The Commission considered comments that certain types of chain should be excluded from the investigation, but found that SARS will not be able to exclude these chains from the anti-dumping duty, if any.

After considering all the above factors and the comments received, the Commission was satisfied that the SACU product and the imported product were “like products” for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.

### **3. INDUSTRY STANDING**

The Applicant is the only manufacturer of the subject product in SACU. The application is therefore supported by 100 per cent of the SACU industry.

The Commission decided that the application could be regarded as being made “by or on behalf of the domestic industry” under the provisions of the Anti-dumping Agreement.



## **4. DUMPING**

### **4.1 METHODOLOGY IN THIS INVESTIGATION FOR SICHUAN LONGCHAN HONGFA CHAIN PRODUCE CO LTD IN THE PRC**

#### **4.1.1 Normal Value**

##### **Type of economy**

Sichuan Longchan Hongfa Chain Produce Co, Ltd (Sichuan) responded in full to the Commission's exporter questionnaire and indicated that it is selling its product in the ordinary course of trade in the PRC.

The Commission noted that Mr Shou Bin is the only shareholder of the company. Information was submitted that Sichuan bought its raw materials at competitive prices and that it sold its products to customers based on orders placed at competitive prices.

The Commission found that the labour is not unionized and that the production facilities are relatively small. Although no audited financials could be provided, as this is not a requirement for these small businesses, the company complied with general accepted accounting principles.

Based on the information submitted by Sichuan, the Commission decided that Sichuan sells its product in the ordinary course of trade in the PRC and that the normal value be based on its actual domestic sales in the PRC and that the definition of section 32 (2)(b)(i) of the ITA Act applies.

##### **Calculation of normal value**

The Commission found that Sinchuan sells the subject product on the domestic market in the PRC. The actual invoiced sales were used to calculate the normal value.

##### **Adjustments to the normal value**

The following adjustment to the normal value was claimed by the Exporter and allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices.

##### **(i) Inland freight**

An adjustment for the domestic freight charges to deliver the product to the customers was made to the normal value.

#### **4.1.2 Export price**

##### **Calculation of export price**

Sinchuan, the manufacturer of the product, sells the product to Chongqing Minmetal and Machinery Import Export Company Limited (Minmetal) which export the product to SACU.

Both these companies responded to the Commission's questionnaire. Minmetal is only a trader and does not manufacture the subject product. In line with the Commission's policy it was indicated to Minmetal that the Commission does not grant individual treatment to traders but only to manufacturers. Minmetal's information was only used to calculate the export price.

The Commission decided to calculate the ex-factory export price based on the sales from Sinchuan to Minmetal.

##### **Adjustments to the export price**

The Commission made the following adjustments to the export price, as verified by the investigators, for purposes of calculating the ex-factory export price:

##### **(i) Inland freight**

An adjustment for the inland freight charges from the factory to the river, where the product is shipped to Shanghai for export, was made to the export price.

#### **4.1.3 Margin of dumping**

Dumping margin as a percentage of the export price was calculated to be (17.6%).

### **4.2 METHODOLOGY IN THIS INVESTIGATION FOR RUDONG CHAIN WORKS IN THE PRC**

#### **4.2.1 Normal Value**

##### **Type of economy**

The Applicant, in its application, indicated that it believes that the subject product is not sold in the ordinary course of trade in the PRC and that the normal value calculations should be done with the definition of Section 32(4) of the ITA Act as basis.

Rudong Chain Works Co, Ltd (Rudong) responded in full to the Commission's exporter questionnaire and indicated that it is selling its

product in the ordinary course of trade in the PRC.

The Commission found that Rudong is a multi-shareholder company with a number of directors. The Commission found that raw materials were bought from more than one supplier at competitive prices. Sales were made at competitive prices on orders received from customers. Labour is unionized and a formal process is in place for hiring and dismissing of employees. The production facilities are advanced and most of the machines are imported. Audited financial statements were submitted.

Based on the information submitted, the Commission decided that Rudong sold its product in the ordinary course of trade in the PRC and that the normal value be based on its actual domestic sales in the PRC and that the definition of section 32 (2)(b)(i) of the ITA Act applies.

### **Calculation of normal value**

Rudong sells the subject product on the domestic market in the PRC. The actual invoiced sales were used to calculate the normal value.

The normal values for the grades of chain exported to SACU during the POI were calculated.

Where it was found that more than 20% of sales were made at a loss, if calculated per grade, these sales were excluded from the normal value calculations. A cost build-up was done for one grade where the domestic sales made at a loss were excluded, the domestic sales volume was less than 5% of the export sales volumes.

### **Adjustments to the normal value**

The following adjustment to the normal value was claimed by the exporter and allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices:

#### **(i) Inland freight**

An adjustment for the domestic freight charges to deliver the product to the customers was made to the normal value.

## **4.2.2 Export price**

### **Calculation of export price**

A record of all export sales to SACU during the POI was provided on a transaction by transaction basis.

## **Adjustments to the export price**

The Commission made the following adjustments to the export price, as verified by the investigators, for purposes of calculating the ex-factory export price:

### **(i) Inland freight**

An adjustment for the inland freight charges from the factory to the ship was made.

### **(ii) Ocean freight**

An adjustment for the ocean freight charges from the PRC to SACU was made. The adjustment was made on each transaction where the cost was included in the selling price.

### **(iii) Insurance**

An adjustment for the insurance cost was made to the CIF sales made to SACU. The adjustment was made on each transaction where the cost was included in the selling price.

### **(iv) Port charges**

An adjustment for port charges on the exports to SACU was made where applicable in order to calculate the ex-factory export price.

### **(v) Cost of payment terms**

It was found that one of the customers in SACU received payment terms. An adjustment was made to these sales based on the amount of days on the amount of days and the applicable interest rate.

## **4.2.3 Margin of dumping**

The weighted average margin of dumping was calculated to be 2.43%.

## **4.3 METHODOLOGY IN THIS INVESTIGATION FOR ALL THE NON-COOPERATING EXPORTERS IN THE PRC**

### **4.3.1 Normal Value**

#### **Type of economy**

The Applicant indicated that it believes that the subject product is not sold in the ordinary course of trade in the PRC. Therefore, the calculations are done with the definition of Section 32(4) of the ITA Act as basis.

### **Calculation of normal value**

The Applicant nominated Australia as a third country for the PRC for purposes of calculating the normal value in this investigation.

The Applicant indicated that it believes that the chain manufacturing industry in the PRC and that of Australia is on the same level of development. The Applicant further stated that the manufacturing of chain involves similar processes, which increases the homogeneity of the product concerned.

The Commission considered all the comments submitted by interested parties on the use of Australia as a suitable third country. The Commission, however, decided to use the actual, verified sales information submitted by PWB Anchor in Australia to calculate the normal value.

The information submitted by PWB Anchor was verified.

The actual domestic sales on the Australian market of the subject products were submitted and this information was used to calculate the normal value. The sales values net of GST were used to calculate the normal value.

### **Adjustments to the normal value**

The following adjustments to the normal value were made by the Commission to calculate the ex-factory normal value:

#### **(i) Inland freight**

An adjustment to the domestic freight charges to deliver the product to the customers was made.

#### **(ii) Payment terms**

An adjustment for payment terms given to certain customers was made to these sales.

### **4.3.2 Export price**

#### **Calculation of export price**

The export price to SACU was based on the official import statistics as obtained from SARS for the period 1 July 2005 to 30 June 2006.

### **4.3.3 Margin of dumping**

The dumping margin expressed as a percentage of the FOB export price was calculated to be 52.9%

#### 4.4 SUMMARY - DUMPING

For purposes of its preliminary determination, the Commission considered all the comments from interested parties and found that the subject product originating in PRC was being dumped into the SACU market with the following margins:

Table 4.4: Margin of dumping

Country of origin PRC	Dumping margin expressed as a percentage of ex-factory export price
Sichuan Longchan Hongfa Chain Produce Co Ltd	(17.60%)
Rudong Chain Works.	2.43%
All other manufacturers	52.9%

## **5. MATERIAL INJURY**

### **5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION**

The following injury analysis relates to Scaw Metals Group Chain Products, the Applicant, which constitutes 100 per cent of the total domestic production of the subject product.

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 Anti-Dumping Agreement.

### **5.2 EXTRAPOLATION OF THE 2006 FIGURES**

The Applicant submitted information on material injury for the period 1 January 2003 to 30 June 2006. The Applicant indicated that its chain products division changed to a new IT system (SAP) and no history information was loaded. It indicated that it was basically impossible to extract half-year information for the years prior to 2006 from its archives then. In order to determine the trends on annual data for the purposes of the merit submission, the information for January to June 2006 was extrapolated for a full year in order to compare this information to the other years' information.

The Commission compared the acted 2006 financial information to the extrapolated 2006 figures and found that the trends were substantially the same.

The Commission, therefore, decided to deviate from its practise to compare the January to June 2006 figures with the corresponding 6 months' information for the period 2003 – 2005 and accept the extrapolated figures to evaluate the trends.

Therefore, the material injury information in this report for 2006 relates to the January to June 2006 figures, which was extrapolated for a full year.

### 5.3 IMPORT VOLUMES AND EFFECT ON PRICES

#### Basic Data Set

Year	Unit	Subject Imports	Other imports	Applicant's Production	Inventories	Applicant's sales volumes
2003	tons	749	573	100	100	100
2004	tons	887	619	83	104	94
2005	tons	1 032	504	76	69	98
2006	tons	1 243	373	79	111	79

The Applicant's information in the table was indexed due to confidentiality using 2003 as the base year.

In any dumping investigation, the Commission normally uses audited import statistic from SARS to determine the volume of the subject product entering the SACU from the countries under investigation. It considers these statistics to be the most reliable. The alleged dumped imports as a percentage of total imports increased significantly over the investigation period, to 76.9% in 2006.

The Applicant's production and sales decrease over the period of investigation (POI), which the Applicant alleged is as a result of the increase in dumped imports.

The Commission noted both the importers and the Applicant's comments on the stock availability from the Applicant.

#### Examination under Article 3.2

#### Growth of Subject Imports

Variable	Unit of Measurement	Year				Change
		2003	2004	2005	2006	2003/2006
Subjects imports/ domestic production	%	100	142	181	210	110
Subjects imports/ domestic consumption	%	100	105	120	145	45

The information in this table was indexed due to confidentiality using 2003 as the base year.



### Price Effects of Subject Imports

Variable	Unit of Measurement	Year				Change
		2003	2004	2005	2006	2003/2006
Average import price (fob)	Rands	100	114	114	108	8
Average price of domestic product (ex-factory) (price depression)	Rands	100	104	111	108	8
Price undercutting	%	100	75	93	98	6
Cost as % of selling price (suppression)	%	100	112	111	114	14

The information in this table was indexed due to confidentiality using 2003 as the base year.

The information in the tables above indicates that the alleged dumped imports as a percentage of domestic production and of domestic consumption increased. The price undercutting decreased over the period, but still remains at a high level.

The Applicant did not experience price depression, but its prices did not increase in line with its increases in costs and the Applicant, therefore, experienced price suppression.

The Commission considered the comments received from interested parties on the pricing of the Applicant.

## 5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

### Examination under Article 3.4

Variable	Unit of Measurement	Year				Change
		2003	2004	2005	2006	2004/2006
Sales:	tons	100	94	97	79	(21)
Inventories (quantities)	tons	100	104	69	111	11
Output (quantities)	tons	100	83	76	79	(21)
Market share of Applicant	%	100	88	88	73	(27)
Market share of alleged dumped imports	%	100	110	126	154	54
Market share of other imports	%	100	101	80	60	(40)
Capacity utilization	%	100	83	76	79	(21)
Employment	units	100	100	97	101	1
Wages (total wage bill, monthly average)	Rands	100	108	116	128	28
Productivity (output/worker)	Unit / employee	100	85	78	78	(22)

The information in this table was indexed due to confidentiality using 2003 as the base year.

The information in the table indicates that the Applicant had a decrease in its sales volumes, output, market share, productivity and capacity utilization.

The Applicant's employment remained constant, while the wages increased.

The market share of the alleged dumped imports increased, while the market share of other imports decreased.

The Commission considered comments submitted by interested parties on the availability of product from the Applicant and the Applicant's response. All the comments are available on the public file.

Variable	Unit of Measurement	Year				Change
		2003	2004	2005	2006*	2003/2006
Profit	(Rands/unit)	100	69	74	66	(34)
Cash flow	Rands	100	62	67	54	(46)
Return on investment	%	100	83	75	57	(43)
Ability to raise capital (capital expenditure)	Rands	100	50	155	70	(30)
Growth in SACU market	%	-	100	147	(125)	(225)
Growth of Applicant	%	-	(100)	49	(312)	(412)
Factors affecting domestic prices (cost of raw material per unit)	Rand/ton	100	116	123	122	22
Magnitude of the margin of dumping	Rudong Chain Works All other manufacturers					2.43% 52.9%

The information in this table was indexed due to confidentiality using 2003 as the base year.

The information in the table indicates that the Applicant's profit and return on investment declined. There was a negative effect on the cash flow and the ability to raise capital.

The Commission considered all comments received. The comments are available on the public file.

## 5.5 CONCLUSION - MATERIAL INJURY

After considering all relevant factors and taking all comments into account, the Commission made a final determination that the Applicant was suffering material injury in that:

- the alleged dumped imports had increased significantly;
- there was price undercutting;
- it experienced price suppression;
- its sales declined
- its output declined;
- its profits decreased;
- its market share declined;
- its utilisation of production capacity declined;
- its productivity declined;
- there was a negative effect on its cash flow;

- its return on investment declined;
- its employment declined; and
- there was a negative effect on its growth.

## **6. CAUSAL LINK**

### **6.1 GENERAL**

In order for the Commission to make a preliminary determination, it must be satisfied that there is sufficient evidence to indicate that the material injury experienced by the SACU industry is as a result of the dumping of the subject products.

### **6.2 VOLUME OF IMPORTS AND MARKET SHARE**

An indication of causality is the extent of the increase of volume and the extent to which the market share of the domestic industry has decreased since the commencement of injury, with a corresponding increase in the market share of the alleged dumped product.

The following table compares the market share of the SACU industry with that of the alleged dumped imports:

Table 6.2.1: Market share

<b>Percentage market share held by:</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Applicant	100	88	88	73
Alleged dumped imports	100	110	126	154
Other imports	100	101	80	60

The information in this table was indexed due to confidentiality using 2003 as the base year.

The information in the table indicates that the market share of the Applicant decreased over the POI, with a corresponding increase in the market share of the alleged dumped imports.

The following table shows the volume of imports:

Table 6.2.2: Import volumes

<b>Import volumes (Tons)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Alleged dumped imports	749	887	1 032	1 243
Other imports	573	619	504	373
Total imports	1 322	1 506	1 536	1 616
Alleged dumped imports as a % of total imports	56.7%	58.9%	67.2%	76.9%

The alleged dumped imports increased significantly over the POI. The alleged dumped imports as a percentage of the total imports of the subject product also increased over the POI.

### 6.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

**Table 6.3.1: Price undercutting, price depression and price suppression**

<b>Price undercutting, depression and suppression</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Applicant's ex-factory average price	100	104	111	108
Cost as a % of selling price	100	112	111	114
Price undercutting %	100	75	93	98

The information in this table was indexed due to confidentiality using 2003 as the base year.

The information in the table above indicates that the price of the imported product is undercutting the Applicant's price. The Applicant's selling price increased slightly over the POI, but not in relation to the increase in the cost of the product.

### 6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

<b>Material injury indicator</b>	<b>Analysis (2003 – 2006)</b>
Sales volume	Decrease
Profit	Decrease
Output	Decrease
Market share	Decrease
Productivity	Decrease
Return on investment	Decrease
Utilisation of capacity	Decrease
Cash flow	Decrease
Inventories	Increase
Employment	Decrease
Wages	Increase
Growth	Decrease
Ability to raise capital	Decrease

From the information in the table it is clear that the Applicant did not decreased its selling prices, but that its volumes decreased over the POI. All the other factors show that there was a negative effect.

## 6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

### 6.5.1 Examination of causality under Article 3.5

Variable	Year				Change (%)
	2003	2004	2005	2006	2003/2006
Prices of imports not sold at dumping prices (fob price) (R/ton)	26 107	25 350	32 101	31 241	19.7
Volume of imports not sold at dumping (Tons)	573	619	504	373	(34.9)
Growth rate for subject product industry	100	107	110	108	8
Changes in the patterns of consumptions	The Applicant indicated that there is none.				
Trade-restrictive practices of foreign and domestic producers	The Applicant indicated that there is none.				
Competition between foreign and domestic producers	The Applicant is the only SACU manufacturer; therefore there is no competition between domestic producers.				
Developments in technology	The Applicant indicated that there was none.				
Export performance of the domestic industry	The Applicant stated that its export performance could not detract from the causal link, as it did not export the subject product during the POI.				
Productivity of the domestic industry	The Applicant stated that its productivity is on par with other foreign manufacturers. Bantam indicated that the Applicant indicated under material injury that its productivity decrease, but that this is not the case with the PRC.				

The growth rate information in this table was indexed due to confidentiality using 2003 as the base year.

The Commission considered comments submitted by interested parties on the unavailability of stock from the Applicant and the pricing of the Applicant. All the comments are available in the public file.

## 6.6 SUMMARY ON CAUSAL LINK

After considering all relevant factors and comments, the Commission found that there was a causal link between the dumped products and the material injury suffered by the Applicant. In coming to this conclusion the Commission considered relevant factors other than dumping that could be causing material injury and decided that these did not detract from the causal link.

## **7. SUMMARY OF FINDINGS**

### **7.1 Dumping**

Based on the information as verified, the Commission found that the subject product originating in or imported from the PRC was imported at dumped prices into the SACU market by Rudong Chain Works and non-cooperating exporters.

The following dumping margin was calculated:

<b>Country of origin PRC</b>	<b>Dumping margin expressed as a percentage of ex-factory export price</b>
Sichuan Longchan Hongfa Chain Produce Co Ltd	(17.60%)
Rudong Chain Works.	2.43%
All other manufacturers	52.9%

### **7.2 Material Injury**

The Commission found that the Applicant suffered material injury in the form of price undercutting, price suppression, the decline in output, sales, profit, market share, productivity, capacity utilization, negative effect on cash flow, return on investment and growth.

### **7.3 Casual link**

After considering all relevant factors and comments, the Commission found that there was a causal link between the dumped products and the material injury suffered by the Applicant. In coming to this conclusion the Commission considered relevant factors other than dumping that could be causing material injury and decided that these did not detract from the causal link.



## **8. PROVISIONAL MEASURES**

### **8.1 Calculation of provisional measures**

The Commission found that all requirements for the imposition of a provisional payment have been fulfilled.

In accordance with Article 9.1 of the Anti-Dumping Agreement, the provisional payments should be less than the dumping margin if such lesser duty would be adequate to remove the injury to the domestic industry. The provisional payment should therefore not be more than the amount of the price disadvantage experienced by the SACU industry. If this is lower than the dumping margin it can be considered to be the amount of duty required to prevent further injury to the SACU industry during the investigation as a result of the further importation of the subject product at the dumping margins that were found by the Commission.

### **8.2 Price disadvantage**

The price disadvantage is the extent to which the price of the imported product (landed cost) is lower than the unsuppressed and undepressed ex-factory selling price of the SACU product.

The Applicant's unsuppressed selling price was calculated based on the cost of production for 2006 and adding the same gross profit margin, as a percentage of cost of production, as that of 2003.

The landed cost and the FOB export price were based on the verified information from L&G Tool. The price disadvantage as a percentage of the FOB export price was calculated to be 76.5%.

### **8.3 Amount of provisional measure**

The amount of duty was concluded to be the following, being the lesser of the price disadvantage or the dumping margin:

Table 8.4: Amount of duty

<b>Company</b>	<b>Amount of provisional measure</b>
Rudong Chain Works	2.4%
All other exporters from the PRC (excluding Sichuan)	52.9%

## 9. PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

1. The subject product originating in or imported from the PRC (excluding those imported from Sichuan Longchan Hongfa Chain Produce co Ltd) is being dumped into the SACU market;
2. The SACU industry is suffering material injury;
3. There is a causal link between the dumping of the subject product and the material injury experienced by the SACU industry;

The Commission decided to request the Commissioner for South African Revenue Service to impose the following provisional payments for a period of 26 weeks:

Exporter	Provisional measures
Rudong Chain Works.	2.43%
All other exporters from the PRC (excluding those imported from Sichuan Longchan Hongfa Chain Produce co Ltd	52.9%

These provisional payments are the amount required to prevent further injury being experienced by the SACU industry as a result of further imports of the subject product at dumped prices, which constitute dumping during the course of the investigation before the Commission makes its final determination.

The Commission indicated that it was considering making a final determination to recommend to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on the subject product, after considering comments to this preliminary report.