


**REPORT NO. 187**

**INVESTIGATION INTO THE ALLEGED DUMPING OF  
STAINLESS STEEL TUBES AND PIPES ORIGINATING  
IN OR IMPORTED FROM CHINESE TAIPEI: FINAL  
DETERMINATION**

**THE INTERNATIONAL TRADE ADMINISTRATION  
COMMISSION OF SOUTH AFRICA HEREWITH PRESENTS  
ITS REPORT No. 187: INVESTIGATION INTO THE  
ALLEGED DUMPING OF STAINLESS STEEL TUBES AND  
PIPES ORIGINATING IN OR IMPORTED FROM CHINESE  
TAIPEI: FINAL DETERMINATION**



**Mr Itumeleng Masege  
ACTING CHIEF COMMISSIONER**

**PRETORIA**

18 August 2006

## 1. APPLICATION AND PROCEDURE

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1.1 This investigation was conducted in accordance with the International Trade Administration Act, 2002 (Act 71 of 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 Anti-Dumping Regulations (ADR).

1.2 The application was lodged by Barloworld Stainless, a manufacturer of stainless steel tubes and pipes in the SACU.

Other SACU producers through SASSDA indicated their support for the application.

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 01 June 2005. The trade representative of the country concerned was advised accordingly.

1.4 The Commission formally initiated an investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from Chinese Taipei pursuant to Notice No.890 which was published in *Government Gazette* No. 27641 on 10 June 2005.

1.5 The investigation period for dumping was from 01 October 2003 to 30 September 2004. The injury investigation involved evaluation of data for the period 01 October 2002 to 30 September 2004.

1.6 The SACU producer of the subject product, namely Barloworld Stainless, submitted the information contained in this report.

Other SACU producers through SASSDA indicated their support for the application.

1.6 Responses to the Commission's exporter questionnaire were received from the following manufacturers of the subject product in Chinese Taipei:

- Ta Chen
- Yeun Chyang Industrial
- Jaung Yuann Enterprises (now known as Froch Enterprises).

1.7 The investigation was also initiated against the PRC, India and Malaysia but no responses were received from the subject countries. The investigation was therefore split between the responding country and the non-responding countries.

This report will therefore exclude information in respect of PRC, India and Malaysia.

1.8 The following SACU importers responded to the Commission's questionnaires:

- (a) Natal Stainless Steel
- (b) Stalcor
- (c) Jacksons Metals
- (d) Petro Pulp Stainless Steel cc
- (e) Kendo International
- (f) Steelway SA
- (g) Cat Alloys cc
- (h) International Metal Factoring cc
- (i) Macsteel
- (j) Energy Metals
- (k) Eurosteel Natal
- (l) NDE

(m) Steelmor

- 1.9 After considering all parties' comments, the Commission on 22 February 2006, made a preliminary determination that stainless steel tubes and pipes originating in or imported from Chinese Taipei were not being dumped on the SACU market. The Commission, therefore, decided to recommend to the Minister of Trade and Industry that the investigation be terminated
- 1.10 Based on the details as contained in the Commission's preliminary report and the comments received on this report, the Commission made a final decision that it was considering to confirm its preliminary determination that the subject product was not being dumped on the SACU market.
- 1.11 The Commission therefore indicated that it was considering making a final determination to recommend to the Minister of Trade and Industry that the investigation be terminated.
- 1.12 The Commission sent out letters to all interested parties, informing them in terms of Section 37 of the International Trade Administration Anti-Dumping Regulations and Article 6.9 of the Anti-Dumping Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade of the "essential facts" which were being considered by the Commission. The Commission invited comments from interested parties on these "essential facts" being considered by the Commission.
- 1.13 On 26 July 2006, after taking into consideration the comments from interested parties, the Commission made a final determination that the subject product from Chinese Taipei was not being dumped on the SACU market.

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

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### **2.1 IMPORTED PRODUCTS**

#### **2.1.1 Description**

The subject product is described as welded stainless steel tubes of circular cross-section with an outside diameter of 12mm and more, but not exceeding 160mm with a wall thickness of 1mm or more but not exceeding 6mm classified under tariff subheading 7306.40".

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

The subject products are exported from Chinese Taipei.

#### **2.1.3 Application/end use**

The welded stainless steel tubes are used for conveyance, structural or ornamental applications.

The product has a wide variety of applications for structural, architectural and decorative uses through to food and beverage processing and as general service in all types of mining, industrial, medical and petrochemical equipment manufacturing.

#### **2.1.4 Tariff classification**

The subject product is classifiable as follows:

**Table 2.1.4**

Tariff subheading	Description	Duty		
		General	EU	SADC
73.06	Other Tubes, Pipes and Hollow Profiles (for example, Open Seam or Welded, Riveted or Similarly Closed) of Iron or Steel:			
7306.40	- Other, welded, of circular cross-section, of stainless steel	10%	3.3%	Free

## 2.1.5 Other applicable duties and rebates

The subject product is subject to the following revised anti-dumping duties which were re-imposed on 18 June 2004:

**Table 2.1.5**

Tariff subheading	Description	Imported from or originating in	Duty
7306.40	Tubes and pipes welded of circular cross section, of stainless steel, with an outside diameter of 21,34mm or more but not exceeding 114,3mm and a wall thickness of 2mm or more but not exceeding 6mm.	Malaysia	20%
		Chinese Taipei (excluding that manufactured by Ta Chen Stainless Pipe Co, Ltd)	41,8%
		South Korea	47,6%

## 2.1.6 Negligibility test

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

**Table 2.1.6: Import Volumes**

kg	Import volumes 2002	2002 % of total	Import volumes 2003	2003 % of total	Import volumes 2004 (Jan – Sept)	2003 % of total
Alleged dumped imports	402,911	26%	575,028	31%	1,132,740	46%
Other imports	1,131,551	74%	1,292,630	69%	1,344,141	54%
Total imports	1,534,462	100%	1,867,658	100%	2,476,881	100%

The information in the table above indicates that the dumped imports from Chinese Taipei accounted for 46 per cent of the total imports of the like product for the period 2004 (Jan – Sept).

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The subject product is described as “welded stainless steel tubes of circular cross-section with an outside diameter of 12mm to 160mm and a wall thickness of 1mm or more but not exceeding 6mm classified under tariff subheading 7306.40.

### **2.2.2 LIKE PRODUCTS ANALYSIS**

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

**Table 2.2.2: Like product determination**

	<b>Imported product</b>	<b>SACU product</b>
<b>Raw materials</b>	The raw materials are stainless steel coils.	The raw materials are stainless steel coils.
<b>Physical appearance</b>	Welded stainless steel tubes of circular cross-section with an outside diameter of 12mm and more, but not exceeding 160mm with a wall thickness of 1mm or more but not exceeding 6mm.	Welded stainless steel tubes of circular cross-section with an outside diameter of 12mm and more, but not exceeding 160mm with a wall thickness of 1mm or more but not exceeding 6mm.
<b>Tariff classification</b>	The imported products are classifiable under tariff subheading 7306.40.	Locally produced products are classifiable under tariff subheading 7306.40.
<b>Production process</b>	The tube is manufactured from annealed stainless steel and welded with no addition of filler metal. The tube is then cut to length. Pressure, helium leak and eddy current tests are done on the tube if required.	The tube is manufactured from annealed stainless steel and welded with no addition of filler metal. The tube is then cut to length. Pressure, helium leak and eddy current tests are done on the tube if required.



<b>Application or end use</b>	<p>The welded stainless steel tubes are used for conveyance, structural or ornamental applications.</p> <p>The product has a wide variety of applications for structural, architectural and decorative uses through to food and beverage and automotive exhaust duty as well as general service in all types of mining, industrial, medical and petrochemical equipment.</p>	<p>The welded stainless steel tubes are used for conveyance, structural or ornamental applications.</p> <p>The product has a wide variety of applications for structural, architectural and decorative uses through to food and beverage and automotive exhaust duty as well as general service in all types of mining, industrial, medical and petrochemical equipment.</p>
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After considering all the above factors and the comments received, the Commission was satisfied that the SACU product and the imported products were "like products" for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.

### **3 INDUSTRY STANDING**

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The information was obtained from Barloworld Stainless, a manufacturer of stainless steel tubes and pipes in the SACU. Other SACU producers through SASSDA, provided support for the application.

The Commission decided that the Application could be regarded as being made "by or on behalf of the domestic industry" under the above provisions of the Anti-Dumping Agreement.

## **4. DUMPING**

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### **4.1 METHODOLOGY IN THIS INVESTIGATION FOR CHINESE TAIPEI**

#### **4.1.1 Normal Value**

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

Chinese Taipei is considered to be a country with free market economy. Therefore definition of section 32 (2)(b) of the ITA Act was applied as a basis.

##### **Ta Chen Stainless Steel Pipe Co. Ltd**

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

Like products to those exported to the SACU were sold in the domestic market in Chinese Taipei in the ordinary course of trade. The normal value was therefore determined using section 32(2)(b)(i) of the ITA Act as a basis.

Invoiced sales values to distributors were used as the basis for determining the normal value.

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

The following adjustments to the normal value, which were verified, were 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) Domestic delivery costs*

The exporter indicated that included in the selling prices in its domestic market was the cost for delivery. These costs were verified.

*(ii) Packaging costs*

The exporter indicated that domestic packaging was the same as the packaging used for exports.

The adjustment for packaging was calculated by dividing the cost by the weight. This was verified by the investigators.

*(iii) Inventory carrying cost*

The exporter indicated that it provided specific services to buyers in the domestic market and that the subject products are stored in a warehouse specifically for the domestic market.

The adjustment only applied to domestic sales. For exports, the subject products are moved directly from the factory to the containers for shipping.

#### **4.1.2 Export Price**

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

Like products to those sold in the domestic market in Chinese Taipei were exported to the SACU area during the period of investigation. The export price was therefore determined using section 32(2)(a) of the ITA Act (Act 71 of 2002) as a basis.

Export sales invoices from the exporter to distributors in the SACU were used to determine the export value.

## **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*
- (ii) *Ocean freight and handling costs*
- (iii) *Packaging*
- (iv) *Export insurance*

### **4.1.3 Margin of dumping**

A dumping margin, expressed as a percentage of the fob export price, was calculated to be negative.

## **4.2 Yeun Chyang Industrial Co. Ltd**

### **4.2.1 Normal Value**

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

Like products to those exported to the SACU were sold in the domestic market in Chinese Taipei in the ordinary course of trade. The normal value was therefore determined using section 32(2)(b)(i) of the ITA Act as a basis.

Invoiced sales values to distributors were used as the basis for determining the normal value.

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

The following adjustments to the normal value, which were verified, were 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) Cost of payment terms*

The exporter claimed for domestic cost of payment terms.

*(ii) Domestic delivery costs*

The exporter claimed for domestic delivery costs. These costs were verified.

*(iii) Packaging costs*

The exporter claimed for packaging costs. It was indicated that the costs for domestic packaging differed to the costs for export packaging.

The adjustment for packaging was calculated by dividing the cost by the weight. This was verified by the investigators.

#### **4.2.2 Export Price**

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

Like products to those sold in the domestic market in Chinese Taipei were exported to the SACU area during the period of investigation. The export price was therefore determined using section 32(2)(a) of the ITA Act (Act 71 of 2002) as a basis.

Export sales invoices from the exporter to distributors in the SACU were used to determine the export value.

## **Adjustments to the export price**

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

### *(i) Delivery charges*

The exporter indicated that included in the selling prices in its domestic market was the cost for delivery. Therefore, the adjustment for inland and ocean freight was calculated by dividing the cost by the weight. These costs were verified.

### *(ii) Packaging*

The adjustment for packaging was calculated by dividing the cost by the weight.

### *(iii) Exporting expenses*

The adjustment for exporting expenses, which includes brokerage and export related bank charges, was calculated by dividing the cost by the weight.

## **4.2.3 Margin of dumping**

A dumping margin, expressed as a percentage of the fob export price, was calculated to be negative.

### **4.3 Froch Enterprise Co. Ltd**

#### **4.3.1 Normal Value**

##### **Calculation of Normal Value**

Like products to those exported to the SACU were sold in the domestic market in Chinese Taipei in the ordinary course of trade. The normal value was therefore determined using section 32(2)(b)(i) of the ITA Act as a basis.

Invoiced sales values to distributors were used as the basis for determining the normal value.

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

The following adjustment to the normal value, which was verified, was claimed by the exporter and allowed by the Commission:

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

The exporter claimed an adjustment for domestic cost of payment terms.

#### **4.3.2 Export Price**

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

Like products to those sold in the domestic market in Chinese Taipei were exported to the SACU area during the period of investigation. The export price was therefore determined using section 32(2)(a) of the ITA Act (Act 71 of 2002) as a basis.

Export sales invoices from the exporter to distributors in the SACU were used to determine the export value.



## **Adjustments to the export price**

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

*(i) Cost of payment terms*

*(ii) Ocean freight*

*(iii) Insurance*

### **4.3.3 Margin of dumping**

A dumping margin, expressed as a percentage of the fob export price, was calculated to be negative.

### **4.4 Residual dumping margin**

Since there may be other manufacturers of the subject product in Chinese Taipei who are not known and/or who did not co-operate during the investigation period, the residual dumping margin was calculated by comparing the highest normal value of the cooperating exporters before adjustments to the export price based on the import statistics.

Based on the information the residual dumping margin as a percentage of the fob export price was calculated to be 0.1 per cent. The Commission regarded this margin to be *de minimis*.

### **4.5 CONCLUSION - DUMPING**

For purposes of its final determination, the Commission considered all the comments from interested parties and found that the subject

products originating in or imported from Chinese Taipei were not being dumped into the SACU market.

## **5. MATERIAL INJURY**

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

The following injury analysis relates to Barloworld Stainless, the Applicant, which constitutes 42 per cent of the total domestic production of the subject product.

The Commission decided that this constitutes “a major proportion” of the total domestic production, in accordance with Article 4.1 of the Anti-Dumping Agreement.

### **5.2 CUMULATIVE ASSESSMENT**

The Commission found that the subject products compete directly with the other imported products and with the SACU manufactured product.

Based on this information, the Commission decided to cumulatively assess the effect of the subject products.

### **5.3 IMPORT VOLUMES AND EFFECT ON PRICES**

#### **Basic Data Set**

Year	Unit	Subject Imports (kg)	Other imports (kg)	Applicant's Production	Inventories	Applicant's sales volumes
2002	kg	402,911	1,131,551	100	100	100
2003	kg	575,028	1,292,630	111	234	100
2004 (Jan – Sept)	kg	1,132,740	1,344,141	70	185	79

Some of the information in this table was indexed due to confidentiality using 2002 as the base year.

## Examination under Article 3.2

### Growth of Subject Imports

Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Subjects imports/domestic production	%	100	110	232	132
Subjects imports/domestic consumption	%	100	141	203	103

The information in this table was indexed due to confidentiality using 2002 as the base year.

### Price Effects of Subject Imports

Variable	Unit of Measurement	Year		
		2002	2003	2004
Average price of domestic product (ex-factory) (price depression)	R/kg	100	122	125
Price undercutting	%	Negative	Negative	Positive
Cost as % of selling price (Suppression)	%	100	93	103

The information in this table was indexed due to confidentiality using 2002 as the base year.

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

### Examination under Article 3.4

Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Sales:					
Quantities	kg	100	100	79	(21)
Inventories (quantities)	kg	100	234	185	85
Output (quantities)	kg	100	111	70	(30)
Market share of Applicant	Percentage	100	101	98	(2)
Market share of other SACU manufacturers (if applicable)	Percentage	100	94	86	(14)
Market share of alleged dumped imports	Percentage	100	141	203	103
Market share of other imports	Percentage	100	92	104	4

Capacity utilization	Percentage	100	88	74	(26)
Employment	Units	100	116	89	(11)
Wages (total wage bill, monthly average)	Rand	100	121	106	6
Productivity (output/worker)	Units per worker	100	126	103	3

The information in this table was indexed due to confidentiality using 2002 as the base year.

Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Profit	Rand	100	190	72	(28)
Cash flow	Rand	100	7	81	(19)
Return on investment	Percentage	100	102	42	(58)
Ability to raise capital (capital expenditure)	Rand	100	87	-	100
Growth in SACU market	Percentage	100	Negative	Negative	-
Growth of Applicant	Percentage	100	Nil	Negative	-
Factors affecting domestic prices	Rand/unit	100	114	129	29
Magnitude of the margin of dumping	Ta Chen Stainless Steel Pipe Co. Ltd – Negative Yeun Chyang Industrial Co. Ltd – Negative Froch Enterprise Co. Ltd – Negative Residual dumping margin - 0.1%				

The information in this table was indexed due to confidentiality using 2002 as the base year.

## 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 dumped imports had increased significantly;
- there was price undercutting;
- it experienced price suppression;
- its output declined;
- its sales 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**

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### **6.1 GENERAL**

As negative dumping margins were found for the co-operating exporters in Chinese Taipei and the residual dumping margin is considered to be *de minimis*, the Commission did not consider causality.

## **7. SUMMARY OF FINDINGS**

### **7.1 Dumping**

The Commission found that the subject products originating in or imported from Chinese Taipei were not being dumped into the SACU market and were being dumped at a margin considered to be *de minimis*.

### **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, decline in sales, decline in profit, decline in market share, decline in productivity, decline in capacity utilization, negative effect on cash flow, negative effect on employment and increase in inventory levels.

### **7.3 Causal link**

As the Commission found that the subject products originating in or imported from Chinese Taipei were not being dumped into the SACU market or were being dumped at a margin considered to be *de minimis*, causality was not considered.



## 8. FINAL DETERMINATION

The Commission made a final determination that:

- the subject product originating in or imported from Chinese Taipei was not being dumped into the SACU market or were being dumped at a margin considered to be *de minimis*;
- the SACU industry suffered material injury; but
- factors other than dumping are causing the material injury to the SACU industry.

The Commission therefore decided to recommend to the Minister of Trade and Industry that the investigation on stainless steel tubes and pipes originating from Chinese Taipei be terminated.