Report No. 686

INVESTIGATION INTO THE ALLEGED DUMPING OF NON-ARTICULATED WELDED LINK CHAINS WHICH ARE MANUFACTURED FROM ROUND SECTION IRON OR STEEL WIRE, BARS OR RODS OF A DIAMETER OF 4 MM OR MORE, BUT NOT EXCEEDING 20 MM ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA): PRELIMINARY DETERMINATION

The International Trade Administration Commission of South Africa herewith presents its **Report No. 686: INVESTIGATION INTO THE ALLEGED DUMPING OF NON-ARTICULATED WELDED LINK CHAINS WHICH ARE MANUFACTURED FROM ROUND SECTION IRON OR STEEL WIRE, BARS OR RODS OF A DIAMETER OF 4 MM OR MORE, BUT NOT EXCEEDING 20 MM ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA): PRELIMINARY DETERMINATION**

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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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INVESTIGATION INTO THE ALLEGED DUMPING OF NON-ARTICULATED WELDED LINK CHAINS WHICH ARE MANUFACTURED FROM ROUND SECTION IRON OR STEEL WIRE, BARS OR RODS OF A DIAMETER OF 4 MM OR MORE, BUT NOT EXCEEDING 20 MM ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA): PRELIMINARY DETERMINATION

SYNOPSIS

The application was lodged by McKinnon Chain, a Division of Scaw South Africa (Pty) Ltd (the "Applicant"), the only manufacturer of non-articulated welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm in the Southern African Customs Union ("SACU").

The initiation notice for the investigation was published in the *Government Gazette* on 26 October 2021.

The investigation was initiated after the International Trade Administration Commission of South Africa (the "Commission") considered that the Applicant submitted *prima facie* information to indicate that the subject product was being imported at dumped prices, causing material injury and a threat of material injury to the SACU industry.

Upon initiation of the investigation, the known manufacturers/exporters of the subject product in the People's Republic of China ("China") were sent foreign manufacturers/exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete. The Government of China was also notified of the initiation of the investigation.

The Commission took all comments received from interested parties into account in making its preliminary determination. All non-confidential submissions made by interested parties are contained in the Commission's public file for this investigation and are available for perusal. It should be noted that this report does not purport to deal with each and every comment received and considered by the Commission. However, some of the salient comments received from interested parties and the Commission's consideration of these comments are specifically included in this report.

After considering all comments received from interested parties, the Commission made a preliminary determination that the subject product originating in or imported from China is being dumped onto the SACU market, causing material injury and a threat of material injury to the SACU industry.

The Commission therefore, decided to request the Commissioner for South African Revenue Service ("SARS") to impose the following provisional measures on imports of the subject product for a period of 6 months:

Tariff sub-headings	**Manufacturer**	**Rate of duty**
HS 7315.82.03 HS 7315.82.05	Rudong Chain Works	11.61%
	All other manufacturers/exporters (excluding Rudong Chain Works)	16.13%

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002 (Act 71 of 2002) (the "ITA Act") and the International Trade Administration Commission Anti-Dumping Regulations ("ADR") read with the World Trade Organisation ("WTO") Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the "Anti-Dumping Agreement").

1.2 APPLICANT

The application was lodged by McKinnon Chain, a Division of Scaw South Africa (Pty) Ltd, the only manufacturer of non-articulated welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm ("the subject product") in the SACU. The Applicant therefore represents 100 percent of the SACU domestic industry.

1.3 ACCEPTANCE OF APPLICATION

The application was accepted by the Commission as being properly documented in accordance with Regulation 2 of the ADR on 25 August 2021.

1.4 ALLEGATIONS BY THE APPLICANT

The Applicant alleged that imports of the subject product, originating in or imported from China were being dumped on the SACU market, thereby causing material injury and a threat of material injury to the SACU industry. The basis of the alleged dumping was that the goods are being exported to SACU at prices less than the normal value in the country of origin.

The Applicant further alleged that as a result of the dumping of the subject product from China it was suffering material injury in the form of:

(i) Price suppression;

(ii) Price depression;

(iii) Price undercutting;

(iv) Declining market share;

(v) Declining profits;

(vi) Declining return on investment;

(vii) Declining utilisation of production capacity;

(viii) Negative impact on cash flow;

(ix) Negative impact on inventory levels; and

(x) Slowdown in growth.

1.5 INVESTIGATION PROCESS

The Applicant submitted a properly documented application on 24 June 2021. The information submitted by the Applicant was verified on 21 July 2021 and a verification report was sent on 27 July 2021.

The Commission initiated an investigation into the alleged dumping of non-articulated welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm originating in or imported from China, pursuant to Notice No. 564 of 2021, which was published in *Government Gazette* No. 45176 on 17 September 2021.

Prior to the initiation of the investigation, the trade representative of the country concerned was notified of the Commission's intention to investigate, in terms of Regulation 27.1 of the ADR. All known interested parties were informed and requested to respond to the questionnaires and the non-confidential version of the application.

1.6 INVESTIGATION PERIODS

The period of investigation ("POI") for dumping is from 1 March 2020 to 28 February 2021. The material injury investigation involves evaluation of data for the period 1 March 2018 to 28 February 2021.

1.7 COMMENTS RECEIVED FROM INTERESTED PARTIES

The Commission considered all relevant comments received from interested parties with regard to the application and procedure. All non-confidential

responses received from interested parties are contained in the Commission's public file for this investigation. It should be noted that the report does not purport to address each and every comment and response considered by the Commission. However, some of the salient comments received from interested parties and the Commission's consideration of these comments are included.

1.7.1 Comments by NNR Trading International cc ("importer")

The importer stated that the size, material, application, tensile range, surface finish, etc. need to be individually specified. It also stated that the Applicant does not manufacture the full range of products for which they request a duty to be imposed.

Comments from the Applicant

In response to the importer's comments, the Applicant stated the Commission's investigation initiation notice clearly identifies the subject product as non-articulated welded link chains, manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm, classifiable under tariff subheadings 7315.82.03 and 7315.82.05.

It also stated that in section 1 of the ITA Act, "goods" is defined as including "in relation to any particular goods, any other goods that are reasonably capable of being substituted for them, taking into account ordinary commercial practice and geographical, technical and temporal constraints". The Applicant indicated that the importer has "boldly" stated that the Commission's investigation needs to be done on an individual product per specification. The Applicant stated that there is no need for it to make any distinction as to the different types or ranges of product that are domestically manufactured as all imported products from China, classifiable under the referred tariff subheadings, are products that compete against the domestic product, as they can be seen as substitute products.

The Applicant indicated that the subject product from China, classifiable under the identified tariff subheadings, does qualify as like product to the product manufactured in SACU. The primary physical characteristics and production

processes of the imported products from China and the domestic products are the same. There is a direct competitive relationship between the imported and domestic products, with the end use also being the same.

The Applicant stated that the importer's allegations that it is a monopolistic manufacturer are unsubstantiated and has nothing to do with unfair trade. It also stated that the importer is malicious in its presentation and appears to mislead the Commission.

The Applicant submitted that it is clear from its application that a sizeable portion of the SACU market share is held by imports, with unfairly traded Chinese imports being dominant. The Applicant submits that SACU is a competitive market, in which the Applicant is a price taker, as can be seen from its suppressed selling prices. If the Applicant was a monopoly as alleged, which is denied, it would be a price setter. The Applicant is not seeking protection through duties as the importer alleges, but applied to the Commission for remedial action against unfair trade being the dumping of the subject product from China in the SACU market.

The Applicant stated that it is in the interest of the South African Government and SACU that the investments made in domestic manufacturing industries are protected against unfair trade practices, which cause material injury to and threaten the future of the SACU industries. Anti-dumping as a trade remedy instrument is not a "blanket duty" that will be imposed against all imports from China and in the process restrict fair competition of the imported subject product - fair imports from China will be exempt from anti-dumping duties, if proven. Therefore, foreign manufacturers and exporters from China have a choice to cooperate with the Commission in the investigation process, which could lead to duties not being imposed on such participating entities, if the facts confirm that they are not involved with injurious dumping. Only those manufacturers from China that are involved in dumping practices that causes material injury to the SACU and those which have chosen not to cooperate with the Commission's investigation will be subject to the anti-dumping duties. The action taken is only aimed at protecting the existing and future

sustainability of the SACU industry, against unfair imports that are causing material injury to the SACU industry. In addition, by successfully addressing the unfair trade in the SACU market that is caused by the dumped imports, those importers that are not importing the dumped product and which cooperate with the Commission's investigation, also stand to the benefit.

Commission's consideration

The importer undertook to submit a complete response to Commission's importer questionnaire, but no such information was received. Although the Commission considered the importer's comments, they did not have any meaningful impact on the Commission's preliminary determination. This is because the importer did not respond to the Commission's importer questionnaire.

1.8 PARTIES CONCERNED

1.8.1 SACU industry

The SACU industry consists of one manufacturer of the subject product, namely McKinnon Chain, a Division of Scaw South Africa (Pty) Ltd.

1.8.2 Responses by Foreign Manufacturers/Exporters/Importers

Interested Parties Responses

A properly documented response to the Commission's exporter questionnaire was received from Rudong Chain Works, a manufacturer/exporter in China.

1. 9 PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

- the subject product originating in or imported from China was being dumped onto the SACU market; and
- the SACU industry experienced material injury and a threat of material caused by the alleged dumped imports of the subject product originating in or imported from China.

The Commission therefore, decided to request the Commissioner for SARS to impose the following provisional measures on imports of the subject product for a period of 6 months.

Tariff subheadings	Manufacturer	Rate of duty
HS 7315.82.03 HS 7315.82.05	Rudong Chain Works	11.61%
	All other manufacturers/exporters (excluding Rudong Chain Works)	16.13%

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product of this investigation is non-articulated welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm.

2.1.2 Country of origin/export

The subject product originates in and is exported from China.

2.1.3 Possible tariff loopholes

The Applicant stated that it is not aware of any loopholes in the tariff description.

2.1.4 Tariff classification

The subject product is currently classifiable as follows:

Table 2.1.4 Current Tariff Classification for the subject product

Tariff heading/ subheading	Description	Statistical unit	Rate of duty					
			General	EU[1]	EFTA[2]	SADC[3]	MERCOSUR[4]	AfCFTA[5]
73.15	**Chain and parts thereof, of iron or steel:**							
7315.8	**- Other chain:**							
7315.82	**- - Other, welded link:**							
7315.82.03	The links of which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more but not exceeding 10 mm	kg	15%	free	free	free	15%	12%

7315.82.05	The links of which are manufactured from round section iron or steel wire, bars or rods of a diameter exceeding 10 mm but not exceeding 20 mm	kg	15%	free	free	free	15%	12%

2.1.5 Negligibility test

The following tables show the alleged dumped imports as a percentage of the total imports.

Table 2.1.5 (a): Import Volumes (HS 7315.82.03)

HS 7315.82.03 (4 mm or more, but less than 10 mm)						
Alleged dumped Import Volumes (China)	**Volumes**	**%**	**Volumes**	**%**	**Volumes**	**%**
	2019	**2019**	**2020**	**2020**	**2021**	**2021**
China	1 365 131	91%	937 356	83%	813 912	91%
Other imports	137 321	9%	191 919	17%	81 799	9%
Total	**1 502 452**	**100%**	**1 129 276**	**100%**	**895 711**	**100%**

Table 2.1.5 (b): Import Volumes (HS 7315.82.05)

HS 7315.82.05 (10 mm or more, but less than 20 mm)						
Alleged dumped Import Volumes (Kg)	**Volumes**	**%**	**Volumes**	**%**	**Volumes**	**%**
	2019	**2019**	**2020**	**2020**	**2021**	**2021**
China	729 695	93%	397 166	85%	317 108	94%
Other imports	52 214	7%	70 727	15%	19 721	6%
Total	**781 909**	**100%**	**467 894**	**100%**	**336 829**	**100%**

The Commission made a preliminary determination that imports from China are above the negligibility level.

2.2 SACU PRODUCT

The SACU product is described as non-articulated welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm.

2.3 LIKE PRODUCT ANALYSIS

In determining the likeness of product, the Applicant submitted the following information to the Commission:

Table 2.3: Like product determination

	Imported product	SACU product
Raw materials	Low carbon, low nickel, chromium and molybdenum content manganese steel in round sections.	Low carbon, low nickel, chromium and molybdenum content manganese steel in round sections.
Production process	Depending on the grade of chains to be manufactured, wire rod of carbon steel, low carbon steel or alloy steel is sourced. The Raw material is then inspected for its mechanical properties, heat treated in certain instances, followed by a pickling process. The wire is then drawn, cut, bent and pressed, before being welded. The manufactured chain would be inspected, marked if required and heat treated in certain instances. Quality control, testing, calibration, cutting, piece welding, product finishing and packaging are the processes that conclude the production sequence, before the product is dispatched. The production processes are applied globally by manufacturers. The products in China are manufactured in accordance with various standards such as ASTM80 Standard Link Chain and NACM 90 standard link chain, Korean Standard Link Chain, or specifications that would be applicable to the production process of the imported products.	Depending on the grade of chains to be manufactured, wire rod of carbon steel, low carbon steel or alloy steel is sourced. The Raw material is then inspected for its mechanical properties, heat treated in certain instances, followed by a pickling process. The wire is then drawn, cut, bent and pressed, before being welded. The manufactured chain would be inspected, marked if required and heat treated in certain instances. Quality control, testing, calibration, cutting, piece welding, product finishing and packaging are the processes that conclude the production sequence, before the product is dispatched. The production processes are applied globally by manufacturers. The products in China are manufactured in accordance with various standards such as ASTM80 Standard Link Chain and NACM 90 standard link chain, Korean Standard Link Chain, or specifications that would be applicable to the production process of the imported products.
Physical appearance	Non-articulated welded link chain, is a serial assembly of connected pieces, made of metal, with an overall character similar to that of a rope, in that it is flexible and curved in compression but linear, rigid and load-bearing in tension. The imported product's appearance and technical characteristics appear to be	Non-articulated welded link chain, is a serial assembly of connected pieces, made of metal, with an overall character similar to that of a rope, in that it is flexible and curved in compression but linear, rigid and load-bearing in tension.

	similar to that of the South African products.	
Tariff classification	**73.15** Chain and parts thereof, of iron or steel **7315.8** - Other chain **7315.82** - Other, welded link: **7315.82.03** - The links of which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more but not exceeding 10 mm **7315.82.05**- The links of which are manufactured from round section iron or steel wire, bars or rods of a diameter exceeding 10 mm but not exceeding 20 mm	**73.15** Chain and parts thereof, of iron or steel **7315.8** - Other chain **7315.82** - Other, welded link: **7315.82.03** - The links of which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more but not exceeding 10 mm **7315.82.05**- The links of which are manufactured from round section iron or steel wire, bars or rods of a diameter exceeding 10 mm but not exceeding 20 mm
Application or end use	The China imported products are mostly used for mining, industrial, merchandiser and industrial lifting applications.	The SACU products are mostly used for mining, industrial, merchandiser and industrial lifting applications.
Substitutability	The SACU products are fully substitutable with the imported product.	There are no differences between the imported Subject Products and the SACU like product. They are identical in all aspects. The SACU Subject Products are fully substitutable with the products imported from China.

The Commission made a preliminary determination that the SACU and the imported products are "like products", for purposes of comparison, in terms of Section 1 of the ADR.

3. SACU INDUSTRY

3.1 INDUSTRY STANDING

The application was submitted by McKinnon Chain, a Division of Scaw South Africa (Pty) Ltd, the only manufacturer of the subject product in the SACU market.

The Commission made a preliminary determination that the application can be regarded as being made "by or on behalf of the domestic industry".

4. DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION FOR RUDONG CHAIN WORKS

Sales made in the ordinary course of trade

The ADR provides that if more than 20% (by volume) of all sales of a particular product type or model took place at less than cost, such sales must be excluded in the determination of the normal value, and the normal value should be based on the weighted average price of all remaining sales.

The ADR states that if more than 80% (by volume) of all sales of a particular product type or model are sold at a loss, the Commission should decide whether normal value should be determined on the basis of the remaining sales where such sales still represent more than 5% of the volume of exports of the particular product type or model to the SACU, or with reference to the constructed cost, including a reasonable profit or export to a third country.

Commission's consideration

The Commission made a preliminary determination that where sales made below costs constitute more than 20% of the total volume of sales by an interested party, those sales are regarded as not being made in the ordinary course of trade and thus excluded when calculating the normal value.

The Commission also made a preliminary determination that where sales made below costs constitute more than 80% of the total volume of sales by an interested party, those sales are regarded as not being made in the ordinary course of trade and the normal value is constructed.

4.1.1 Calculation of normal value

Rudong Chain Works produces grade 30 self-color chains; grade 30 E/galvanized chains; grade 30 hot dip galvanized chains; grade 43 self-color chains; grade 43 hot dip galvanized chains; grade 70 chains; grade 80 chains and grade 100 chains.

In determining normal value, the domestic sales must constitute 5% or more of the volume of exports of the product under investigation to the SACU. The 5% rule should be applied separately to each product type or model under investigation. Where information submitted by the exporter shows that the volume of sales of a particular product type or model, even though less than 5% of export sales of that product type or 6 model to SACU, is sufficient to enable the Commission to determine normal value on the basis of domestic sales of such product type or model, the normal value should be so determined.

In calculating the normal value, the 5% test was conducted individually on all different grades manufactured by Rudong Chain Works. It was determined that Rudong Chain Works sold more than 5% of all grades domestically. It was found that out of the seven grades that were exported to SACU, three grades were sold below cost and the remaining four were sold in the ordinary course of trade.

The Commission found that during the period of investigation, 80% of the domestic sales of grade 30 self-color chains; grade 30 E/galvanized chains and grade 43 self-color chains were made at a loss. The normal value for these grades were therefore constructed.

Methodology

The Commission based the constructed normal value on the cost of production of the particular grade of the subject product in China when destined for domestic consumption, plus a reasonable amount for selling, general and administrative costs and for profit.

ADR 8.12 and 8.13 explain how the amounts for administrative, selling and general costs and for profit are to be determined, and provide as follows:

The amounts for administrative, selling and general costs and for profits shall be based on actual data pertaining to production and sales in the ordinary course of trade of the like product by the exporter or producer under investigation. When such amounts cannot be determined on this basis, the amounts may be determined on the basis of:

(i) the actual amounts incurred and realized by the exporter or producer in question in respect of production and sales in the domestic market of the country of origin of the same general category of products;

(ii) the weighted average of the actual amounts incurred and realized by other exporters or producers subject to investigation in respect of production and sales of the like product in the domestic market of the country of origin;

(iii) any other reasonable method, provided that the amount for profit so established shall not exceed the profit normally realized by other exporters or producers on sales of products of the same general category in the domestic market of the country of origin.

Commission's consideration

The Commission made a preliminary determination to use actual figures of the grades produced by the exporter and sold in the ordinary course of trade, for determining the reasonable profit, in calculating the constructed normal values.

Adjustments to the normal value

The following adjustments were claimed by Rudong Chain Works:

(a) Cost of payment terms

The payment terms applied by Rudong Chain Works on the domestic market range from 0 to 60 days. The terms of payments are specified on the sales contracts. The cost of payment terms was verified and found to be correct.

Commission's consideration

It is the Commission's practice to consider adjustments only if they affected price comparability at the time of setting prices. The payment days used by Rudong Chain Works to calculate the cost of payment terms were displayed on the sales contracts. The payment days were verified and found to support the claim for the adjustment.

The Commission made a preliminary determination to allow the cost of payment terms adjustment as it was demonstrated to have affected price comparability at the time of setting the price.

(b) Delivery charges

Rudong Chain Works incurs delivery charges for moving goods from the warehouse to the client, which is included in the selling price to the client. The delivery charges are specified on the sales contracts and allocated to each transaction based on the sales value. The delivery charge adjustment was verified and found to be correct.

Commission's consideration

It is the Commission's practice to consider adjustments only if they affected price comparability at the time of setting prices. The delivery charges incurred by Rudong Chain Works were displayed on the sales contracts, were verified and found to support the claim for the adjustment

The Commission made a preliminary determination to allow the adjustment as it was demonstrated to have affected price comparability at the time of setting the price.

4.1.2 Calculation of export price to SACU

Rudong Chain Works produced the subject product and sold it to traders on the SACU market during the period of investigation. The actual invoiced sales were used to calculate the export prices per grade to the SACU market.

Adjustments to the export price

The following adjustments were claimed by the exporter:

(a) Cost of payment terms

The payment terms allocated by Rudong Chain Works range from 0 to 90 days. The terms of payments were specified on the commercial sales invoices. The cost of payment terms adjustment was verified and found to be correct.

Commission's consideration

It is the Commission's practice to consider adjustments only if they affected price comparability at the time of setting prices. The payment days used by Rudong Chain Works to calculate the cost of payment terms were displayed on the commercial sales invoices. The payment days were verified and found to support the claim for the adjustment.

The Commission made a preliminary determination to allow the cost of payment terms adjustment as it was demonstrated to have affected price comparability at the time of setting the price.

(b) Inland freight and handling cost

Rudong Chain Works incurs inland freight and handling cost from the factory to the Chinese port of export, which is included in the selling price to the customer. The cost is reflected on both the freight and commercial invoices and allocated to each transaction based on the weight of the export sale. The inland freight and handling cost adjustment was verified and found to be correct.

Commission's consideration

It is the Commission's practice to consider adjustments only if they affected price comparability at the time of setting prices. The inland freight and handling cost was displayed on commercial invoices. The adjustment was verified and found to support the claim for the adjustment.

The Commission made a preliminary determination to allow inland freight and handling cost adjustment as it was demonstrated to have affected price comparability at the time of setting the price.

4.1.3 Margin of dumping

The dumping margin calculated for each grade of the subject product was weighted with their respective export volumes to determine a weighted

average dumping margin. The dumping margin was calculated to be 11.61%:

The Commission made a preliminary determination that the subject, manufactured by Rudong Chain Works, was dumped into the SACU market during the period of investigation.

4.2 METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER MANUFACTURERS/EXPORTERS FROM CHINA (RESIDUAL DUMPING MARGIN)

It is the policy of the Commission to impose separate anti-dumping duties on specific exporters that responded to the questionnaire and in addition, a residual duty against the country in question, to cater for other any manufactures of the subject product who might also have exported the subject product to the SACU, but did not participate in the investigation.

4.2.1 Normal value calculation

The Commission made a preliminary determination to use the weighted average normal value of the verified exporter to calculate the residual dumping margin.

4.2.2 Export price

The Commission made a preliminary determination to use the weighted average export price to SACU of the verified exporter to calculate the residual dumping margin.

4.2.3 Dumping Margin

The residual dumping margin calculated for the subject product was calculated to be16.13%.

4.3 SUMMARY – DUMPING

After considering all relevant information and comments received from interested parties, the Commission made a preliminary finding that the subject product originating in or imported from China is being dumped onto the SACU market and the following dumping margins were calculated:

China	Dumping margin
Rudong Chain Works	11.61%
All the other manufacturers/exporters (excluding Rudong Chain Works)	16.13%

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to the Applicant, which constitutes 100 percent of the total production of the subject product in SACU.

The Commission made a preliminary determination that this constitutes "a major proportion" of the total domestic production, in accordance with the ADR.

5.2 IMPORT VOLUMES AND EFFECT ON PRICES

5.2.1 Import volumes

The following tables show the volumes of allegedly dumped imports for the subject product:

Table 5.2.1(a): Import volumes (HS 7315.82.03)

HS 7315.82.03 (4 mm or more, but less than 10 mm)						
Import Volume (Kg)	**Volumes**	**%**	**Volumes**	**%**	**Volumes**	**%**
	2019	**2019**	**2020**	**2020**	**2021**	**2021**
Alleged dumped imports	1 365 131	91%	937 356	83%	813 912	91%
Other imports	137 321	9%	191 919	17%	81 799	9%
Total	**1 502 452**	**100%**	**1 129 276**	**100%**	**895 711**	**100%**

Table 5.2.1(b) Import volumes (HS 7315.82.05)

HS 7315.82.05 (10 mm or more, but less than 20 mm)						
Import Volume (Kg)	**Volumes**	**%**	**Volumes**	**%**	**Volumes**	**%**
	2019	**2019**	**2020**	**2020**	**2021**	**2021**
Alleged dumped imports	729 695	93%	397 166	85%	317 108	94%
Other imports	52 214	7%	70 727	15%	19 721	6%
Total	**781 909**	**100%**	**467 894**	**100%**	**336 829**	**100%**

5.2.2 Effect on Domestic Prices

5.2.2.1 Price depression

Price depression takes place where the Applicant industry's ex-factory selling price decreases during the investigation period.

The tables below showed the Applicant industry's ex-factory selling price per kg:

Table 5.2.2.1(a): Price depression

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Ex-factory selling price (R/kg)	100	106	116

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.2.2.1(b): Price depression

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Ex-factory selling price (R/kg)	100	110	116

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that its selling prices increased year-on-year for the period of investigation, which was necessary in order to recover cost increases. It also stated that it anticipated a reduction of prices in 2020 and 2021, but it could not be justified even though it could have assisted in combating dumped imports. It further stated that although it did not experience price depression over the period of investigation, its selling prices were still well below the prices required to allow for the realisation of profit.

5.2.2.2 Price undercutting

The following tables compare the Applicant's ex-factory prices with the landed cost of the imported product.

Table 5.2.2.2(a): Price undercutting

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Ex-factory selling Price	100	106	116
Alleged Dumped products:			
Import Price landed(R/kg)	22.12	24.08	24.51
Price undercutting(R/kg)	100	391	(431)
Price undercutting %	(100)	369	(370)

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.2.2.2(b): Price undercutting

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Ex-factory selling Price	100	110	116
Alleged Dumped products:			
Import Price landed(R/kg)	23.51	25.50	28.92
Price undercutting(R/kg)	100	121	148
Price undercutting %	100	110	128

The information above was indexed using 2019 as base year, due to confidentiality

Commission's consideration

The information shows that the Applicant did not experience price undercutting with regards to the subject product classifiable under HS 7315.82.03 over the period 2019 to 2020, although it experienced price undercutting during 2021. The tables also show that there was price undercutting with regards to the subject product classifiable under HS 7315.82.05 over the period of investigation.

5.2.2.3 Price suppression

Price suppression is the extent to which increase in the cost of production of the product concerned, cannot be recovered in selling prices.

The following tables show the Applicant's average costs of production and its actual average selling prices for the subject product:

Table 5.2.2.3(a): Price Suppression

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Ex-factory selling price (R/kg)	100	106	116
Cost of production (R/kg)	100	117	93
Gross Profit	100	144	36
Gross Profit %	100	136	31
Cost of production % selling price (%)	100	110	80

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.2.2.3(b): Price Suppression

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Selling price (Ex-factory) (R/kg)	100	110	116
Cost of production (Ex-Factory)	100	125	98
Gross Profit (R/kg)	100	208	(4)
Gross Profit %	100	188	(3)
Cost of production % selling price (%)	100	113	(85)

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that price suppression was experienced from 2019 to 2021. It stated that attention needs to be drawn to the fact that the cost to price ratios for each of the subject product were extremely high over the period of investigation. This was well in excess of 100 percent, except for HS 7315.82.05 in 2021. The 2019 suppression levels were already high in 2019, for the subject product classifiable under HS 7315.82.03 at 100 index points (more than 100 percent) and HS 7315.82.05 at 100 index points (more than 100 percent).

The Applicant stated that despite the 2021 improvement, the cost to price ratio for the subject product classifiable under HS 7315.82.03 was still at 80 index points and that of HS 7315.82.05 at 85 index points. The high cost to price ratios is causing it to suffer serious injury, despite the decreasing trends that are derived from the data over the 2019 to 2021 period. The gross profit decreased for tariff subheading HS 7315.82.05 decreased from 100 index points to a negative 3 index points over the investigation period.

Commission's consideration

The price suppression experienced by the Applicant comparing 2019 to 2021 for the subject product classifiable under HS 7315.82.03 product was 80 index points and for HS 7315.82.05 was 85 index points.

5.3 Consequent Impact of the dumped imports on the Industry

5.3.1 Actual and potential decline in sales

The following tables show the Applicant's sales volumes of the subject product:

Table 5.3.1(a): Sales volumes

HS 7315.82.03 (4mm or more, but less than 10 mm)	2019	2020	2021
Sales volume (Kg)	100	101	96

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.1(b): Sales volumes

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Sales volume (Kg)	100	91	85

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that sales volumes showed a decreasing trend over the period 2019 to 2021. It stated that for the subject product classifiable under HS 7315.82.03, the volumes decreased from 100 index points (kg) in 2019 to 96 index points (kg) in 2021, with a slight increase in 2020.

It also stated that in the case of the HS 7315.82.05 subject product, the sales volumes decreased from 100 index points in 2019, to 91 index points in 2020 and to the lowest level of 85 index points in 2021. Applicant further stated that in a very challenging SACU market, these sales volumes reductions occurred due to it not being able to gain market share against the dumped imports from China.

It further indicated that despite the suppression of its selling prices, it is expected that its sales volumes will be further reduced due to the dumped

imports from China, and consequently the material injury to the SACU industry will increase.

5.3.2 Profit

The following tables show the Applicant's profit margins for the subject products:

Table 5.3.2(a): Profit

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Kg Sold	100	101	96
Total Gross profit (R)	(100)	(146)	(34)
Total Net Profit	(100)	(126)	(48)
Total Gross profit per kg (R/kg)	(100)	(126)	(36)
Total Net Profit per kg (R/kg)	(100)	(124)	(50)

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.2(b): Profit

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Kg Sold	100	91	85
Total Gross profit (R)	(100)	(189)	(3)
Total Net Profit (R)	(100)	(188)	(3)
Total Gross profit per kg (R/kg)	(100)	(208)	(4)
Total Net Profit per kg (R/kg)	(100)	(140)	(41)

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that it realised a net loss (R/kg) in 2019, 2020 and 2021, indicating that the SACU industry is suffering material injury.

The Applicant also stated that for the subject product classifiable under HS 7315.82.03 the net loss increased from 100 index points (R/kg) in 2019, to 124 index points (R/kg) in 2020, followed by 50 index points (R/kg) in 2021. It also indicated that for the subject product classifiable under HS 7315.82.05, its net loss increased from 100 index points (R/kg) in 2019, to 140 index points (R/kg) in 2020, followed by a net loss of 41 index points (R/kg) in 2021. It indicated further that the fact that it did not

realise net profits over the period of investigation indicative of material injury being suffered by the SACU industry.

Commission's consideration

The Applicant experienced losses for both models but with a very small profit margin for the one product in 2021.

5.3.3 Output

The following tables outline the Applicant's domestic production volume of the subject product:

Table 5.3.3(a): Output

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Subject Product - SACU only (kg)	100	83	99

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.3(b): Output

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Subject Product - SACU only (kg)	100	75	92

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that it has been under constant pressure from the dumped imports from China, with reductions in sales volumes occurring over the period of investigation. It also stated that it was forced to reduce its production in an attempt to manage stock build-up and limit inventory increases as far as possible. It pointed out that should it still be required to compete against the lowed-priced dumped imports from China without any anti-dumping duties in place, production would have to reduce even further, as the SACU sales and market share will continue to decrease.

5.3.4 Market share

The following table shows the SACU industry's market share for the subject product:

Table 5.3.4: Market share

HS 7315.82.03 (4 mm or more, but less than 10 mm) (kg)	2019	%	2020	%	2021	%
Applicant	100	100	101	113	96	121
Market share: Imports						
Alleged dumped imports	1 365 131	41.40%	937 356	31.79%	813 912	31.06%
Other imports	137 321	4.16%	191 919	6.51%	81 799	3.12%
Total imports	**1 502 452**	**45.56%**	**1 129 276**	**38.30%**	**895 711**	**34.18%**
Total Market	**100**	**100**	**89**	**100**	**79**	**100**
HS 7315.82.05 (10 mm or more, but less than 20 mm) (kg)	**2019**	**%**	**2020**	**%**	**2021**	**%**
Applicant	100	100	91	116	85	126
Market share: Imports						
Alleged dumped imports	729 695	38.31%	397 166	26.69%	317 108	24.46%
Other imports	52 214	2.74%	70 727	4.75%	19 721	1.52%
Total imports	**781 909**	**41.06%**	**467 894**	**31.44%**	**336 829**	**25.98%**
Total Market	**100**	**100**	**78**	**100**	**68**	**100**

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that it experienced increases in sales volumes over the period 2019 to 2021. It also stated that its actual sales volumes showed a declining trend over the same period.

It further stated that due to the COVID-19 restrictions, the dumped import volumes from China in March and April 2020, were much lower than what would have been the case in normal trading conditions. If the decline in imports had not occurred, the injury it suffered in the 2021 period, would have been worse.

Commission's consideration

The information in the table shows that the Applicant's market share for the subject product declined over the period of investigation.

5.3.5 Productivity

Using the production and employment figures sourced from the Applicant, productivity in respect of the subject product is as follows:

Table 5.3.5(a): Productivity

HS 7315.82.03 (4 mm or more, but less than 10 mm) (kg)	2019	2020	2021
Total production volume (kg)	100	86	97
Number of employees (Production) (units)	100	95	65
Kg per employee	100	93	150

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.5(b): Productivity

HS 7315.82.05 (10 mm or more, but less than 20 mm) (kg)	2019	2020	2021
Total production volume (kg)	100	86	97
Number of employees (Production) (units)	100	95	65
Kg per employee	100	93	150

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that productivity decreased from 2019 to 2020 but increased again in 2021, representing an increasing trend over the period of investigation. The increase in 2021 is as a result of the reduction in the workforce and the investment in technology. Despite this massive effort to try and compete with the dumped imports, it is still under financial pressure due to the continuation of dumping from China.

5.3.6 Return on investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets.

The following tables provide the Applicant's profit after interest and tax expressed as a percentage of its net value of assets:

Table 5.3.6(a): Return on investment

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Net profit (R)	100	126	48
Total Investment (R)	100	89	107
Net assets (product concerned)	100	84	97
Return on Total Investment (%)	100	141	45
Return on net assets (%)	100	149	49

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.6(b): Return on investment

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Net profit (R)	100	127	35
Total Investment (R)	100	81	99
Net assets (product concerned)	100	77	90
Return on Total Investment (%)	100	156	35
Return on net assets (%)	100	166	39

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that its return on investment is based on the total profit/loss of each type of the subject product, expressed as a percentage of the net assets. It stated that its return of investment over the period 2019 to 2021 remained negative, which is indicative that it suffered material injury over the period of investigation.

5.3.7 Utilisation of production capacity

The following table provides the Applicant's capacity and production for the subject product:

Table 5.3.7: Utilisation of production capacity

	2019	2020	2021
Total Installed Capacity (kg)	100	100	100
Actual Production (kg) (HS 7315.08.03) (including non-ACU)	100	86	97
Actual Production (kg) (HS 7315.08.05) (including non-SACU)	100	88	100
Total Production	100	87	98
Capacity utilisation (%)	100	87	98

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that the same machine can manufacture different sizes of chain and at a different speed of volume (kg) per hour. Accordingly, the production mix will have an increasing or decreasing impact on the installed capacity on a periodic basis. The recorded production for 2019, 2020 and 2021 remained the same throughout the period of investigation.

It also stated that the combined production capacity for the subject products remained the same over the period 2019 to 2021. Capacity utilisation remained extremely low and decreased over the period of investigation. Although there was an increase in 2021 from 2020, this capacity utilisation was still below the 2019 level, indicating that it is suffering material injury.

5.3.8 Factors affecting domestic prices

The Applicant stated that there are no other known factors, which could affect the domestic prices negatively.

5.3.9 The magnitude of the margin of dumping

The following dumping margins were calculated:

Table 5.3.9: Dumping margins

Tariff subheading	Product	Manufacturer	Dumping margin as % of export price
7315.82.03 7315.82.05	Welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm	Rudong chain Works	11.61%
7315.82.03 7315.82.05	Welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm	All the other manufacturers/exporters (excluding Rudong Chain Works)	16.13%

5.3.10 Actual and potential negative effects on cash flow

The following tables reflect the Applicant's cash flow situation with regard to the product under investigation:

Table 5.3.10 (a): Cash flow

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Cash flow: incoming (R)	100	107	109
Cash flow: outgoing (R)	100	115	83
Net cash flow (R)	(100)	(126)	(47)

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.10 (b): Cash flow

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Cash flow: incoming (R)	100	100	97
Cash flow: outgoing (R)	100	109	78
Net cash flow (R)	(100)	(129)	(33)

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that for the subject product classifiable under HS 7315.82.03, there was a negative cash flow in 2019 of 100 index points which worsened to 126 index points in 2020. It stated that the negative cash flow changed to 47 index points in 2021. In the case of the subject product classifiable under HS 7315.08.05, there was a deterioration in the cash flow in 2019 from 100 index points which worsened to 129 index points in 2020. It also stated that cash flow improved to 33 index points in 2021 while remaining negative.

The Applicant further stated it has been severely compromised by the dumped imports and if the sales and production volumes are not increased, the plant could be required to shut down. It pointed out that its domestic sales volumes are not able to gain the required market share against the dumped imported product from China due to the undercutting of its selling prices by the dumped imports from China resulting in the negative cash flow situation over the period 2019 to 2021.

5.3.11 Inventories

The following tables provide the Applicant's inventory information for the subject product:

Table 5.3.11(a): Inventories

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Volume (kg)	100	78	92
Value (R)	100	69	102
Value per unit	100	89	111

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.11(b): Inventories

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Volume (kg)	100	105	112
Value (R)	100	103	111
Value per unit	100	98	99

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that it endeavours to keep the inventory levels stable. However, the levels of the inventories can fluctuate due to the combined impact of market demand, levels of production and sales that are affected by the dumped imports.

It further stated that each of the two types of subject product experienced increasing inventory trends over a12-month period. The most prominent for HS 7315.82.03 subject product, are the monthly inventory volume increases that occurred over the period April to August 2020 and October to December 2020. With regard to the subject product classifiable under HS 7315.82.05, the monthly inventory volume increase occurred over the period April to May 2020, August to November 2020 and December 2020 to February 2021.

5.3.12 Employment

The following table provides the Applicant's employment figures for the subject product:

Table 5.3.12: Employment

Non-articulated welded link chains - All products	2019	2020	2021
Direct labour (units) : production	100	90	54
Indirect labour (units) : production	100	101	91
Total labour (units) : production	100	94	67

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that all the workers are utilised in the production of both categories of the subject product. It stated that direct labour units relate to the personnel component assigned to the actual manufacturing for both categories of the subject product, the allocation of which is done in accordance with a shift roster system. The indirect labour units relate to the personnel component allocated in support of and complimentary to the manufacturing process such as quality assurance, process technologist, and industrial engineering support and so forth.

5.3.13 Wages and salaries

The following tables provide information on wages and salaries paid by the Applicant:

Table 5.3.13(a): Wages and salaries

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Direct Wages: Production	100	106	48
Indirect Wages: Production	100	103	58
Total wages: Production	100	105	53
Wage per employee (Direct)	100	121	96

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.13(b): Wages and salaries

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Direct Wages: Production	45	41	24
Indirect Wages: Production	33	34	29
Total wages: Production	79	75	52
Wage per employee (Direct)	100	106	83

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that it is evident that the wages showed decreasing trends for direct, indirect and total production wages over the 2019 to 2021 period, which is indicative of the material injury it is suffering.

5.3.14 Growth

The following tables indicate growth of the SACU market as provided by the Applicant:

Table 5.3.14 (a): Growth

HS 7315.82.03 (4 mm or more, but less than 10 mm) (kg)				2019/2021 % Change
	2019	2020	2021	
Applicant Sales	100	101	96	(3.93%)
Alleged dumped imports	1 365 131	937 356	813 912	(40.38%)
Other imports	137 321	191 919	81 799	(20.83%)
Total imports	1 502 452	1 129 276	895 711	(40.43%)
Total SACU Market	100	89	79	(20.54%)

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.14 (b): Growth

HS 7315.82.05 (10mm or more, but less than 20 mm) (kg)				2019/2021 % Change
	2019	2020	2021	
Applicant sales	100	91	85	(14.51%)
Alleged dumped imports	729 695	397 166	317 108	(56.54%)
Other imports	52 214	70 727	19 721	(62.23%)
Total imports	781 909	467 894	336 829	(56.92%)
Total SACU Market	100	78	68	(31.92%)

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that China's import volumes still by far exceeded the volumes from the other countries, whilst the Chinese market share in the SACU market still represents a substantial portion. The Chinese import prices are well below other countries competing in the SACU market over the period 2019 to 2021.

5.3.15 Ability to raise capital or investments

The Applicant provided the following information with regard to the SACU industry's ability to raise capital or investment:

Table 5.3.15(a): Ability to raise capital or investment

HS 7315.82.03 (4 mm or more, but less than 10 mm) (kg)	2019	2020	2021
Total capital/investment in the subject product	100	89	107
Capital expenditure during year on subject product	100	198	1 187

The information above was indexed using 2019 as base year, due to confidentiality

Table 5.3.15 (b): Ability to raise capital or investment

HS 7315.82.05 (10 mm or more, but less than 20 mm) (kg)	2019	2020	2021
Total capital/investment in the subject product	100	81	99
Capital expenditure during year on subject product	100	180	1 100

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that total capital expenditure for the two types of subject product shows increasing trends over the period 2019 to 2021.

It also stated that as there is an underutilisation of the existing production capacity, there is no need to raise additional capital for increasing capacity. However, if it continues to suffer material injury, Scaw South Africa (Pty) Ltd will be reluctant to invest further in this Division, by making use of its own funds or long-term loans.

5.3.16 SUMMARY – MATERIAL INJURY

From the information above, it is evident that the Applicant experienced material injury over the period 2019 to 2021 for the subject product classifiable under HS 7315.82.03 and 7315.82.05. Sales volumes of the Applicant for HS 7315.82.03 declined by 4 index points and for HS 7315.82.05 they declined by 15 index points over the investigation period.

The Applicant experienced no price depression over the period 2019 to 2021 for both categories of the subject product. The Applicant experienced price undercutting and price suppression for the subject product over the period 2019 to 2021.

Productivity and inventories decreased for the subject product classifiable under HS 7315.82.03. On the other hand, productivity decreased and inventories increased for the subject product classifiable under HS 7315.82.05 over the POI. Capacity utilisation for the two types of subject product decreased by 2 index points. Employment for the two types of subject product declined by 28 index points. The information also indicated that output, wages, profit and return on investment and growth of the SACU market on the two types of subject product declined over the investigation period.

The Commission made a preliminary determination that the SACU industry is experiencing material injury.

THREAT OF MATERIAL INJURY

6.1 Freely disposable capacity of the exporters

The Applicant stated that China has a large excess capacity that has been caused by its fundamental economic readjustments in response to changes in the global economy. It also stated that with the ensuing knock-on effects of the global financial crisis manifesting in the economic stagnation of advanced nations, coupled with the slowdown in China's domestic demand, industrial overcapacity, accumulated over several decades, has been brought into sharp relief.

According to information obtained by the Applicant, Am Investment Research ("AM Invest") stated that the steel industry was expected to face an oversupply situation with the increase in steel production in China in 2020 and this will be from a new foreign-owned plant in Kuantan, Pahang. An average steel bar price of RM2, 000/tonne in 2020, revised down from the RM2, 100/tonne that was assumed previously.

AM Invest pointed out that industry experts have forecast the steel surplus in China to rise to 196 million tonnes in 2020, which was up 13 percent from 174 million tonnes estimated in 2019. The research further indicates that consumption is projected to decline by 1.4 percent as investments are slowing amid the US-China trade war. According to AM Invest, China's steel surplus normally ends up as exports to the rest of the world. However, this does not apply only to the base material of steel, but will also impact on the downstream manufacturing industry, such as the non-articulated welded link chain industry as it is known that the Chinese Government is supporting the value added manufacturing industries and for them to export.

The Applicant stated that it is unknown what the freely disposable capacity or imminent substantial increase in subject product capacity in China is. However, China has a substantial number of non-articulated welded link chain manufacturers with significant production capacity, many of which are export orientated and that would be able to supply on demand. The sizes of these

manufacturers vary. It also stated that it believes that manufacturers in China have significant spare capacity.

6.2 Significant increase of alleged dumped imports

The Applicant stated that although there was not an increase in the volume of the dumped imports from China over the period investigation, the fact remains that dumped imports from China were still well below the other countries' prices and the Applicant unsuppressed selling prices, making it attractive for importers. Such attractiveness would be more profound, in the event that Applicant increases its selling prices to be commercially viable and thus it can be expected that the 2019 import levels will again be easily reached.

Commission's consideration

The Commission considered that though there was no increase in imports from China, it is evident from the information provided by the Applicant that the prices of the dumped imports from China were still well below that of import prices from the other countries and that of the Applicant's unsuppressed selling prices.

6.3 Prices of imports which will have a significant depressing or suppressing effect on domestic prices

The Applicant provided the following information to substantiate how prices of imports will have a significant depressing or suppressing effect on domestic prices:

Table 6.3(a): Price suppression

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Selling price (R/kg)	100	106	116
Cost of production % selling price (%)	100	117	93

The information above was indexed using 2019 as base year, due to confidentiality

Table 6.3(b): Price suppression

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Selling price (R/kg)	100	110	116
Cost of production % selling price (%)	100	125	98

The information above was indexed using 2019 as base year, due to confidentiality

Table 6.3(c): Price depression

HS 7315.82.03 (4 mm or more, but less than 10 mm)	2019	2020	2021
Ex-factory selling price (R/kg)	100	106	116

The information above was indexed using 2019 as base year, due to confidentiality

Table 6.3(d): Price depression

HS 7315.82.05 (10 mm or more, but less than 20 mm)	2019	2020	2021
Ex-factory selling price (R/kg)	100	110	116

The information above was indexed using 2019 as base year, due to confidentiality

The Applicant stated that price suppression already existed over the period 2019 to 2021. It also indicated that although price depression was not experienced, its prices in 2019, 2020 and 2021 were still well below the levels what it should have been in order to recover costs increases. Due to the dumped imports from China, any further increases would have resulted in even higher negative growth margins and greater market share losses than what Applicant has experienced, as it would have allowed China to increase its import volumes due to a higher price undercutting margin.

The Applicant stated that a real threat exists that its material injury will continue with the threat of the closure of the plant becoming a reality, should there not be relief granted.

Commission's consideration

The Commission noted that the Applicant did not suffer price depression over the investigation period. The Applicant however did experience price suppression over the investigation period and that its prices were still well below the levels required to recover cost increases.

6.4 Exporter's inventories of the subject product

The Applicant stated that is of the view that there exist inventories to service new export or domestic orders based on the interaction when searching for normal values in China. However, Applicant is not aware of the inventory volume.

6.5 State of the economy of the country of origin

The Applicant stated that the economy of China is described as socialism with Chinese characteristics since the 12th National Congress of the Communist Party of China in 1982. It stated that it is a mixed socialist market economy which is composed of State-Owned Enterprises ("SOE's") and domestic and foreign private businesses and uses economic planning. The income generated by state-owned enterprises accounted for about 40 percent of China's Gross Domestic Product ("GDP") of US$14.4 trillion in 2019, with domestic and foreign private businesses and investment accounting for the remaining 60 percent. As of the end of 2019, the total assets of all China's SOE's, including those operating in the financial sector, reached US$78.08 trillion. Ninety-one (91) of these SOE's belong to the 2020 Fortune Global 500 companies. Direct foreign investment in China, which totalled about US$1.6 trillion as of the end of October 2016, directly and indirectly contributed about one-third of China's GDP and a quarter of jobs there. As of the end of June 2020, Foreign Direct Investment ("FDI") stock in China reached US$2.947 trillion, and China's outgoing FDI stock stood at US$2.128 trillion. Total foreign financial assets owned by China reached US$7.860 trillion, and its foreign financial liabilities US$5.716 trillion, making China the second largest creditor nation after Japan in the world. Currently the second largest economy in the world by nominal GDP, an official forecast indicates that China is set to overtake the United States as the world's biggest economy.

The Applicant also stated that the Government of China began its economic reforms in 1978 under the leadership of Deng Xiaoping. It stated that China has four of the top ten most competitive financial centres (Shanghai, Hong Kong, Beijing, and Shenzhen) in the 2020 Global Financial Centres Index, more than any other country. It pointed out that China has three out of the ten world's largest stock exchanges—Shanghai, Hong Kong and Shenzhen by market capitalization and trade volume. As of October 12, 2020, the total market capitalization of Mainland Chinese stock markets, consisting of the Shanghai Stock Exchange and Shenzhen Stock Exchange, topped US$10 trillion, excluding the Hong Kong Stock Exchange, with about US$5.9 trillion. The Applicant further indicated that as of the end of June 2020, foreign

investors had bought a total of US$440 billion in Chinese stocks, representing about 2.9 percent of the total value, and indicating that foreign investors scooped up a total of US$156.6 billion in the stocks just in the first half of 2020.

The Applicant indicated that according to the 2019 Global Wealth Report by Credit Suisse Group, China surpassed the US in the wealth of the top 10 percent of the world's population. It had 100 million wealthy people (each owning a net wealth of over US$110,000) and the US 99 million. At USD 63.8 trillion as of end of 2019, representing a 17-fold increase from US$3.7 trillion in 2001, the total amount of China's household wealth stood behind only that of the US with US$105.6 trillion. The economy, as of 2019, ranked as the second largest in the world by nominal GDP and as of 2017 the largest in the world by purchasing power parity. China has the world's fastest-growing major economy, with growth rates averaging 10 percent over 30 years.

As of 2019, China's public sector accounted for 63 percent of total employment. According to the IMF, on a per capita income basis, China ranked 73rd by GDP (Purchasing Power Parity) per capita in 2019. China's GDP was $14.4 trillion (99 trillion Yuan) in 2019. The country has natural resources with an estimated worth of $23 trillion, 90 percent of which are coal and rare earth metals. China also has the world's largest total banking sector assets of around $45.838 trillion (309.41 trillion CNY) with $42.063 trillion in total deposits and other liabilities. It has the second largest inward foreign direct investment at US$141 billion in 2019 alone, and the second largest outward foreign direct investment, at US$136.91 billion for 2019 alone, following Japan at US$226.65 billion for the same period. As of 2020, China is home to the largest companies in the Fortune Global 500 and 129 are headquartered in China. It has the world's largest foreign-exchange reserves worth $3.1 trillion, but if the foreign assets of China's state-owned commercial banks are included, the value of China's reserves rises to nearly $4 trillion.

Currently, China is the world's largest manufacturing economy and exporter of goods. It is also the world's fastest-growing consumer market and second-largest importer of goods. China is a net importer of services products. It is the

largest trading nation in the world and plays a prominent role in international trade and has increasingly engaged in trade organizations and treaties in recent years. China became a member of the World Trade Organization in 2001. It also has free trade agreements with several nations, including ASEAN, Australia, New Zealand, Pakistan, South Korea and Switzerland. The provinces in the coastal regions of China tend to be more industrialized while regions in the hinterland are less developed. As China's economic importance has grown, so has attention to the structure and health of the economy. China's largest trading partners are the US, EU, Japan, Hong Kong, South Korea, India, Taiwan, Australia, Vietnam, China, and Brazil. With 778 million workers, the Chinese labour force is the world's largest as of 2020. It ranks 31st on the Ease of doing business index and 28th on the Global Competitiveness Report. China ranks 14th on the Global Innovation Index and is the only middle-income economy, the only newly industrialized economy, and the only emerging country in the top 30. By the end of July 2020, China's 5G users had already surpassed 88 million, accounting for over 80 percent of users worldwide—far ahead of the previously projected 70 percent share for the whole of 2020. By the end of this year, the number of 5G base stations in China is expected to reach nearly one million, by far the biggest tally globally.

6.6 Give any other information relevant to your allegation that the infliction of material injury is imminent

The Applicant stated that from International Trade Centre, Trade statistics for international business development ("Trade Map Data") as recorded in Table 5 below of HS 7315.82 China exports to the world, the total exports from China under HS 7315.82 showed a decreasing trend in volume. It also stated that although the volume decreased, so did the price per kilogram decreased.

Table 6.6: Trade Map Data - HS 7315.82 (China exports to the world)

7315 82 - Welded link chain of iron or steel (excluding articulated link chain, skid chain and stud-link ...	China's exports to world (USD)		
	Value in 2018	**Value in 2019**	**Value in 2020**
	341 444 000	324 817 000	300 978 000
7315 82 - Welded link chain of iron or steel (excluding articulated link chain, skid chain and stud-link ...	China's exports to world (tons)		
	Quantity in 2018	**Quantity in 2019**	**Quantity in 2020**
	2 27 588	219 738	208140
USD/Ton	1 500.27	1 478.20	1446.04
USD/Kg	1.50	1.48	1.45

The Applicant further stated that China still retained a large market share and therefore, if the prices of the Chinese products continue to decline, the importers will increase imports at the expense of the Applicant. This will result in the Applicant suffering material injury as it will not be able to reduce its selling prices and remain commercially viable.

6.7 PRELIMINARY DETERMINATION ON SUMMARY OF THREAT OF MATERIAL INJURY

The Commission made a preliminary determination that there is threat of material injury to the SACU industry.

7. CAUSAL LINK

7.1 GENERAL

In order for the Commission to impose provisional measures, it must be satisfied that there is sufficient evidence to indicate that there is a causal link between the material injury experienced by the SACU industry, and the dumping of the subject product.

7.2 VOLUME OF IMPORTS AND MARKET SHARE

An indication of causality is the extent of the increase of volume of the subject imports from China 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 dumped product.

The following tables compare the market share of the SACU industry with that of the alleged dumped imports:

Table 7.2 (a): Market share - HS 7315.82.03

Percentage market share held by:	2019	2020	2021
Applicant	100%	113%	121%
Total Alleged dumped imports	41.40%	31.79%	31.06%
Other imports	4.16%	6.51%	3.12%
Total Market	100%	100%	100%

The information above was indexed using 2019 as base year, due to confidentiality

Table 7.2 (b): Market share - HS 7315.82.05

Percentage market share held by:	2019	2020	2021
Applicant	100%	116%	126%
Alleged dumped imports	38.31%	26.69%	24.46%
Other imports	2.74%	4.75%	1.52%
Total Market	100%	100%	100%

The information above was indexed using 2019 as base year, due to confidentiality

The information provided by the Applicant shows that the Applicant's market share decreased between 2019 and 2021, while the dumped imports increased during the same period. The Applicant stated that although there was an increase in the market share, its actual sales volumes showed a declining trend over the same period.

It stated that as regards HS 7315.82.03 subject product, its sales volumes increased from 100 index points in 2019 to 101 index points in 2020, but declined to 96 index points in 2021. In the case of the HS 7315.82.05 subject product, sales volumes decreased from 100 index points in 2019 to 91 index points in 2020, but declined to 85 index points in 2021.

The Applicant indicated that the Chinese import market share also showed a declining trend over the period 2019 to 2021. However, notwithstanding the declining dumped imports and market share of the Chinese products, as a result of the declining size of the SACU market, the Chinese imports still capture a substantial market share, causing material injury to the SACU industry.

It further stated that due to the COVID-19 restrictions, the dumped import volumes from China in March and April 2020 were much lower than what would have been the case in normal trading conditions. If these lesser imports had not occurred, the injury suffered in the 2021 period, would have been worse.

The following tables show the volumes of imports:

Table 7.2 (c): Import volumes - HS 7315.82.03

(Kg)	Volumes	%	Volumes	%	Volumes	%
	2019	**2019**	**2020**	**202**	**2021**	**2021**
Alleged dumped imports	1 365 131	91%	937 356	83%	813 912	94%
Other imports	137 321	9%	191 919	17%	81 799	6%
Total	**1 502 452**	**100%**	**1 129 276**	**100%**	**895 711**	**100%**

Table 7.2 (d): Import volumes - HS 7315.82.05

(Kg)	Volumes	%	Volumes	%	Volumes	%
	2019	2019	2020	2020	2021	2021
Alleged dumped imports	729 695	93%	397 166	85%	317 108	94%
Other imports	52 214	7%	70 727	15%	19 721	6%
Total	**781 909**	**100%**	**467 894**	**100%**	**336 829**	**100%**

Commission's consideration

The tables above indicate that the import volumes decreased over the period 2019 to 2021 with regard to HS 7315.82.03 and HS 7315.82.05.

7.3 EFFECT OF DUMPED IMPORTS ON PRICES

7.3.1 Price depression, price suppression and price undercutting

The Applicant provided the following information to substantiate the effects of dumped imports on prices:

Table 7.3.1(a) (HS 7315.82.03)

HS 7315.82.03	2019	2020	2021
Ex-factory selling price in SACU (Price depression)	100	106	116
Cost of production % selling price(suppression)	100	117	93
Price Undercutting	100	391	(431)

The information above was indexed using 2019 as base year, due to confidentiality

Table 7.3.1(a) (HS 7315.82.05)

HS 7315.82.05	2019	2020	2021
Ex-factory selling price in SACU (Price depression)	100	110	116
Cost of production % selling price (suppression)	100	125	98
Price Undercutting	100	121	148

The information above was indexed using 2019 as base year, due to confidentiality

7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2019 – 2021)
Price undercutting:	
HS 7315.82.03	Increase
HS 7315.82.05	Increase
Price suppression:	
HS 7315.82.03	Increase
HS 7315.82.05	Increase
Price depression:	
HS 7315.82.03	None
HS 7315.82.05	None
Sales volumes:	
HS 7315.82.03	Negative
HS 7315.82.05	Negative
Profit:	
HS 7315.82.03	Negative
HS 7315.82.05	Negative
Productivity:	
HS 7315.82.03	Negative
HS 7315.82.05	Negative
Return on investment	Negative
Utilisation of production capacity	Negative
Cash flow:	
HS 7315.82.03	Negative
HS 7315.82.05	Negative
Inventory levels	
HS 7315.82.03	Negative
HS 7315.82.05	Positive
Growth:	
HS 7315.82.03	Negative
HS 7315.82.05	Negative

7.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

7.5.1 Examination of causality link under Article 3.5 OF THE ADA

The Applicant provided the following information on the examination of causality:

Table 7.5.1(a): HS 7315.82.03 (diameter of 4 mm or more, but not exceeding 10 mm)

Variable	Year			Change (%)
	2019	2020	2021	2019/2021
Prices of imports not sold at dumping prices (fob price) (R/kg)	17.41	19.11	19.48	11.89%
Volume of imports not sold at dumping (Kg)	137 321	191 919	81 799	(40.43%)
Contraction in demand: Growth rate for the subject product industry (Kg)	1 795 321	1 819 084	1 724 779	(8.74%)

Table 7.5.1(b): HS 7315.82.05 (diameter of 10 mm or more, but not exceeding 20 mm)

Variable		Year		Change (%)
	2019	2020	2021	2019/2021
Prices of imports not sold at dumping prices (fob price) (R/kg)	18.62	20.35	23.32	25.24%
Volume of imports not sold at dumping (Kg)	52 214	397 166	19 721	(62.23%)
Contraction in demand: Growth rate for the subject product industry (Kg)	1 122 619	1 020 112	959 781	(12.94%)

Changes in the patterns of consumptions	The Applicant stated that as a result of the declining South African economy, the total market size for non-articulated welded link chain decreased yearly from 100 index points in 2019, to 85 index points in 2020 and 75 index points in 2021. It also stated that its sales, as well as the imports, declined over this period. However, were it not for the dumped Chinese product in the SACU market, it would not have lost sales to the dumped products, even in a declining market. Therefore, the declining market did not detract from the injury that it is experiencing.
Trade-restrictive practices of foreign and domestic producers	None that Applicant is aware of.
Developments in technology	The Applicant stated that there were no known recent

	developments in technology that would place it at a disadvantage compared with imports.
Export performance of the domestic industry	The Applicant stated that it manufactures the subject product to supply the domestic market but does export. However, exports remained strong over the period of investigation.
Productivity of the domestic industry	The Applicant stated that it believes that its productivity compares favorably with its competitors. However, as a result of the dumped imports, its productivity is affected as these imports impact on its production.
The effect of changing exchange rate has been on: **(a) production cost;** **(b) selling price; and** **(c) the price of the imported product**	The Applicant stated that the exchange rate does impact on its production cost and selling price as the major portion of the input cost is steel which is sourced locally or imported and is linked to a basket of products price on the international market. It also stated that the strengthening of the South African Rand against the United States Dollar during the period of July 2020 to December 2021, did not impact on its input costs. However, dumped imports from China benefitted more from this exchange rate movement.

7.6 PRELIMIUNARY DETERMINATION ON CAUSAL LINK

The Commission made a preliminary determination that there is a causal link between the alleged dumped imports and material injury and/or threat of material injury suffered by the SACU industry.

8. SUMMARY OF FINDINGS

8.1 DUMPING

The Commission found that the subject products originating in or imported from China were exported at dumped prices to the SACU. The following dumping margins were calculated:

Table 8.1: Dumping margins

China	Dumping margin
Rudong Chain Works	11.61%
All other manufacturers/exporters (excluding Rudong Chain Works)	16.13%

The Commission made a preliminary determination that dumping of the subject product originating in or imported from China is taking place.

8.2 MATERIAL INJURY

The Commission made a preliminary determination that the SACU industry is experiencing material injury in the form of:

- Price undercutting
- Price suppression
- Decline in sales volumes
- Decline in profit
- Decline in productivity
- Decline in output
- Decline in wages
- Decline in employment
- Decline in capacity utilisation
- Decline in return on investment
- Decline in cash flow

8.3 THREAT OF MATERIAL INJURY

The Commission noted that China increased its freely disposable capacity; the imports from China have increased; and the average prices of the two types of the subject product were well below other importing countries' prices for the same period. This indicates that a threat of material injury to the SACU industry exists.

The Commission made a preliminary determination that a threat of material injury to the SACU industry exists.

8.4 CAUSAL LINK

The Commission made a preliminary determination that there is a causal link between the alleged dumped imports and material injury and/or a threat of material injury suffered by the SACU industry.

9. PROVISIONAL PAYMENTS

9.1 Amount of provisional payments

The amount of provisional payments is the amount required to prevent further material injury experienced by the SACU industry as a result of further imports of the subject product originating in or imported from China at dumped prices during the course of the investigation before the Commission makes its final determination.

The Commission therefore, determined the provisional payments to be the following:

Table 9.1: Provisional payments

Tariff subheadings	Manufacturer	Rate of duty
HS 7315.82.03 HS 7315.82.05	Rudong Chain Works	11.61%
	All other manufacturers/exporters (excluding Rudong Chain Works)	16.13%

10. PRELIMINARY DETERMINATION

The Commission made a preliminary determination that there is sufficient information to indicate that:

- dumping of the subject product originating in or imported from China is taking place;
- the SACU industry is experiencing material injury and a threat of material injury, caused by the alleged dumped imports of the subject product originating in or imported from China.

The Commission therefore, decided to request the Commissioner for South African Revenue Service to impose the following provisional measures on imports of the subject product for a period of 6 months:

Tariff subheadings	Manufacturer	Rate of duty
HS 7315.82.03 HS 7315.82.05	Rudong Chain Works	11.61%
	All other manufacturers/exporters (excluding Rudong Chain Works)	16.13%