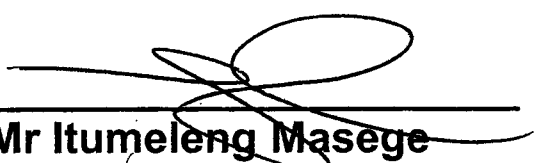


REPORT NO. 160

**INVESTIGATION INTO THE ALLEGED DUMPING OF
STAINLESS STEEL TUBES AND PIPES ORIGINATING
IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC
OF CHINA, INDIA AND MALAYSIA: FINAL
DETERMINATION**

**THE INTERNATIONAL TRADE ADMINISTRATION
COMMISSION OF SOUTH AFRICA HERewith PRESENTS
ITS REPORT No. 160: INVESTIGATION INTO THE
ALLEGED DUMPING OF STAINLESS STEEL TUBES AND
PIPES ORIGINATING IN OR IMPORTED FROM THE
PEOPLE'S REPUBLIC OF CHINA, INDIA AND MALAYSIA:
FINAL DETERMINATION**



Mr Itumeleng Masege
ACTING CHIEF COMMISSIONER

PRETORIA

18 / 07 / 2006

1. APPLICATION AND PROCEDURE

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 representatives of the countries concerned were advised accordingly.

1.4 The investigation was initiated through Notice No.890 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 only 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).

No responses were received from the PRC, India and Malaysia. The investigation was therefore split between the responding country and the non-responding countries.

1.7 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

1.8 On 24 August 2005, the Commission made a preliminary determination based on the facts available, that dumping is taking place and that the material injury suffered by the SACU industry can be causally linked to the dumped imports

from the PRC, India and Malaysia.

- 1.9 The Commission considered that the SACU industry would continue to suffer material injury during the course of the investigation if provisional payments were not imposed and it decided to request the Commissioner for the South African Revenue Service to impose provisional payments on stainless steel tubes and pipes originating in or imported from the People's Republic of China, India and Malaysia on 23 September 2005.

The following rates of provisional payment were imposed:

Country	Rate of provisional payment
China	49,81%
India	34,91%
Malaysia	72,07%

- 1.10 However on 22 February 2006, after taking into consideration the comments from interested parties, the Commission made a final determination that no dumping was found for the imports from Chinese Taipei and that a margin close to *de minimis* was found for the PRC. These import volumes combined, accounted for 74% of the total imports from the countries under investigation. The Commission also noted that the imports from India showed a declining trend and in 2004 accounted for only 3.2 % of total alleged dumped imports and that the imports from Malaysia remained fairly constant. The Commission was therefore of the opinion that it was highly questionable that the injury suffered by the Applicant can be attributed to the dumped imports.

In considering factors other than dumping that may have caused the material injury to the SACU industry, the Commission found that there was an increase in non-dumped imports together with a substantial decrease in the export volumes of the SACU industry.

- 1.11 Essential facts letters were sent out to all interested parties 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.

1.12 After considering all parties comments in respect of the preliminary determination and the “essential facts” letters, the Commission made a final determination that the subject products from India and Malaysia were being dumped on the SACU market and that the SACU industry was suffering material injury as a result but factors other than dumping sufficiently detracted from the causal link between the material injury to the SACU industry and the dumped imports.

1.13 The Commission, therefore, decided to recommend to the Minister of Trade and Industry that the investigation on the stainless steel tubes and pipes origination in or imported from the People’s Republic of China, India and Malaysia be terminated.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

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 to 21,34mm and from 114mm to 160mm with a wall thickness of 1mm or more but not exceeding 6mm classified under tariff subheading 7306.40" originating in or imported from the PRC, India and Malaysia.

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" originating in or imported from the PRC and India.

2.1.2 Country of origin/export

The subject products are exported from the PRC, India and Malaysia.

2.1.3 Main raw materials

The raw material is stainless steel coils.

2.1.4 Technical characteristics

Welded, austenitic, stainless steel tubes are manufactured to the required specifications with an outside diameter of 12mm to 21,34mm and from 114mm to 160mm with a wall thickness of 1mm or more but not exceeding 6mm classified under tariff subheading 7306.40 originating in or imported

from the PRC, India and Malaysia and to the required specifications of 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 originating in or imported from the PRC and India. The tube is manufactured from annealed stainless steel and welded with no addition of filler metal.

2.1.6 Application/end use

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

The use of the product is 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.

2.1.7 Tariff classification

The subject product is classifiable as follows:

Table 2.1.7

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

2.1.8 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 2.1.8

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%

2.1.9 Production process

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.

2.1.10 Negligibility test

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

	Import volumes 2002	2002 % of total	Import volumes 2003	2003 % of total	Import volumes 2004 (Jan – Sept)	2003 % of total
Alleged dumped imports:						
China	0	-	250,976	13.44%	366,344	14.8%
India	111,480	7.3%	51,067	2.7%	78,046	3.2%
Malaysia	453,414	29.5%	483,553	25.9%	436,713	17.6%
Total dumped imports	564,894	36.8%	785,596	42.1%	881,103	35.6%
Other imports	969,568	63%	1,082,658	58%	1,595,778	64%
Total imports	1,534,462		1,867,658		2,476,881	

The Commission found that the imports from the subject countries are

above the negligibility level.

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 Main raw materials

The raw material is stainless steel coils.

2.2.3 Technical characteristics

Welded, austenitic, stainless steel tube are manufactured to the required specifications with an outside diameter of 12mm to 160mm and a wall thickness of 1mm or more but not exceeding 6mm. The tube is manufactured from annealed stainless steel and welded with no addition of filler metal.

2.2.4 Application/end use

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

The use of the product is a wide variety of applications for structural, architectural and decorative uses through to food and beverage processing and automotive exhaust duty as well as general service in all types of mining, industrial, medical and petrochemical equipment.

2.2.5 Tariff classification

The SACU product is classifiable under tariff subheading 7306.40.

2.2.6 Production process

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.

2.3 LIKE PRODUCTS

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

Table 2.3: Like product determination

	Imported product	SACU product
Raw materials	The raw materials are stainless steel coils.	The raw materials are stainless steel coils.
Physical appearance	Welded Stainless steel tubes of circular cross-section with an outside diameter of 12mm and more, but not exceeding 160mm.	Welded Stainless steel tubes of circular cross-section with an outside diameter of 12mm and more, but not exceeding 160mm.
Tariff classification	The imported products are classifiable under tariff subheading 7306.40.	Locally produced products are classifiable under tariff subheading 7306.40.
Production process	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.

Application or end use	The welded stainless steel tubes are used for conveyance, structural or ornamental applications.	The welded stainless steel tubes are used for conveyance, structural or ornamental applications.
	The use of the product is 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.	The use of the product is 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.

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

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

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

4. DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION

No exporter from the subject countries responded in the matter and the Commission therefore considered the *facts available* that were provided by the Applicant.

The Applicant indicated that the normal values for the PRC, India and Malaysia could not be obtained. It further argued that its efforts to obtain normal values in the subject countries using agents were unsuccessful because for one to get a quote, an order needs to be placed.

The Applicant believes this was because Barloworld Stainless has been involved in anti-dumping actions recently and as the overseas suppliers are aware of this, they are reluctant to supply quotes, etc. The Applicant also believes that as the subject countries are not "newcomers" to anti-dumping actions and sunset reviews, it is very difficult to obtain a domestic sales value.

Normal values were therefore calculated using the constructed cost of production of the goods in the countries of origin plus a reasonable addition for selling cost and profit in the case of India and Malaysia.

The Applicant nominated Chinese Taipei as a third country for the PRC. As exporters from Chinese Taipei responded, actual verified domestic sales figures were used as the basis for a normal value for the PRC.

The Applicant indicated that in their 1997 application and the 2002 sunset review, the constructed cost of production was accepted by ITAC and was based on a combination of internationally published steel prices, a benchmarking exercise in 1997 by the Industrial Development Cooperation (IDC) as part of their "Stainless Steel Macro Cluster Study" in conjunction

with the DTI (which was updated for cost increases) and certain data based on the Applicant's business which it believes valid based on international experience and regular visits to stainless steel producers worldwide.

The Applicant indicated that it applied the same logic as it was the "best information available" to it.

The Applicant indicated that the methodology followed to calculate the constructed normal value for 2004 consisted of the following:

- a. Raw material costs were based on the average values of transacted prices for stainless steel coil from October 2003 to September 2004 (allowing a 3 month lead time in comparison to the sales into SACU from January to November 2004) published in the MEPS publication (MEPS is a leading supplier of steel market information).
- b. Slitting scrap rates and costs (net of scrap recoveries) were based on South African industry norms, which have been verified by international plant visits undertaken by Barloworld Stainless for benchmarking purposes.
- c. Manufacturing scrap and profit rates were based on the IDC study and the costs were calculated using the IDC study as the base increased by inflation.

Barloworld Stainless indicated that it applied its kg/metre total manufactured mix for October 2003 to May 2004 as a proxy for the subject products. It indicated that it considered this reasonable, as no information was readily available regarding the product mix of the imported goods under tariff subheading 7306.40.

4.1.1 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC

Normal Value

Type of economy

In calculating the normal value for the PRC, section 32(2)(b) of the ITA Act was applied as a basis.

Calculation of Normal Value

The Applicant indicated that normal value for the PRC was calculated using Chinese Taipei as the basis i.e Chinese Taipei was nominated as a third country for the PRC as the Applicant believes that this is the most suitable third country due to a combination of geographical proximity, similar industrial conditions and production methods. Since information submitted by exporters from Chinese Taipei had been verified, the normal value for Chinese Taipei would be representative of the domestic prices in the PRC.

The normal value for the PRC before adjustments was determined to be US\$2.68/kg. This was the highest average domestic selling price in Chinese Taipei. i.e $90.24 \text{ NT\$/kg} \times \text{USD Rate of exchange } 33.67 = \text{USD } 2.68/\text{kg}$

4.1.2 Export Price

Calculation of export price

The export prices were based on import statistics for the period January 2004 to September 2004.

Adjustments to the export price

The Applicant indicated that the adjustments were made based on its experience with the 1997 stainless steel tubes and pipes investigation and its sunset review, which had similar characteristics to this investigation.

Therefore, agent's commission, brokerage, inland freight, packaging and payment terms which amounted to US\$0.43 were made to the FOB price of the import statistics to determine the ex-factory export price.

Ex-factory export price

The export price was therefore calculated to be as follows:

Country	China
FOB export price (Rand/kg)	19.90*
Adjustments	2.81
Ex factory export price (Rand/kg)	17.09**
Ex factory price (USD/kg)	2.62

* US\$3.05 FOB export price x Average exchange rate of 6.52436 of Jan-Sept 2004

** Ex factory export price in USD per kg x Average exchange rate of 6.52436 of Jan – Sept 2004

4.1.3 Margin of dumping

Based on the above information, the following margin of dumping was calculated:

	<u>USD/kg</u>	<u>CNY/kg</u>
Normal value	2.68	22.21
Export price	<u>2.62</u>	<u>21.71</u>
Margin of dumping	<u>0.06</u>	<u>0.50</u>
Margin of dumping as a percentage export price	2.3%	2.3%

Exchange Rate USD 1 = CNY 8.2873

4.2. METHODOLOGY IN THIS INVESTIGATION FOR INDIA

4.2.1 Normal Value

Type of economy

In calculating the normal value for India, section 32(2)(b) of the ITA Act was applied as a basis.

The normal value for India using the constructed selling price per metre in the domestic market was determined to be US\$12.97/m. When converted to price per kg, it was determined to be US\$3.71/kg.

4.2.2 Export Price

Calculation of export price

The export prices were based on import statistics for the period January 2004 to September 2004.

Adjustments to the export price

The Applicant indicated that the adjustments were made based on its experience with the 1997 stainless steel tubes and pipes investigation and its sunset review, which had similar characteristics to this investigation.

Therefore, agent's commission, brokerage, inland freight, packaging and payment terms which amounted to US\$0.44 were made to the FOB price of the import statistics to determine the ex-factory export price.

Ex-factory export price

The export price was therefore calculated to be as follows:

Country	India
FOB export price (Rand/kg)	20.88*
Adjustments	2.93
Ex factory export price (Rand/kg)	17.95**
Ex factory price (USD/kg)	2.75

* US\$3.20 FOB export price x Average exchange rate of 6.52436 of Jan-Sept 2004

** Ex factory export price in USD per kg x Average exchange rate of 6.52436 of Jan – Sept 2004

4.2.3 Margin of dumping

Based on the above information, the following margin of dumping was calculated:

	<u>USD/kg</u>	<u>INR/kg</u>
Normal value	3.71	168.67
Export price	<u>2.75</u>	<u>125.02</u>
Margin of dumping	<u>0.96</u>	<u>43.64</u>
Margin of dumping as a percentage of export price	34,91%	34,91%

Exchange Rate USD 1 = INR 45.46240

4.3 METHODOLOGY IN THIS INVESTIGATION FOR MALAYSIA

4.3.1 Normal Value

Type of economy

In calculating the normal value for Malaysia, section 32(2)(b) of the ITA Act was applied as a basis.

The normal value for Malaysia using the constructed selling price per metre in the domestic market was determined to be US\$13.38/m. When converted to price per kg, it was determined to be US\$3.82/kg.

4.3.2 Export Price

Calculation of export price

The export prices were based on import statistics for the period January 2004 to September 2004.

Adjustments to the export price

The Applicant indicated that the adjustments were made based on its experience with the 1997 stainless steel tubes and pipes investigation and its sunset review, which had similar characteristics to this investigation.

Therefore, agent's commission, brokerage, inland freight, packaging and payment terms which amounted to US\$0.33 were made to the FOB price of the import statistics to determine the ex-factory export price.

Ex-factory export price

The export price was therefore calculated to be as follows:

Country	Malaysia
FOB export price (Rand/kg)	16.62*
Adjustments	2.12
Ex factory export price (Rand/kg)	14.50**
Ex factory price (USD/kg)	2.22

* US\$2.55 FOB export price x Average exchange rate of 6.52436 of Jan-Sept 2004

** Ex factory export price in USD per kg x Average exchange rate of 6.52436 of Jan – Sept 2004

4.3.3. Margin of dumping

Based on the above information, the following margin of dumping was calculated:

	<u>USD/kg</u>	<u>MYR/kg</u>
Normal value	3.82	14.52
Export price	<u>2.22</u>	<u>8.44</u>
Margin of dumping	<u>1.6</u>	<u>6.08</u>
Margin of dumping as a percentage of export price	72,07%	72,07%

Exchange Rate USD 1 = MYR 3.80144

4.4 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 the PRC, India and Malaysia were being dumped into the SACU market with the following margins:

Country	Dumping margin expressed as a percentage of the fob export price
PRC	2.3%
India	34.91%
Malaysia	72.07%

5. MATERIAL INJURY

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

It was shown in Section 4 of this report that the margin of dumping from each of the countries subject to this investigation is more than *de minimis*. It was further shown in paragraph 2.1.10 of this report that the volume of imports from each country is not negligible.

The Commission found that the subject product competes 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	China India 111,480 Malaysia 453,141	969,568	100	100	100
2003	kg	China 250,976 India 51,067 Malaysia 483,553	1,082,062	111	234	100
2004 (Jan – Sept)	kg	China 366,344 India 78,046 Malaysia 436,713	1,595,778	70	185	79

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

No comments were received with regard to the information in this table.

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.

No comments were received with regard to the information in this table.

Price Effects of Subject Imports

Variable	Unit of Measurement	Year		
		2002	2003	2004
Average import price (fob)	R/kg	China - 0 India - 33.97 Malaysia - 20.11	China - 15.65 India - 33.03 Malaysia - 21.24	China - 18.40 India - 19.31 Malaysia - 16.45
Average price of domestic product (ex-factory) (price depression)	R/kg	100	122	125
Price undercutting	R/kg	China - N/A India - Negative Malaysia - Negative	China - Positive India - Negative Malaysia - Positive	China - Positive India - Positive Malaysia - Positive
Cost as % of selling price (Suppression)		100	93	103

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

No comments were received with regard to the information in this table.

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:					
In value terms	R	100	121	99	(1)
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.

No comments were received with regard to the information in this table.

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	China – 2.3% India – 34.91% Malaysia – 72.07%				

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

No comments were received with regard to the information in this table.

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

6.1 GENERAL

In order for the Commission to impose final anti-dumping duties, it must be satisfied that there is sufficient evidence to indicate that the material injury experienced by the SACU industry is as a result of the dumping of the subject products.

6.2 VOLUME OF IMPORTS AND MARKET SHARE

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

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

Table 6.2.1: Market share

kg	2002	2003	2004
Percentage market share held by:			
Applicant	100%	101%	98%
Other SACU producers	100%	94%	86%
Total SACU	100%	97%	91%
Alleged dumped imports	100%	140%	201%

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

The following table shows the volume of imports:

Table 6.2.2: Import volumes

Unit of measurement (kg)	2002	2003	2004 (Jan – Sept)
Alleged dumped imports			
China	0	250,976	366,344
India	111,480	151,067	78,046
Malaysia	453,414	483,553	436,713
Total	564 894	785 596	881 103
Other imports	566,657	507,034	463,038
Chinese Taipei	402,911	575,028	1,132,740
Total Imports from other countries	969,568	1,082,062	1,595,778
Total imports	1,534,462	1,867,658	2,476,881
Alleged dumped imports %			
China	-	13.44	14.8
India	7.3%	2.7	3.2
Malaysia	29.5%	25.9	17.6
Alleged dumped imports as a % of total imports	36.8%	42.1%	35.6%

6.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

Table 7.3.1: Price undercutting, price depression and price suppression

Rand/Unit	2002	2003	2004
Price undercutting	China – N/A India - Negative Malaysia - Negative	China - Positive India - Negative Malaysia - Positive	China - Positive India - Positive Malaysia - Positive
Applicant's ex-factory selling price (R/Unit)	100	122	125
Cost as a % of selling price (%)	100	93	103

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

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2002 – 2004)
Sales volume	Decrease
Profit	Decrease
Output	Decrease
Market share	Decrease
Productivity	Decrease
Return on investment	Decrease

Utilisation of capacity	Decrease
Cash flow	Decrease
Inventories	Increase
Employment	Decrease
Wages	Decrease
Growth	Decrease
Ability to raise capital	Decrease

6.4 FACTORS OTHER THAN DUMPING CAUSING INJURY

6.4.1 Examination of causality under Article 3.5

Variable	Unit of measurement	Year			Change (%)
		2002	2003	2004	2002/2004
Prices of imports not sold at dumping prices (fob price)	R/kg	29.03	23.65	24.05	(17.2%)
Contraction in demand:					
• GDP growth rate	%	3.7%	3.2%	4.6%	24.32%
• Growth rate for subject product industry	%	100%	101%	98%	292%
The quality of the product	The Applicant indicated that Barloworld Stainless was ISO 9001, TUV and PED accredited.				
Delivery times	The Applicant indicated that the delivery times were good as Barloworld Stainless invested in new scheduling software in the last year (BAAN Scheduler) and increased stock holding.				
Service	The Applicant indicated that their service was good and that it provided the best after sales service to customers, including guarantees and warranties and technical training to its customers.				
The state of Barloworld Stainless workforce and its attitude towards the company, including how wage negotiations are conducted.	The Applicant indicated that its industrial relations were considered good as Barloworld Stainless falls under SEIFSA, and therefore, wage negotiations were conducted on an industry level.				
Strikes, go-slows or lock-outs during the past calendar months	The Applicant stated that it had a one day partial strike in July linked to the SEIFSA wage negotiations and that prior to this there have been no strikes for at least 5 years. The Applicant also indicated that unfortunately it had to start a consultation process to consider reducing its labour size during October 2004 due to the effect of dumped imports on the market. The Applicant further indicated that this resulted in forced retrenchments in November and December 2004 and that the total business had reduced employment from July to December 2004.				
The effect of the changing exchange rate on: (a) Production Cost and Selling Price	The Applicant indicated that the SACU industry's raw material price from SACU supplier Columbus is partially denominated in USD for cold rolled and fully for hot rolled. It indicated that exchangerate therefore had a direct impact on Barloworld Stainless production cost. It further indicated that as the Rand strengthened the SACU industry's production cost decreased.				

(b) The price of the imported product	The Applicant indicated that the exchange rate would directly impact on the price of the imported product in a similar fashion to the SACU industry's production costs.
The volume and the prices of imports not sold at dumped prices	The Applicant stated that it cannot respond to this question as it did not have the normal selling prices of the "like products" in the other countries of export.
Contraction in demand for Barloworld Stainless product or a change in consumption patterns	The Applicant stated that the demand for the SACU product decreased against the growing demand for the dumped imported product. It indicated that the important issue was the relative market shares in tons which showed that the SACU market share was lower in 2004 and higher in 2002.
Technology developments	The Applicant stated that in 2002 it invested capital for a new Pickling Plant.. It indicated that in 2003 it commissioned its first use of the laser welding technology. The Applicant indicated that the SACU industry technology was generally in line with the world players' technology and that this was done to compete with the dumped imports and the global players when exporting. It further indicated that in addition it had also invested in a Fittings/Laser Cutting plant to increase efficiencies by utilising downgrade pipes in Fittings manufacture.

For purposes of the causal link determination, the Commission noted its final determination with regard to Chinese Taipei, that no dumping of the subject product from this country was taking place during the period of investigation for dumping.

In making its decision on causal link, the Commission also considered the following factors:

Changes in patterns of consumption

Important consumption patterns and other conditions of competition affected the stainless steel tubes and pipes market during the POI. The following list summarises relevant facts relating to patterns of demand and consumption:

- the stainless steel tubes and pipe market can be roughly divided into two categories: ordinary commercial grade products (non-polished and polished) and speciality grade products (mirror finished products).

- The demand for mirror polished products increased during the POI.
- There is a possibility for substitutability within the non-polished category, but a low degree of substitutability within the mirror finished grade category.
- Imports from the Chinese Taipei for which China was used as a third country are heavily concentrated in the speciality (mirror finished) grade.
- The domestic industry did not manufacture the mirror finished products in the POI.
- The mirror finished products are made to customer specifications and generally dedicated for use in particular applications. They may therefore generally command higher prices than non-polished and polished products.
- End-users of mirror finished products ensure that customer specifications and quality requirements are met and thus rarely change suppliers. This may also suggest that producers of speciality products may provide a higher level of customer service.
- Mirror finished products are almost always sold under contract directly to end-users, whereas the non-polished and polished products are likely to be stocked and sold in spot sales to distributors.

The above facts might be viewed as the cause of the problems faced by the domestic industry during the POI. The facts suggest that the demand for the non-polished and polished products decreased during the POI. The domestic industry did not have the capability to produce the mirror finished products to compete with the specialised imported products.

Developments in technology

The Applicant indicated that in 2002 it invested some capital in a new Pickling plant and that in 2003 it commissioned its first use of the laser welding technology for a mill and a laser welder. It also indicated that the SACU

industry technology was generally in line with the world players' technology and that this was done to compete with the dumped imports and the global players when exporting. It further indicated that in addition it also invested in a Fittings/Laser Cutting plant to increase efficiencies by utilising downgrade pipes in Fittings manufacture.

The above facts indicate that the domestic industry was having difficulty competing with the imports during the POI. It takes time for new technology to be fully implemented and for the industry to recover costs of implementing the new technology whilst the technology of the foreign producers was already well-embedded when the Applicant invested in the upgrading of technology.

Therefore, the technology development may be seen as having had caused some of the difficulties faced by the domestic industry.

General causality facts

Relating to capital investments and spending by the domestic industry on plant and equipment, it should be noted that this decreased over the POI. Given the competing technology used by foreign producers to produce products with higher profitability, these data may indicate a delay by the domestic industry during the POI to modernise facilities, innovate and remain competitive.

After taking into consideration the comments from interested parties, the Commission made a final determination that no dumping was found for the imports from Chinese Taipei and that a margin close to *de minimis* was found for the PRC. These import volumes combined, accounted for 74% of the total imports from the countries under investigation. The Commission also noted that the imports from India showed a declining trend and in 2004 accounted for only 3.2 % of total alleged dumped imports and that the imports from Malaysia remained fairly constant. The Commission was therefore of the opinion that it was highly questionable that the injury suffered by the Applicant can be attributed to the dumped imports.

After considering all relevant factors and comments, the Commission therefore made a final determination that factors other than dumping sufficiently detracted from the causal link.

7. SUMMARY OF FINDINGS

7.1 Dumping

The Commission found that the subject products originating in or imported from the PRC, India and Malaysia were dumped into the SACU market in the following margins:

Country	Dumping margin expressed as a percentage of the fob export price
PRC	2.3%
India	34.91%
Malaysia	72.07%

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

The Commission considered all the comments received from interested parties and decided that there were factors other than dumping, including the changes in patterns of consumption and developments in technology, that sufficiently detracted from the causal link between the dumping and the material injury.

The Commission noted that no dumping was found for the imports from Chinese Taipei and that a margin of close to *de minimis* was found from the PRC. These import volumes combined, accounted for 74% of the total imports from the countries under investigation. It also noted that the imports from India showed a declining trend and in 2004 accounted for only 3.2% of the total alleged dumped imports and that the imports from Malaysia remained fairly constant.

8. FINAL DETERMINATION

The Commission made a final determination that:

- the subject product originating in or imported from India and Malaysia was being dumped into the SACU market;
- the SACU industry suffered material injury; but
- factors other than dumping are substantially detracting from the causal link between the material injury to the SACU industry and the dumped imports.

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