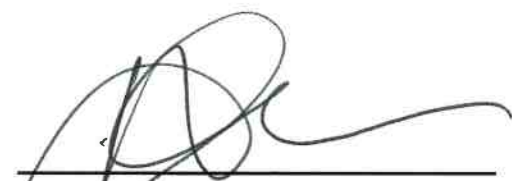


## **Report No. 745**

**INVESTIGATION INTO THE ALLEGED DUMPING OF OTHER SCREWS FULLY  
THREADED WITH HEXAGON HEADS AND OTHER BOLTS WITH HEXAGON HEADS  
EXCLUDING BOLT ENDS, SCREW STUDS AND SCREW STUDDING ORIGINATING IN  
OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA: PRELIMINARY  
DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its  
**Report No. 745: INVESTIGATION INTO THE ALLEGED DUMPING OF OTHER  
SCREWS FULLY THREADED WITH HEXAGON HEADS AND OTHER BOLTS WITH  
HEXAGON HEADS EXCLUDING BOLT ENDS, SCREW STUDS AND SCREW  
STUDDING ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF  
CHINA: PRELIMINARY DETERMINATION.**



---

**AYABONGA CAWE**  
**CHIEF COMMISSIONER**

**PRETORIA**  
*25*  
**.....102/2025**

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### INVESTIGATION INTO THE ALLEGED DUMPING OF OTHER SCREWS FULLY THREADED WITH HEXAGON HEADS AND OTHER BOLTS WITH HEXAGON HEADS EXCLUDING BOLT ENDS, SCREW STUDS AND SCREW STUDDING ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA: PRELIMINARY DETERMINATION

#### SYNOPSIS

On 26 July 2024, the International Trade Commission of South Africa (“the Commission”) initiated an investigation into the alleged dumping of other screws fully threaded with hexagon heads and other bolts with hexagon heads, excluding bolt ends, screw studs, and screw studding classifiable under tariff subheadings 7318.15.39 and 7318.15.43 originating in or imported from the People’s Republic of China (“PRC”) through Notice No. 2658 of 2024 of *Government Gazette* No. 50986.

The South African Fastener Manufacturers Association (“SAFMA” or the “Applicant”), a SACU industry body, lodged the application on behalf of its members. The members of the SAFMA are CBC Fasteners (Pty) Ltd, Transvaal Pressed Nuts Bolts and Rivets (Pty) Ltd., Impala Bolt and Nut (Pty) Ltd., and Tel-Screw (Pty) Ltd. Together, these members constitute 100% of the domestic production of the subject products in SACU.

The investigation was initiated after the Commission considered that there was *prima facie* evidence to show that the subject products were being imported into the Southern African Customs Union (“SACU”) at dumped prices, threatening to cause material injury to the SACU industry.

Upon initiating the investigation, the diplomatic representatives and all known foreign producers/exporters of the subject products in the PRC were sent a non-confidential copy of the application, initiation notice and the foreign producers/exporter’s questionnaires to complete. Known importers of the subject products in SACU were also sent a non-confidential copy of the application, initiation notice and the importer’s questionnaires to complete.

Responses to the Commission's exporter and importer questionnaires were received from seven foreign producers/exporters and three importers, respectively. Comments were also received from the Fasteners Distributors Association ("FDA"). Of the seven exporters/producers, information submitted by the six exporters was considered deficient, and the Commission made a preliminary determination not to consider deficient responses of the six exporters/producers in line with Anti-Dumping Regulation ("ADR") 32.4. The information submitted by one exporter, Gem-Year Industrial Co., Ltd, who was found not to be deficient was verified.

After considering all responses and comments received, the Commission made a preliminary determination that other screws fully threaded with hexagon heads and other bolts with hexagon heads, excluding bolt end, screw studs, and screw studding classifiable under tariff subheadings 7318.15.39 and 7318.15.43, originating in or imported from the PRC were being dumped into the SACU market, threatening to cause material injury to the SACU industry.

The Commission further decided to request the Commissioner for the South African Revenue Service ("SARS") to impose provisional payments for a period of six months to protect the domestic industry while the investigation continues.

**Table 1: Provisional payments for the PRC**

Tariff Classification	Description	Rate of Duty
7318.15.39	Other Screws, fully threaded with hexagon heads (excluding those of stainless steel)	166.07%
7318.15.43	Other Bolts (Excluding Bolt ends, screw studs and Screw studding) with hexagon heads	17.65%

# **1. APPLICATION AND PROCEDURE**

---

## **1.1 LEGAL FRAMEWORK**

This investigation was conducted in accordance with the International Trade Administration Act, 2002 (“ITA Act”), the International Trade Administration Commission of South Africa Anti-Dumping Regulations (“ADR”) having due regard to 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 SAFMA (“the Applicant”), a representative organisation for the SACU industry. The members of the SAFMA are CBC Fasteners (Pty) Ltd, Transvaal Pressed Nuts Bolts and Rivets (Pty) Ltd, Impala Bolt and Nut (Pty) Ltd, and Tel-Screw (Pty) Ltd. Together, these members constitute 100% of the domestic production of the subject products in SACU.

## **1.3 DATE OF ACCEPTANCE OF APPLICATION**

The application was accepted by the Commission as being properly documented in accordance with Regulation 21 of the ADR on 16 July 2024. The trade representatives of the PRC were advised accordingly.

## **1.4 ALLEGATIONS BY THE APPLICANT**

The Applicant alleged that imports of the subject products originating in or imported from the PRC are being dumped in the SACU market, thereby threatening to cause material injury to the SACU industry. The basis for the alleged dumping is that the subject products are exported to SACU at prices lower than the normal value in the country of origin. The Applicant alleged that as a result of dumping and imminent change in circumstance, there is likelihood of substantially increased imports from the PRC which threaten to cause material injury to the SACU industry in the form of:

- Price suppression;
- Price undercutting;
- Decline in sales volumes;
- Decline in market share;
- Decline in production volumes;
- Decline in employment;

- Decline in productivity;
- Decline in profits.
- Decline in capacity utilisation;
- Decline in inventory;
- Decline in ability to raise capital; and
- Decline in return on investment.

## **1.5 INVESTIGATION PROCESS**

The application was initially submitted on 15 February 2024, and a deficiency letter was sent to the Applicant on 27 February 2024. An updated application was received, and another deficiency letter was sent on 05 April 2024. The updated electronic and hard copy applications were received on 10 July 2024. The material injury information submitted by CBC was verified on 13 June 2024. The material injury information submitted by Impala was verified on 20 and 21 June 2024.

The diplomatic representatives of the PRC were notified of the Commission's receipt of a properly documented application, in terms of Regulation 27.1 of the ADR.

The Commission initiated an investigation into the alleged dumping of other screws fully threaded with hexagon heads and other bolts with hexagon heads, excluding bolt ends, screw studs, and screw studding classifiable under tariff subheadings 7318.15.39 and 7318.15.43 originating in or imported from the PRC through Notice No. 2658 of 2024 which was published in the *Government Gazette No. 50986* on 26 July 2024.

On 31 July 2024, subsequent to the initiation, all known interested parties were notified and sent the non-confidential version of the application and requested to respond to the relevant questionnaires.

## **1.6 INVESTIGATION PERIODS**

The investigation period for dumping was 01 February 2023 to 31 January 2024. The investigation period for material injury was 01 February 2021 to 31 January 2024. The Applicant provided information indicating a threat of material injury to the SACU industry.

## **1.7 PARTIES CONCERNED**

### **1.7.1 SACU industry**

The SACU industry consists of SAFMA members: CBC Fasteners (Pty) Ltd, Transvaal Pressed Nuts Bolts and Rivets (Pty) Ltd, Impala Bolt and Nut (Pty) Ltd, and Tel-Screw (Pty) Ltd together constituting 100% of the domestic production of the subject products in SACU.

### **1.7.2 Foreign Producers/Exporters**

Responses to the Commission's exporter questionnaire were received from the following:

- GEM-Year Industrial Co., Ltd;
- Haiyan Yousun Enterprise Co., Ltd;
- Jiangsu Yongyi Fastener Co., Ltd;
- LinkFast Technical Co., Ltd;
- Ningbo Jinding Fastening piece Co., Ltd;
- Zhapu Technology (Jiangsu) Co., Ltd; and
- Shanghai Prime Fasteners Co., Ltd, Shanghai BiaoWu (PMC) High Tensile Fastener Co., Ltd and Ningbo Economic & Technical Development Zone Yonggang Fasteners Co., Ltd.

Initial responses received from all foreign producers/exporters were found to be deficient. On 21 October 2024 deficiency letters were sent out to all foreign producers/exporters and were given 7 days to address deficiencies. Six of the seven updated exporters questionnaire responses were still deficient per ADR31.1. The parties were informed of their deficiencies and that their information may not be taken into account for the Commission's preliminary determination. The Commission made a preliminary determination not to consider the deficient information submitted by producers/exporters for the purposes of its preliminary determination.

The producers/exporters whose information was deficient were advised that should their responses be rectified within the deadline date for comments on the preliminary determination, their information would be considered for the Commission's final determination.

### **1.7.3 Importers**

Responses to the Commission's importer questionnaire were received from the following importers:

- Boltfast (Pty) Ltd.
- Boltworld (Pty) Ltd; and
- NSS Fasteners Pty (Ltd).

Initial responses received from all importers were found to be deficient. On 31 October 2024 deficiency letters were sent out to all importers and were given 7 days to address deficiencies. All importers' questionnaire responses were again found to be still deficient.

The Commission made a preliminary determination not to consider the deficient information submitted by importers for the purposes of its preliminary determination. Importers were advised that should their responses be rectified within the deadline date for comments on the preliminary determination, their information would be considered for the Commission's final determination.

### **1.7.4 Other interested parties**

Comments were received from the Fasteners Distributors Association ("FDA").

## **1.8 PRELIMINARY DETERMINATION**

The Commission, on 18 February 2025, after considering all responses and comments from interested parties and based on facts available, made a preliminary determination that other screws fully threaded with hexagon heads and other bolts with hexagon heads, excluding bolt ends, screw studs, and screw studding classifiable under tariff subheadings 7318.15.39 and 7318.15.43 originating in or imported from the PRC were being dumped into the SACU market, thereby threatening to cause material injury to the SACU industry. The Commission did not consider deficient information for the purpose of its preliminary determination in accordance with ADR 31.3.

The Commission considered that there were safeguard duties on the two subject products, which expired in August and December 2024, with the threat of material injury imminent. The SACU industry will be left to be vulnerable to injury if provisional measures are not imposed.

The Commission, therefore, decided to request the Commissioner of SARS to impose provisional payments for a period of six months on imports of the subject products to protect the industry while the investigation continued.

All 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 present all comments received and considered by the Commission. However, some salient and pivotal comments received from interested parties and the Commission's considerations of these comments are specifically included in this report.

## 2. PRODUCT, TARIFF CLASSIFICATION AND DUTIES

### 2.1 IMPORTED PRODUCTS

#### 2.1.1 Description

The imported products are other Screws, fully threaded with hexagon heads, and other Bolts with hexagon heads (excluding Bolt ends, Screw studs and Screw studding).

#### 2.1.2 Country of Origin

The subject products originate in or are imported from the PRC.

#### 2.1.3 Possible tariff loopholes

The Applicant stated that it is not aware of any possible loopholes in the tariff classifications of the subject products.

#### 2.1.4 Tariff Classification

The subject products are classifiable under the following tariff-subheadings:

Table 2.1.4: Tariff classification

Tariff Heading/ Subheading	Description	Statistical Unit	Rate of duty					
			General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
7318	Screws, Bolts, nuts, coach Screws, screw hooks, rivets, cotters, cotter-pins, washers (including spring washers) and similar articles, of iron or steel:							
7318.1	Threaded articles:							
7318.15	Other Screws and Bolts, whether or not with their nuts or washers:							
7318.15.39	Other Screws, fully threaded with hexagon heads (excluding those of stainless steel)	Kg	30%	Free	Free	Free	30%	24%
7318.15.43	Other Bolts (Excluding Bolt ends, screw studs and Screw studding) with hexagon heads		30%	Free	Free	Free	30%	24%

### 2.1.5 Other applicable duties and rebates

There are no rebate provisions on the subject products. There were previously safeguard duties on hexagon head Screws and Bolts, which expired on 01 August and 01 December 2024, respectively.

### 2.1.6 Negligibility test

The Commission considers the volume of imports negligible if the alleged dumped imports account for less than 3 per cent of total imports of the subject product during the period of investigation for dumping. The following table shows the alleged dumped imports from the PRC as a percentage of total imports:

Table 2.1.6: Negligibility test

(ton)	Import volumes: 01 February 2023 to 31 January 2024	Volumes as a % of total imports
<b>Alleged dumped imports – PRC</b>		
Screws	3 328	96%
Bolts	2 521	83%
<b>Other imports</b>		
Screws	143	4%
Bolts	524	17%
<b>Total imports</b>		
Screws	3 471	100%
Bolts	3 046	100%

The Commission made a preliminary determination that the volume of imports from the PRC are above the negligibility level in terms of Regulation 16.2 of the ADR.

### 2.1.7 Raw materials used

The raw materials used to manufacture both imported products are hot rolled wire rods and/or bars.

### 2.1.8 Production process

The manufacturing process is as follows:

#### **Screws and Bolts**

Bolts and Screws are made from steel wire or steel rod with a low to high carbon mix. Other metals are used for specific uses, such as stainless steel, brass, nickel, or aluminium. The metal quality is of utmost importance to avoid the screw breaking

during manufacturing.

The production of the subject products goes through the following main stages: pickling and phosphating, wire drawing, forging, heading, thread rolling, heat treatment, and coating.

### **Pickling & phosphating**

The wire coils are cleaned in a chemical bath to create crystallisation.

### **Wire drawing**

The steel wire coils are then put through a drawing machine to reduce the cross-section of a wire by pulling the wire through a single, or series of, drawing die(s).

### **Cold and hot forging**

The cold forging method enables the high-speed manufacture of net shape parts or near net shape parts with favorable mechanical properties and a high-quality surface finish. Another benefit to cold forming over hot forging or machining is work hardening. During cold plastic deformations, the material's crystal structure undergoes profound changes, becoming stronger and more resistant. The result is a finished part with better physical and mechanical properties. The process does present some limitations, in that parts with bigger diameter need more pressing force to be shaped. Therefore, other methods may be preferable.

Usually, cold forging machines are horizontal presses working at room temperature. The starting material of the cold forming process is coiled wire, which is paid off by a feeding device, straightened and then fed into the press. There, the wire is sheared according to a fixed length. The resulting bars, called blanks, are picked up by a transfer device and transported through several workstations. Each station consists of a punching tool and a forming die. Each step forms the material closer and closer to its final shape, until the part matches the shape of the last die. This process is also called "heading", and the result of this is a screw blank with a head and a shaft.

The performance of cold forming machines depends, among other things, on the size of the fasteners to be manufactured. Some can reach a speed of 300 parts per minute or even more. The smallest Screws and Bolts, used for electronic components and clockworks, have a diameter of less than 0.5 mm, while the largest cold formed Screws have a diameter of around 30 mm.

Hot forging is the common method for producing Bolts with large diameters starting with a thread size of approximately M36 or more, and a length of approximately 300 mm and more. The hot rolled steel bar stock is heated up to high temperatures to make the material more malleable and then fed into a forging press. The temperatures are determined by the bar material, geometry, and tolerances. With this process, it is possible to manufacture even complex shapes and high degrees of forming. Hot forging is also the process of choice for manufacturing fasteners made from nickel-based alloys and titanium alloys.

A distinctive feature of hot-formed fasteners is their raw surface structure. Hot forging has its own disadvantages, as it is very time-consuming. Unlike machining, cold, and hot forming are chip less processes.

### **Heading**

Wire is fed from a mechanical coil through a straightening machine. The straightened wire flows directly into a machine that automatically cuts the wire to length and die cuts the head of the Screw into the shape required.

### **Cutting the thread (thread rolling)**

Once cold headed, the Screw is automatically fed to the thread-cutting machine. The Screw is then cut using one of two different techniques, which are reciprocating die and planetary rotary die process (cyclical method).

In the reciprocating die, two flat dies are used to cut the Screw thread. One die is stationary, while the other moves in a reciprocating manner, and the Screw blank is rolled between the two. The planetary rotary die process holds the Screw blank stationary, while several die-cutting machines roll around the blank. A specific device is responsible for the cleaning and polishing of the blanks. The reciprocating die method allows the processing of several hundred Screws per minute, while the rotating cylindrical dies offer the possibility to create over length threads.

Cut threads can be manufactured to virtually all specifications, however many manufacturers prefer thread rolling, as rolled threads are often much smoother and resistant to damage during handling. Threads are manufactured before heat treatments (e.g., hardening and tempering).

## **Heat treatment**

Once the Screw is threaded it then goes through heat treatment. Heat treating the Screws increases its overall durability. The Screws are heated to a high temperature (about 900C/1652F), and then dipped into water or oil to increase their strength and hardness. This sudden change in temperature hardens the Bolt or Screw material. The parts are then reheated – to a lower temperature – to achieve greater ductility with fewer distortions in the microstructure. A heat treatment line for steel fasteners, for example, features washing, degreasing, hardening, quenching, washing, annealing, and dyeing stations. Usually, these lines are mesh belt furnaces, where fasteners travel at a certain speed through the various stages.

## **Coating**

The type of coating is determined by the Screw or Bolt's use. The main concern for Screws and Bolts is their corrosion resistance, so a zinc-plated coating is a common choice. This is a process where the screw or bolt is submerged in a liquid containing zinc, and an electric current is applied so that the zinc bonds to the Screw forming a coating over the surface. After the processing is done, Bolts and Screws undergo a final cleaning step and are then ready for packaging and shipping.

### **2.1.9 Technical characteristics and appearance**

The technical characteristics and appearance of the SACU product are as follows:

#### **Screws**

Hexagon head Screws are sometimes called Setscrews. They are a type of threaded fastener, most often used for securing components in place. This generally means affixing two or more loose parts to one another, for example by holding one component tightly against (or inside) a second surface. The key pinning action of one component against another is what differentiates set Screws from general-purpose Screws. In short, they are used to create compression forces which hold two loose objects firmly together without having to rely on a nut. Typically, hexagon head Screws are intended for use in fastening down (setting) parts or components that would otherwise be able to move or slide around relative to one another. The hexagon head Screws by passing through a threaded hole in one component and butting up tightly against the surface of a second part on the rear side. They can perform this setting function thanks to their characteristic flat-ended tips, a key feature of most set

screw designs.

## **Bolts**

Hex Bolts are a type of threaded Bolt, characterised by their six-sided hexagonal-shaped head. Hex Bolts are partially threaded (featuring a clear shank along part of the body) and are suitable for use in a wide range of applications, typically machinery and construction. They are available in a choice of types, sizes, materials, and finishes, providing the freedom and flexibility to select the bolt best suited to your particular task or application. Hex Bolts are sometimes also known as hex head Bolts or hexagon Bolts, again due to their distinctive head shape.

### **2.1.10 Application or end use**

Screws and Bolts are widely used in applications to fasten two materials together, these are mostly used in the building, mining, construction, utilities, process industries, automotive industry, general engineering, agricultural industry, and the do-it-yourself market.

### **2.1.11 Substitutability**

The imported products are fully substitutable with the SACU products.

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The SACU products are other Screws, fully threaded with hexagon heads, and other Bolts with hexagon heads (excluding Bolt ends, Screw studs and Screw studding).

### **2.2.2 Raw materials**

The raw material used to manufacture both imported products is hot rolled wire rod and/or bars.

### **2.2.3 Production process**

The manufacturing process is as follows:

#### **Bolts and Screws:**

Bolts and Screws are made from steel wire or steel rod with a low to high carbon mix. Other metals are used for specific uses, such as stainless steel, brass, nickel, or aluminium. The metal quality is of utmost importance to avoid the screw breaking during manufacturing. The production of the subject products goes through the following main stages: pickling and phosphating, wire drawing, forging, heading,

thread rolling, heat treatment, and coating.

### **Pickling & phosphating**

The wire coils are cleaned in a chemical bath to create crystallisation.

### **Wire drawing**

The steel wire coils are then put through a drawing machine to reduce the cross-section of a wire by pulling the wire through a single, or series of, drawing die(s).

### **Cold and hot forging**

The cold forging method enables the high-speed manufacture of net shape parts or near net shape parts with favorable mechanical properties and a high-quality surface finish. Another benefit to cold forming over hot forging or machining is work hardening. During cold plastic deformations, the material's crystal structure undergoes profound changes, becoming stronger and more resistant. The result is a finished part with better physical and mechanical properties. The process does present some limitations, in that parts with bigger diameter need more pressing force to be shaped. Therefore, other methods may be preferable. Usually, cold forging machines are horizontal presses working at room temperature. The starting material of the cold forming process is coiled wire, which is paid off by a feeding device, straightened and then fed into the press.

There, the wire is sheared according to a fixed length. The resulting bars, called blanks, are picked up by a transfer device and transported through several workstations. Each station consists of a punching tool and a forming die. Each step forms the material closer and closer to its final shape, until the part matches the shape of the last die. This process is also called "heading", and the result of this is a screw blank with a head and a shaft.

The performance of cold forming machines depends, among other things, on the size of the fasteners to be manufactured. Some can reach a speed of 300 parts per minute or even more. The smallest Screws and Bolts, used for electronic components and clockworks, have a diameter of less than 0.5 mm, while the largest cold formed Screws have a diameter of around 30 mm.

Hot forging is the common method for producing Bolts with large diameters starting with a thread size of approximately M36 or more, and a length of approximately 300

mm and more.

The bar stock is heated up to high temperatures to make the material more malleable and then fed into a forging press. The temperatures are determined by the bar material, geometry, and tolerances. With this process, it is possible to manufacture even complex shapes and high degrees of forming. Hot forging is also the process of choice for manufacturing fasteners made from nickel-based alloys and titanium alloys. A distinctive feature of hot-formed fasteners is their raw surface structure. Hot forging has its own disadvantages, as it is very time-consuming. Unlike machining, cold, and hot forming are chip less processes.

### **Machining**

Machining is a manufacturing technique in which a metal is cut into a desired final shape and size by a controlled material-removal process. This method is only suitable for non-standard fasteners and small quantities, as it generates a great deal of metal swarf, and it is also time-consuming.

### **Heading**

Wire is fed from a mechanical coil through a straightening machine. The straightened wire flows directly into a machine that automatically cuts the wire to length and die cuts the head of the screw into the shape required.

### **Cutting the thread (thread rolling)**

Once cold headed, the screw is automatically fed to the thread-cutting machine. The Screw is then cut using one of two different techniques, which are reciprocating die and planetary rotary die process (cyclical method). In the reciprocating die, two flat dies are used to cut the Screw thread. One die is stationary, while the other moves in a reciprocating manner, and the screw blank is rolled between the two.

The planetary rotary die process holds the Screw blank stationary, while several die-cutting machines roll around the blank. A specific device is responsible for the cleaning and polishing of the blanks. The reciprocating die method allows the processing of several hundred screws per minute, while the rotating cylindrical dies offer the possibility to create over length threads. Cut threads can be manufactured to virtually all specifications, however many manufacturers prefer thread rolling, as rolled threads are often much smoother and resistant to damage during handling. Threads are manufactured before heat treatments (e.g., hardening and tempering).

## **Heat Treatment**

Once the Screw is threaded it then goes through heat treatment. Heat treating the Screws increases its overall durability. The Screws are heated to a high temperature (about 900C/1652F), and then dipped into water or oil to increase their strength and hardness. This sudden change in temperature hardens the bolt or screw material. The parts are then reheated – to a lower temperature – to achieve greater ductility with fewer distortions in the microstructure. A heat treatment line for steel fasteners, for example, features washing, degreasing, hardening, quenching, washing, annealing, and dyeing stations. Usually, these lines are mesh belt furnaces, where fasteners travel at a certain speed through the various stages.

## **Coating**

The type of coating is determined by the Screw or Bolt's use. The main concern for Screws and Bolts is their corrosion resistance, so a zinc-plated coating is a common choice. This is a process where the screw or bolt is submerged in a liquid containing zinc, and an electric current is applied so that the zinc bonds to the screw forming a coating over the surface. After the processing is done, Bolts and Screws undergo a final cleaning step and are then ready for packaging and shipping.

### **2.2.4 Technical characteristics and appearance**

#### **Screws**

Hexagon head Screws are sometimes called Setscrews. They are a type of threaded fastener, most often used for securing components in place. This generally means affixing two or more loose parts to one another, for example by holding one component tightly against (or inside) a second surface.

The key pinning action of one component against another is what differentiates set Screws from general-purpose Screws. In short, they are used to create compression forces which hold two loose objects firmly together without having to rely on a nut.

Typically, hexagon head Screws are intended for use in fastening down (setting) parts or components that would otherwise be able to move or slide around relative to one another. The hexagon head Screws by passing through a threaded hole in one component and butting up tightly against the surface of a second part on the rear side. They can perform this setting function thanks to their characteristic flat-ended

tips, a key feature of most set screw designs.

## Bolts

Hex Bolts are a type of threaded Bolt, characterised by their six-sided hexagonal-shaped head. Hex Bolts are partially threaded (featuring a clear shank along part of the body) and are suitable for use in a wide range of applications, typically machinery and construction. They are available in a choice of types, sizes, materials, and finishes, providing the freedom and flexibility to select the bolt best suited to your particular task or application. Hex Bolts are sometimes also known as hex head Bolts or hexagon Bolts, again due to their distinctive head shape.

### 2.2.5 Application or end use

Screws and Bolts are widely used in applications to fasten two materials together, these are mostly used in the building, mining, construction, utilities, process industries, automotive industry, general engineering, agricultural industry, and the do-it-yourself market.

### 2.2.6 Substitutability

The SACU product is fully substitutable with the imported product.

## 2.3 LIKE PRODUCT ANALYSIS

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

Table 2.3: Like product determination

	Imported product	SACU product
<b>Raw Materials</b>	hot rolled wire rod and/or bars.	hot rolled wire rod and/or bars.
<b>Technical characteristics/ appearances</b>	Hexagon head Screws are sometimes called setscrew. They are a type of threaded fastener, most often used for securing components in place. This generally means affixing two or more loose parts to one another, for example by holding one component tightly against (or inside) a second surface. The key pinning action of one component against another is what	Hexagon head Screws are sometimes called setscrew. They are a type of threaded fastener, most often used for securing components in place. This generally means affixing two or more loose parts to one another, for example by holding one component tightly against (or inside) a second surface. The key pinning action of one component against another is what differentiates set Screws from

	Imported product	SACU product
	<p>differentiates set Screws from general-purpose Screws. In short, they are used to create compression forces which hold two loose objects firmly together without having to rely on a nut.</p> <p>Typically, hexagon head Screws are intended for use in fastening down (setting) parts or components that would otherwise be able to move or slide around relative to one another. The hexagon head Screws by passing through a threaded hole in one component and butting up tightly against the surface of a second part on the rear side. They can perform this setting function thanks to their characteristic flat-ended tips, a key feature of most set screw designs. Hexagon Bolts are a type of threaded Bolt, characterised by their six- sided hexagonal-shaped head. Hexagon Bolts can be either fully threaded or partially threaded (featuring a clear shank along part of the body) and are suitable for use in a wide range of applications, typically machinery and construction. They are available in a choice of types, sizes, materials, and finishes, providing the freedom and flexibility to select the bolt best suited to your particular task or application. Hexagon Bolts are sometimes also known as hexagon head Bolts or hexagon Bolts, again due to their distinctive head shape.</p>	<p>general-purpose Screws. In short, they are used to create compression forces which hold two loose objects firmly together without having to rely on a nut.</p> <p>Typically, hexagon head Screws are intended for use in fastening down (setting) parts or components that would otherwise be able to move or slide around relative to one another. The hexagon head Screws by passing through a threaded hole in one component and butting up tightly against the surface of a second part on the rear side. They can perform this setting function thanks to their characteristic flat-ended tips, a key feature of most set screw designs. Hexagon Bolts are a type of threaded Bolt, characterised by their six- sided hexagonal-shaped head. Hex Bolts can be either fully threaded or partially threaded (featuring a clear shank along part of the body) and are suitable for use in a wide range of applications, typically machinery and construction. They are available in a choice of types, sizes, materials, and finishes, providing the freedom and flexibility to select the bolt best suited to your particular task or application. Hexagon Bolts are sometimes also known as hexagon head Bolts or hexagon Bolts, again due to their distinctive head shape.</p>

	Imported product	SACU product
<p><b>Production Process</b></p>	<p>The manufacturing process is as the follows:</p> <p><b><u>Bolts and Screws:</u></b></p> <p>Bolts and Screws are made from steel wire or rod with a low to high carbon mix. Other metals are used for specific uses, such as stainless steel, brass, nickel, or aluminium. The metal quality is of utmost importance in order to avoid the Screw breaking during manufacturing. The production of the subject products goes through the following main stages: pickling and phosphating, wire drawing, forging, heading, thread rolling, heat treatment, and coating.</p> <p><b>Pickling &amp; phosphating</b></p> <p>The wire coils are cleaned in a chemical bath to create crystallisation.</p> <p><b>Wire drawing</b></p> <p>The steel wire coils are then put through a drawing machine to reduce the cross-section of a wire by pulling the wire through a single, or series of, drawing die(s).</p> <p><b>Cold and hot forging</b></p> <p>The cold forging method enables the high-speed manufacture of net shape parts or near net shape parts with favourable mechanical properties and a high-quality surface finish. Another benefit to cold forming over hot forging or machining is work hardening. During cold plastic deformations, the material's crystal structure</p>	<p>The manufacturing process is as the follows:</p> <p><b><u>Bolts and Screws:</u></b></p> <p>Bolts and Screws are made from steel wire or rod with a low to high carbon mix. Other metals are used for specific uses, such as stainless steel, brass, nickel, or aluminium. The metal quality is of utmost importance in order to avoid the Screw breaking during manufacturing. The production of the subject products goes through the following main stages: pickling and phosphating, wire drawing, forging, heading, thread rolling, heat treatment, and coating.</p> <p><b>Pickling &amp; phosphating</b></p> <p>The wire coils are cleaned in a chemical bath to create crystallisation.</p> <p><b>Wire drawing</b></p> <p>The steel wire coils are then put through a drawing machine to reduce the cross-section of a wire by pulling the wire through a single, or series of, drawing die(s).</p> <p><b>Cold and hot forging</b></p> <p>The cold forging method enables the high-speed manufacture of net shape parts or near net shape parts with favourable mechanical properties and a high-quality surface finish. Another benefit to cold forming over hot forging or machining is work hardening. During cold plastic deformations,</p>

	Imported product	SACU product
	<p>undergoes profound changes, becoming stronger and more resistant. The result is a finished part with better physical and mechanical properties. The process does present some limitations, in that parts with bigger diameter need more pressing force to be shaped. Therefore, other methods may be preferable. Usually, cold forging machines are horizontal presses working at room temperature. The starting material of the cold forming process is coiled wire, which is paid off by a feeding device, straightened and then fed into the press. There, the wire is sheared according to a fixed length. The resulting bars, called blanks, are picked up by a transfer device and transported through several workstations. Each station consists of a punching tool and a forming die. Each step forms the material closer and closer to its final shape, until the part matches the shape of the last die. This process is also called "heading", and the result of this is a screw blank with a head and a shaft.</p> <p>The performance of cold forming machines depends, among other things, on the size of the fasteners to be manufactured. Some can reach a speed of 300 parts per minute or even more. The smallest Screws and Bolts, used for electronic components and clockworks, have a diameter of less than 0.5 mm, while the largest cold</p>	<p>the material's crystal structure undergoes profound changes, becoming stronger and more resistant. The result is a finished part with better physical and mechanical properties. The process does present some limitations, in that parts with bigger diameter need more pressing force to be shaped. Therefore, other methods may be preferable. Usually, cold forging machines are horizontal presses working at room temperature. The starting material of the cold forming process is coiled wire, which is paid off by a feeding device, straightened and then fed into the press. There, the wire is sheared according to a fixed length. The resulting bars, called blanks, are picked up by a transfer device and transported through several workstations. Each station consists of a punching tool and a forming die. Each step forms the material closer and closer to its final shape, until the part matches the shape of the last die. This process is also called "heading", and the result of this is a screw blank with a head and a shaft.</p> <p>The performance of cold forming machines depends, among other things, on the size of the fasteners to be manufactured. Some can reach a speed of 300 parts per minute or even more. The smallest Screws and Bolts, used for electronic components and clockworks, have a diameter of less than 0.5 mm, while the largest cold</p>

	Imported product	SACU product
	<p>formed Screws have a diameter of around 30 mm.</p> <p>Hot forging is the common method for producing Bolts with large diameters starting with a thread size of approximately M36 or more, and a length of approximately 300 mm and more. The bar stock is heated up to high temperatures to make the material more malleable and then fed into a forging press. The temperatures are determined by the bar material, geometry, and tolerances. With this process, it is possible to manufacture even complex shapes and high degrees of forming. Hot forging is also the process of choice for manufacturing fasteners made from nickel-based alloys and titanium alloys. A distinctive feature of hot-formed fasteners is their raw surface structure. Hot forging has its own disadvantages, as it is very time-consuming.</p> <p>Unlike machining, cold, and hot forming are chip less processes.</p> <p><b>Machining</b></p> <p>Machining is a manufacturing technique in which a metal is cut into a desired final shape and size by a controlled material-removal process. This method is only suitable for non-standard fasteners and small quantities, as it generates a great deal of metal swarf, and it is also time-consuming.</p>	<p>formed Screws have a diameter of around 30 mm.</p> <p>Hot forging is the common method for producing Bolts with large diameters starting with a thread size of approximately M36 or more, and a length of approximately 300 mm and more. The bar stock is heated up to high temperatures to make the material more malleable and then fed into a forging press. The temperatures are determined by the bar material, geometry, and tolerances. With this process, it is possible to manufacture even complex shapes and high degrees of forming. Hot forging is also the process of choice for manufacturing fasteners made from nickel-based alloys and titanium alloys. A distinctive feature of hot-formed fasteners is their raw surface structure. Hot forging has its own disadvantages, as it is very time-consuming.</p> <p>Unlike machining, cold, and hot forming are chip less processes.</p> <p><b>Machining</b></p> <p>Machining is a manufacturing technique in which a metal is cut into a desired final shape and size by a controlled material-removal process. This method is only suitable for non-standard fasteners and small quantities, as it generates a great deal of metal swarf, and it is also time-consuming.</p>

	Imported product	SACU product
	<p><b>Heading</b></p> <p>Wire is fed from a mechanical coil through a straightening machine. The straightened wire flows directly into a machine that automatically cuts the wire to length and die cuts the head of the screw into the shape required.</p> <p><b>Cutting the thread (thread rolling)</b></p> <p>Once cold headed, the screw is automatically fed to the thread-cutting machine. The Screw is then cut using one of two different techniques, which are reciprocating die and planetary rotary die process (cyclical method).</p> <p>In the reciprocating die, two flat dies are used to cut the screw thread. One die is stationary, while the other moves in a reciprocating manner, and the screw blank is rolled between the two. The planetary rotary die process holds the screw blank stationary, while several die-cutting machines roll around the blank. A specific device is responsible for the cleaning and polishing of the blanks. The reciprocating die method allows the processing of several hundred Screws per minute, while the rotating cylindrical dies offer the possibility to create over length threads.</p> <p>Cut threads can be manufactured to virtually all specifications, however many manufacturers prefer thread rolling, as rolled threads are often much smoother and resistant to</p>	<p><b>Heading</b></p> <p>Wire is fed from a mechanical coil through a straightening machine. The straightened wire flows directly into a machine that automatically cuts the wire to length and die cuts the head of the screw into the shape required.</p> <p><b>Cutting the thread (thread rolling)</b></p> <p>Once cold headed, the screw is automatically fed to the thread-cutting machine. The Screw is then cut using one of two different techniques, which are reciprocating die and planetary rotary die process (cyclical method).</p> <p>In the reciprocating die, two flat dies are used to cut the screw thread. One die is stationary, while the other moves in a reciprocating manner, and the screw blank is rolled between the two. The planetary rotary die process holds the screw blank stationary, while several die-cutting machines roll around the blank. A specific device is responsible for the cleaning and polishing of the blanks. The reciprocating die method allows the processing of several hundred Screws per minute, while the rotating cylindrical dies offer the possibility to create over length threads.</p> <p>Cut threads can be manufactured to virtually all specifications, however many manufacturers prefer thread rolling, as rolled threads are often much smoother and resistant to damage during handling. Threads are</p>

	Imported product	SACU product
	<p>damage during handling. Threads are manufactured before heat treatments (e.g., hardening and tempering).</p> <p><b>Heat treatment</b></p> <p>Once the screw is threaded it then goes through heat treatment. Heat treating the Screws increases its overall durability. The Screws are heated to a high temperature (about 900C/1652F), and then dipped into water or oil to increase their strength and hardness. This sudden change in temperature hardens the bolt or screw material. The parts are then reheated – to a lower temperature – to achieve greater ductility with fewer distortions in the microstructure. A heat treatment line for steel fasteners, for example, features washing, degreasing, hardening, quenching, washing, annealing and dyeing stations. Usually, these lines are mesh belt furnaces, where fasteners travel at a certain speed through the various stages.</p> <p><b>Coating</b></p> <p>The type of coating is determined by the Screw or Bolt's use. The main concern for Screws and Bolts is their corrosion resistance, so a zinc-plated coating is a common choice. This is a process where the Screw or Bolt is submerged in a liquid containing zinc, and an electric current is applied so that the zinc bonds to the Screw forming a coating over the surface. After the processing is done, Bolts and</p>	<p>manufactured before heat treatments (e.g., hardening and tempering).</p> <p><b>Heat treatment</b></p> <p>Once the screw is threaded it then goes through heat treatment. Heat treating the Screws increases its overall durability. The Screws are heated to a high temperature (about 900C/1652F), and then dipped into water or oil to increase their strength and hardness. This sudden change in temperature hardens the bolt or screw material. The parts are then reheated – to a lower temperature – to achieve greater ductility with fewer distortions in the microstructure. A heat treatment line for steel fasteners, for example, features washing, degreasing, hardening, quenching, washing, annealing and dyeing stations. Usually, these lines are mesh belt furnaces, where fasteners travel at a certain speed through the various stages.</p> <p><b>Coating</b></p> <p>The type of coating is determined by the Screw or Bolt's use. The main concern for Screws and Bolts is their corrosion resistance, so a zinc-plated coating is a common choice. This is a process where the Screw or Bolt is submerged in a liquid containing zinc, and an electric current is applied so that the zinc bonds to the Screw forming a coating over the surface. After the processing is done, Bolts</p>

	<b>Imported product</b>	<b>SACU product</b>
	Screws undergo a final cleaning step and are then ready for packaging and shipping.	and Screws undergo a final cleaning step and are then ready for packaging and shipping.
<b>Application or end-use</b>	Threaded Hexagon head Screws and Bolts are widely used in applications to fasten two materials together, these are mostly used in the building, mining, construction, utilities, process industries, automotive industry, general engineering, agricultural industry, and the do-it-yourself market.	Threaded Hexagon head Screws and Bolts are widely used in applications to fasten two materials together, these are mostly used in the building, mining, construction, utilities, process industries, automotive industry, general engineering, agricultural industry, and the do-it-yourself market.
<b>Substitutability</b>	The imported product is fully substitutable with the SACU product.	The imported product is fully substitutable with the SACU product.

The Commission made a preliminary determination that the SACU products and the imported products are “like products” for purposes of comparison in terms of the definition of “like product” in Regulation 1 of the ADR.

### 3. INDUSTRY STANDING

---

The application was lodged by The South African Fastener Manufacturers Association (“SAFMA” or “Applicant”), a SACU industry body, on behalf of its members. The members of the SAFMA are CBC Fasteners (Pty) Ltd, Transvaal Pressed Nuts Bolts and Rivets (Pty) Ltd, Impala Bolt and Nut (Pty) Ltd, and Tel-Screw (Pty) Ltd. Together, these members constitute 100% of the domestic production of the subject products in SACU.

The Commission made a preliminary determination that the application can be regarded as being made by or on behalf of the domestic industry in terms of Regulation 7.3 of the ADR.

## **4. DUMPING**

---

The margin of dumping is calculated by subtracting the export price from the normal value of the product (after all the adjustments have been made). The margin is then expressed as a percentage of the free on-board (“FOB”) export price. If the margin is less than two percent, it is regarded as de minimis in terms of the ADR 12.3, and no anti-dumping duty will be imposed.

### **4.1 PRODUCERS/EXPORTERS RESPONDING TO THE INVESTIGATION**

The following six foreign producers/exporters and trader of the subject products from the PRC responded to this investigation:

- GEM - Year Industrial Co., Ltd;
- Haiyan Yousun Enterprise Co., Ltd;
- Jiangsu Yongyi Fastener Co., Ltd;
- LinkFast Technical Co., Ltd;
- Ningbo Jinding Fastening piece Co., Ltd;
- Zhapu Technology (Jiangsu) Co., Ltd; and
- Shanghai Prime Fasteners Co., Ltd, Shanghai BiaoWu (PMC) High Tensile Fastener Co., Ltd and Ningbo Economic & Technical Development Zone Yonggang Fasteners Co., Ltd.

Of the seven respondents, GEM - Year Industrial Co., Ltd was the only foreign producer verified for the preliminary stage of the investigation. The questionnaire responses of the other producers/exporters were found to be deficient.

In accordance with ARD31.3, The Commission made a preliminary determination not to consider deficient submissions for its preliminary determination. The list of deficiencies is contained in the Commission’s public file.

### **4.2 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC**

The Commission made a preliminary determination that the normal value and the export price for Gem - Year Industrial Co., Ltd and all other exporters in the PRC be determined based on the facts available. The facts available for normal value for Gem - Year Industrial Co., Ltd and all other exporters in the PRC are comprised of information supplied by the Applicant and contained in the application. The facts available for export price are the import statistics obtained from SARS for the period of investigation for dumping.

### 4.3 METHODOLOGY IN THIS INVESTIGATION FOR GEM YEAR INDUSTRIAL CO., LTD

The Commission considered that on 28 October 2024, Gem-Year Industrial submitted its questionnaire response rectifying deficiencies. A verification visit was conducted at the company's premises on 26 to 28 November 2024. On this visit, the verification of the CBU was not completed, which affected the Commission's ability to ascertain the accuracy and adequacy of the information supplied by the exporter/manufacturer. The only factors verified on the CBU were raw materials costs and labour and related costs.

Various factors played a role in the CBU verification not being completed, amongst others:

- Chief among these was the delay in retrieving source information from the company's system.
- Some supporting documents were not fully translated.
- Costs related to each specific model of the subject products were also not verified.

#### **Commission's Consideration**

ADR18.1 states that "The Commission shall satisfy itself as to the accuracy of the information supplied by cooperating interested parties". The Commission considered that prior to the verification visit, the exporter received notice regarding the specific information to be verified and the necessary arrangements required to facilitate timely verification. The company was informed that all components of the CBU would be subject to verification, including information within the company's system. Despite this, the verification process was not completed. Consequently, the accuracy of the information provided by Gem-Year Industrial Co., Ltd could not be confirmed, which posed a challenge in assessing whether the sales were conducted in the ordinary course of trade.

The Commission also considered that ADR18.3 which states that "in the event that an importer, exporter or foreign producer refuses to receive a verification visit by the Commission, refuses the Commission access to relevant information or acts so as to significantly impede the investigation, the Commission may disregard the information submitted by the party". While ADR18.4(a) and (b) states that "where a party fails to supply relevant substantiating evidence required by the investigating officers during verification and fails to explain any calculations contained in its submission, the Commission may terminate the verification proceedings and the Commission may disregard any or all information submitted by the party in question". The Commission may nevertheless consider information that was properly submitted and verified".

The Commission also considered that the verification of the CBU is a crucial step in the investigation as it provides the basis for establishing the normal value in the domestic market and third-country sales. Unfortunately, the difficulties/challenges encountered during the CBU verification process, as mentioned earlier, substantially impeded the investigation, limiting the ability to determine the normal value and assess the dumping margin accurately.

The Commission considered that the CBU cost elements of GEM-Year Industrial that could be verified onsite were raw materials and direct labour costs. Additionally, the Commission, in using the information of the producer/exporter at its disposal, determined that the information remains unverifiable and unreconcilable to management accounts and financial statements. The Panel in US-Carbon Steel (India) defined verifiable as "able to be verified or proved to be true". The Panel stated that "to us, and the parties do not disagree, it seems clear that this entails that the accuracy and reliability of the information can be assessed by an objective process of examination".

Furthermore, the Commission also found that the subject products were sold through related and unrelated traders. The producer/exporter did not provide actual invoiced transactions of its related parties' sales to first independent buyers. The Commission considered that the information provided as first independent buyer information could not be used as it is not actual sales information on a transaction-by-transaction basis. Essentially there is no reliable first independent buyer information to use.

Although, the Commission initially considered using the information submitted by GEM-Year Industrial Co., Ltd, the Commission observed that the information submitted was unusable in its current form due to the challenges mentioned earlier, among others, including the unverifiable nature of some data and the lack of reliability stemming from insufficient sales information. Therefore, the Commission made a preliminary decision to determine the dumping margin for the producer/exporter based on the facts available. The facts available are the information submitted by the Applicant and used for initiation purposes.

#### **4.4 RESIDUAL DUMPING MARGIN FOR THE PRC**

The Commission made a preliminary determination to use the information provided by the Applicant and used for initiation purposes as the residual dumping margin, which is the dumping margin as calculated in Table 4.4.3 below.

## METHODOLOGY USED FOR INITIATION PURPOSES

The Applicant determined the normal value for the PRC based on exports to a third country. The Applicant selected the USA as an appropriate third country using information obtained from the International Trade Centre (“ITC Trade Map”), an online database on international trade statistics. According to the ITC Trade Map data, the export prices are indicated at CIF level, therefore some adjustments were made to account for sea freight costs, port handling charges and inland freight costs.

In determining an appropriate third country for normal value determination, the Commission normally uses the following criteria:

- Volumes exported to that country are comparable to the volumes exported to SACU;
- Customers exported to in that country are comparable to the customers exported to in SACU; and
- Country exported to, should have a domestic manufacturing industry.

**Table 4.4: Third country and SACU comparability Criteria**

Volumes (Tons)	PRC exports to SACU	PRC exports to the USA	Type of customer	Existence of an industry
Screws	3 327	13 737	unknown	Yes
Bolts	2 521	38 415	unknown	Yes

The Commission noted the disparity between export volumes to SACU and the USA. However, it considered the USA to be the most appropriate country since it is the only other WTO country that differentiates not only between Screws and Bolts under separate tariff sub-headings, but also between those with, and without, hexagon heads. This makes the USA the only country available for normal value determination.

### **Commission’s consideration**

The Commission noted that a comprehensive search of the ITC Trade Map database and various HS Codes databases support the assertion that the USA is the only country which separates the hexagon head screws and bolts and classifies these into two separate tariff sub-headings, whereas in other countries, for example, China, Australia, these are clubbed under one six-digit tariff sub-heading.

Based on the information detailed above, the dumping information is as follows.

#### 4.4.1 Normal value for Screws and Bolts

The average CIF export price for Screws and Bolts were calculated to be R54,94/kg and R32,12/kg respectively. The Commission made a preliminary determination to allow an adjustment of 7% and 8% on Screws and Bolts, respectively thereof, to take the CIF value to the ex-factory level.

The ex-factory normal value for Screws and Bolts was then determined to be R51.09/kg and R29.55/kg respectively.

#### 4.4.2 Export price for Screws and Bolts

The average FOB export prices per kg for Screws and Bolts were determined based on the official import statistics obtained from South African Revenue Service ("SARS") for the period 01 February 2023 to 31 January 2024. The average FOB price for Screws and Bolts was determined to be R19,57/kg and R26,23/kg respectively.

The Commission made a preliminary determination to allow an adjustment of 5% to determine the ex-factory price. The ex-factory export prices for Screws and Bolts were then determined to be R18,59/kg and R24,92/kg respectively.

#### 4.4.3 Margin of dumping

The dumping margin was determined as follows:

Table 4.4.3: Margin of dumping – Screws and Bolts

	Screws	Bolts
	R/kg	R/kg
Ex- factory normal value	51.09	29.55
Less: Ex-factory export price	18,59	24,92
<b>Margin of dumping</b>	<b>32.5</b>	<b>4.63</b>
<b>Margin of dumping a % of the ex-factory export price</b>	<b>175%</b>	<b>19%</b>

#### Commission's Consideration

The Commission considered that sales made to SACU were fully verified. However due to the above stated challenges the verified information of the producer/exporter cannot be used meaningfully to determine an individual dumping margin. Taking this into account, it is noted that the selected third country (USA) information as submitted by the Applicant relates to two single products, being hexagon head screws and bolts. While the information submitted by the producer/exporter is on subcategories of each of the subject products (i.e., product models) and therefore the verified export price information cannot be compared with the Normal value as provided by the Applicant.

The Commission decided to use the export price sourced from SARS to determine the export price in its preliminary determination.

#### **4.4 SUMMARY - DUMPING**

The above information indicates that dumping of the subject products imported from the PRC is taking place. The Commission made a preliminary determination that dumping of the subject products originating in or imported from the PRC is taking place.

## **5. MATERIAL INJURY**

---

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

SAFMA members, CBC and Impala, provided the material injury information on the subject products. CBC and Impala constitute more than 50% of total SACU domestic production of Screws and Bolts, respectively, for the period 01 February 2023 to 31 January 2024.

The Commission made a preliminary determination that this constitutes “a major proportion” of the total domestic production, in accordance with Regulation 7 of the ADR.

### **5.2 MATERIAL INJURY ANALYSIS**

Having determined that it did not experience material injury, the Applicant explicitly brought its application based on the threat of material injury. Although the application was brought based on the threat of material injury, the Commission considered that an analysis of the factors considered for material injury is necessary.

The Commission considered that that the Panel in Mexico – Corn Syrup analysed the requirement of determining the "consequent impact" of dumped imports on the domestic industry, in a threat of material injury determination. The Panel found that the language of Article 3.7 “recognizes that factors other than those set out in Article 3.7 itself will necessarily be relevant to the determination.” The Panel concluded that “an analysis of the consequent impact of imports is required in a threat of material injury determination”.

The Panel, therefore, indicated that this analysis is to be performed pursuant to Article 3.4, since “[n]othing in the text or context of Article 3.4 limits consideration of the Article 3.4 factors to cases involving material injury”. The Panel concluded that consideration of the factors in Article 3.4 “is necessary in order to establish a background against which the investigating authority can evaluate whether imminent further dumped imports will affect the industry's condition in such a manner that material injury would occur in the absence of protective actions, as required by Article 3.7”.

Pursuant to the requirements indicated by the Panel in Mexico – Corn Syrup the injury information presented below relates to the evaluation of data for the period 01 February 2021 to 31 January 2024.

### Comments by FDA

If alleged dumped imports caused injury, all major producers would be consistently impacted. Data shows an inconsistent impact across producers. CBC's significant wage increase (42 index points) is a more likely contributor to perceived injury than alleged dumped imports. Non-uniform impact across the industry suggests imports are not the primary cause of difficulties faced by domestic producers.

### Commission's Consideration

The Commission considered that the investigation was initiated based on a threat of material injury rather than actual material injury. However, the analysis of material injury or threat of material injury is considered on an industry level rather than an individual company level. Therefore the argument regarding inconsistent impact across producers is misplaced.

## 5.3 IMPORT VOLUMES AND EFFECT ON PRICES

### 5.3.1 Import volumes.

The following tables show the volume of the allegedly dumped imports of the subject products as sourced from SARS.

**Table 5.3.1 (a): Import volumes - Screws**

Screw (Tonnes)	2021/22	2022/23	2023/24
Alleged dumped imports from the PRC	3 267	4 585	3 328
Other countries' imports	2 716	371	143
<b>Total imports</b>	<b>5 983</b>	<b>4 956</b>	<b>3 471</b>
Alleged dumped imports as a % of total imports	55%	93%	96%
Other countries' imports from as a % of total Imports	45%	7%	4%
<b>Total imports</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Information in table 5.3.1(a) above indicates that the alleged dumped imports of Screws increased by 40% from 2021/22 to 2022/23, and then decreased by 27% in the subsequent year, with an overall increase of 2% over the POI.

Contrary to the trend shown by imports from the PRC, imports from other countries decreased by 86% from 2021/22 to 2022/23 and 61% in the subsequent year, with an overall decrease of 95% over the POI.

**Table 5.3.1 (b): Import volumes - Bolts**

<b>Bolts (Tonnes)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Alleged dumped imports from the PRC</b>	2 129	3 514	2 521
Other imports	2 932	1 173	525
<b>Total imports</b>	<b>5 060</b>	<b>4 688</b>	<b>3 046</b>
Alleged dumped imports as a % of total imports	42%	75%	83%
Other imports as a % of total imports	58%	25%	17%
<b>Total imports</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Information in table 5.3.1(b) above indicates that the alleged dumped imports of Bolts increased by 65% from 2021/22 to 2022/23, then decreased by 28% in the subsequent year, with an overall increase of 18% over the POI. Imports from other countries decreased by 60% from 2021/22 to 2022/23 and further decreased by 55% in the subsequent year, with an overall decrease of 82% over the POI.

**Table 5.3.1 (c): import volumes Screws**

<b>Screws (Tonnes)</b>	<b>Period after POI (Feb – Sep 2024)</b>	<b>Period after expiry of duties (Aug – Nov 2024)</b>	<b>Imports from Aug to Nov 2023</b>
<b>Alleged dumped imports from the PRC</b>	2 453	3 178	1 286
Other imports	84	54	54
<b>Total imports</b>	<b>2 537</b>	<b>3 232</b>	<b>1 340</b>
Alleged dumped imports as a % of total imports	97%	98%	96%
Other imports as a % of total imports	3%	2%	4%
<b>Total imports</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Information in Table 5.3.1(c) shows that the alleged dumped imports increased to 97% of total imports in the 8 months after the POI (with volumes just shy of 2 500 tons), relative to the 55% captured in the last year of the POI (12 months). The increase in imports accelerated even before the safeguard duties expired. After the expiry of the duties on 01 August 2024, alleged dumped imports accelerated even further, with volumes reaching almost 3 200 tons in only 4 months, which is 147% higher than those imported in the same period in 2023 and also surpassed the increase in the 8 months before the expiry of duties.

The Commission noted that the removal of the safeguard duties has resulted in even more substantial imports of Screws from the PRC. By comparison, imports from other countries continued to decline in both the 8-month and 4-month periods.

**Table 5.3.1 (d): import volumes Bolts**

<b>Bolts (tonnes)</b>	<b>Period after POI (Feb – Nov 2024)</b>	<b>Period after expiry of duties (Dec 2024)</b>
<b>Alleged dumped imports from the PRC Screws</b>	3 809	Duty expired Dec
Other imports	492	Duty expired Dec
<b>Total imports</b>	<b>4 301</b>	
Alleged dumped imports as a % of total imports	89%	Duty expired Dec
Other imports as a % of total imports	11%	Duty expired Dec
<b>Total imports</b>	<b>100%</b>	<b>100%</b>

Information in Table 5.3.1(d) shows that the alleged dumped imports increased to 89% of total imports in the 10 months after the POI (with volumes just over 3 800 tons), relative to the 42% captured in the last year of the POI (12 months). The increase in imports has accelerated even before the safeguard duties expired. Information on imports after the expiry of the safeguard duties is not available since these only expired in December 2024. However, the trend depicted by alleged dumped imports post the POI suggests that imports from the PRC can be expected to accelerate post the expiry of safeguard duties.

### **Commission’s Consideration**

The Commission considered that the volume of imports of Screws and Bolts from the PRC showed an increase in year 2 of the POI, followed by a decrease in year 3. In absolute terms, imports of Screws and Bolts increased 2% and 18%, respectively, over the POI.

The share of imports of Screws and Bolts from the PRC relative to imports from other countries, showed an enormous increase over the POI, with volume of imports accounting for 96% and 83% from a base of 55% and 42% in 2021/22, respectively. This makes the PRC the largest exporter of Screws and Bolts into SACU.

Imports from the PRC continued to accelerate post the POI for both screws and bolts and post the expiry of safeguard duties on Screws. The imports from the PRC are expected to increase substantially after the expiry of safeguard duties on Bolts.

### **Comments by FDA**

The volume of alleged dumped imports of screws barely increased by less than 2% over the POI. When compared to domestic sales and production, the relative share of these imports decreased. This minimal change in import volume does not suggest a significant threat or impact on the domestic industry. The situation with bolts further undermines the claim of injury. Although there was an initial increase of 18.4% in the volume of dumped imports, this was followed by a significant decrease of 28% in the final year of the POI.

Simultaneously, domestic production and bolts sales increased more significantly, indicating that the industry was not adversely affected by the alleged dumped imports. This pattern of volume changes suggests that the domestic industry has maintained its strength and that the dumped imports have not played a substantial role in influencing market dynamics.

### **Commission's Consideration**

The Commission considered that the argument that a less than 2% increase in alleged dumped imports of screws over the POI is insignificant and that the situation with bolts undermines the claim of injury as there was a 28% decrease in imports of bolts is both misleading and flawed. FDA conducted an end-to-end analysis without considering the substantial baseline volume from which the increase in imports occurred, as well as the yearly trends. Information post-expiry of the safeguard duties supports the allegation of a substantial increase in alleged dumped imports, as shown in table 5.3.1 (c) and (d).

Furthermore, the relative decrease in the share of imports compared to domestic production does not necessarily indicate a lack of impact, only that the trends in production volumes relative to alleged dumped imports depict no injury.

It should be noted that the Applicant alleged that the imminent increase in imports threatens injury to the domestic market and not that injury has occurred, therefore indicators do not necessarily have to be negative/positive to indicate an imminent threat.

The Commission also considered that the relative comparison between domestic sales and alleged imports is incorrect; Article 3.2 of the WTO ADA calls for a comparison between relative imports and consumption, which includes domestic sales and imports. When comparing these, the result is an increase in alleged dumped imports relative to domestic consumption of 12% and 11% for Screws and Bolts, respectively. The increase in domestic production and sales of screws and bolts is mainly attributed to the ordinary customs duties as well as safeguard duties that were in place during the POI.

### **5.3.2 EFFECT ON DOMESTIC PRICES**

#### **Price undercutting**

Price undercutting is the extent to which the price of the imported product is lower than the price of the like product produced by the SACU industry. The price of the imported product is determined based on the landed cost. The three importers of the subject products who responded to the Commission's importer questionnaire were found to be deficient. Therefore, no verified information was available to calculate the landed cost at the preliminary stage of the investigation.

The Commission made a preliminary determination to use the information supplied by the Applicant which was used for initiation purposes. Therefore, the landed cost is calculated based on the FOB export price plus cost of freight, port handling fees (clearing costs) of 5% as a percentage of the FOB value, plus ordinary customs duties of 30% and safeguard duties of 30.6% for both Screws and for Bolts.

**Table 5.3.2.1: Price undercutting**

<b>Screws (R/ton)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Applicant's ex-factory selling price	100	112	117
Landed cost	100	118	117
Price undercutting	100	103	117
<b>Price Undercutting %</b>	<b>100</b>	<b>92</b>	<b>100</b>
<b>Bolts</b>			
Applicant's ex-factory selling price	100	115	118
Landed cost	100	100	105
Price undercutting	100	267	243
<b>Price Undercutting %</b>	<b>100</b>	<b>233</b>	<b>211</b>

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.3.2.1 above indicates that there is price undercutting on both Screws and Bolts

### **Comments by FDA**

Was international ocean freight and insurance included in the price undercutting calculation?

### **Commission's Consideration**

The Commission added to the FOB price, a freight cost (Ocean freight and insurance) and port handling fees, to determine the price undercutting.

### **Price depression**

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

**Table 5.3.2.2: Price depression**

<b>Ex-factory selling price (R/t)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Screws	100	112	117
Bolts	100	115	118

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.3.2.2 above indicates that the Applicant's selling prices for Screws increased year on year by 12 index points from 2021/22 to 2022/23 and 5 index points in the subsequent year, with an overall increase of 17 index points over the POI.

Information in table 5.3.3.2 above also indicates that the Applicant's selling prices for Bolts increased year on year by 15 index points from 2020/21 to 2021/22 and 3 index points in the subsequent year, with an overall increase of 1 index points over the POI. The Applicant did not experience price depression during the POI on both subject products.

### **Comments by FDA**

The application's own data shows that prices for set screws and bolts from CBC and Impala increased over the two-year period. This indicates no price depression, and imports do not appear to be depressing prices, contradicting the requirements of Article 3.7 of the ADA and ADR 14.2(d).

### **Commission's Consideration**

The Commission considered that the absence of price depression during the period of investigation (POI) can be attributed to the protective effect of the safeguard duties which were in place during the POI. Article 3.7 (iii) of the ADA and ADR 14.2(d) require an assessment of whether products are entering (applies only to the ADR) or will be entering the market at prices that will have a significant depressing or suppressing effect on prices in that market (applies to both ADA and ADR). Both legislations do not require that there be price suppression or depression for an investigating authority to conclude that imports are entering or will be entering the market at prices that will have a significant depressing or suppressing effect. Only that prices should indicate the likelihood that they will have depressing and suppressing effects in the future. This is dealt with in the threat of material injury section.

### **Price suppression**

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

**Table 5.3.2.3: Price suppression**

Ex-factory selling price(R/t)	2021/22	2022/23	2023/24
Screws	100	112	117
Bolts	100	115	118
<b>Cost of production</b>			
Screws	100	108	109
Bolts	100	113	117
<b>Production cost as a % of selling price.</b>			
Screws	100	96	92
Bolts	100	99	99

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.3.2.3 above indicates that on a year-on-year basis, production cost as a percentage of the Applicant's ex-factory price for Screws decreased by 4 index points from 2021/22 to 2022/23, decreasing further by 4 index points from 2022/23 to 2023/24, with an overall decrease of 8 index points over the period of investigation.

Table 5.3.2.3 above also indicates that on a year-on-year basis, production cost as a percentage of the Applicant's ex-factory price for Bolts decreased by 1 index point for 2021/22 to 2022/23 and 202/2 to 2023/2 it remained constant with an overall decrease of 1 index point over the POI. The Commission considered that the Applicant did not experience price suppression on both Screws and Bolts.

#### **Comments by FDA**

The differing performance between CBC and Impala suggests that factors other than alleged dumped imports are affecting the industry. Impala's costs and profitability improved, while CBCs declined. Industry-wide, costs as a percentage of price improved for set screws and remained stable for bolts. No evidence of price suppression, contradicting Article 3.7(iii) of the Anti-Dumping Agreement. These findings indicate that alleged dumped imports are not the primary cause of the industry's performance.

### **Comments by the Applicant**

FDA's argument that the differing performances of CBC and Impala prove that dumped imports haven't affected the industry is flawed. Businesses are unique, and differences in capital, production, and pricing can't be used to draw sweeping conclusions. Despite minor variations, both companies face the same threat of increasing imports at lower prices. FDA's comparison between CBC and Impala is irrelevant and ignores the shared threat they face.

### **Commission's Consideration**

The Commission considered that the argument that differing performances between CBC and Impala suggest factors other than alleged dumped imports are affecting the industry is misleading and overlooks critical context. The improvement in Impala's costs and profitability, alongside the decline in CBC's performance, may be attributed to various company-specific factors, such as differences in management, production efficiency, customers, or market strategies. Impala also took over SA Bolt during the POI and has a consolidated performance that is slightly better than that of CBC. However, this does not negate the fact that there are substantial increases in imports, which threaten to cause material injury to the SACU industry.

As indicated above, Article 3.7(iii) of the Anti-Dumping Agreement does not require the demonstration of price suppression during the investigation period. Rather, it allows for an examination of whether dumped imports threaten to cause material injury to the domestic industry.

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

### **5.4.1 Actual and potential decline in sales volumes and values**

The following table shows SACU sales volume and values of the subject products for the period of investigation:

**Table 5.4.1: Sales volume**

Sales volume (Ton)	2021/22	2022/23	2023/24
Screws	100	139	114
Bolts	100	150	140

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in Table 5.4.1 above indicates that the sales volume for Screws increased year on year by 39 index points from 2021/22 to 2022/23, then decreased by 25 index points in the subsequent year, with an overall increase of 14 index points over the POI. Similarly, the sales volume for Bolts also increased year on year by 50 index points from 2021/22 to 2022/23, then decreased by 10 index points in the subsequent year, with an overall increase of 40 index points over the POI.

### **Comments by FDA**

The domestic industry experienced significant sales growth during the investigation period.

Set screws: Sales increased for both CBC and Impala in year 2, while alleged dumped imports also increased. In year 3, CBC's sales decreased, while Impala's remained constant. **Bolts:** Industry sales increased, with Impala's sales surging. Alleged dumped imports grew, then decreased, while other imports decreased. The data shows that the industry's sales growth despite a shrinking market. Significant discrepancies between CBC's and Impala's performance. No clear evidence that alleged dumped imports harmed the domestic industry. These findings suggest that internal issues at CBC, rather than alleged dumped imports, may be contributing to the company's poor performance.

### **Comments by the Applicant**

The Applicant stated that the recent lapse in duties has already caused significant harm to the domestic industry. CBC's sales volumes for screws plummeted from 170 tonnes in March 2023 to just 30 tonnes in October 2024.

Impala is also operating at half capacity. With the safeguard duty on bolts set to expire in December 2024, urgent action is needed to protect the industry from further injury due to dumped imports. The threat of injury is rapidly becoming a reality, and it is crucial that the Commission acknowledges this and takes necessary measures.

### Commission's consideration

The Commission considered that the assertion by the FDA that the domestic industry's sales growth during the investigation period suggests no harm from alleged dumped imports is flawed and overlooks critical context. The sales growth experienced by the domestic industry may be attributed to various factors such as changes in market share, shifts in consumer demand or company-specific strategies, as well as duties in place.

Moreover, the discrepancies between CBC's and Impala's performance do not necessarily indicate that internal issues at CBC are the primary cause of its performance. CBC may be more vulnerable to the effects of dumped imports due to differences in production costs, product types, market focus, or business strategies. Furthermore, Impala acquired SA Bolt, which increased its capacity and volumes. The assessment of the industry's performance should be considered in the context of the consolidated information rather than focusing on individual company data. The fact that alleged dumped imports increased during the same period as the domestic industry's sales growth does not rule out the possibility of a threat of material injury.

### 5.4.2 Profit

The following table shows the Applicant's profit situation:

**Table 5.4.2: Profit**

	2021/22	2022/23	2023/24
<b>Gross profit (R)</b>			
Screws	100	212	156
Bolts	100	216	173
<b>Net Profit (R)</b>			
Screws	100	336	107
Bolts	100	646	915

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in Table 5.4.2 above indicates that the gross profit for Screws increased by 112 index points from 2021/22 to 2022/23 and decreased by 56 index points in the subsequent year, with an overall increase of 56 index points over the POI. The net profit increased by 236 index points from 2021/22 to 2022/23, declined by 229 index points from 2022/23 to 2023/24. Overall, the net profit from the sale of Screws increased by 07 index points over the POI.

Table 5.4.2 above also indicates that the gross profit for Bolts increased year on year by 116 index points from 2021/22 to 2022/23 and decreased by 43 index points in the subsequent year, with an overall increase of 73 index points over the POI. The net profit increased by 546 index points from 2021/22 to 2022/23, then by 390 index points from 2022/23 to 2023/24, with an overall increase of 815 index points over the POI.

### **Comments by FDA**

The data shows that the overall industry's net profit increased significantly, and it also appears that Impala's net profit actually increased to 915.

### **Commission's Consideration**

The Commission noted that the statement regarding the industry's financial performance is misleading and overlooks the safeguard measures in place during the POI. The industry's financial situation assessment should be considered in the context of the consolidated information rather than focusing on individual company data (. While it is true that the consolidated data shows an increase in the overall industry's net profit (from a very low base), it should be noted that the profit increase is partly attributable to a once-off special solar project which was an exception and not a recurring event. Additionally, FDA's assessment should focus only on the industry trends and the potential impact of dumped imports, rather than focusing on individual company data.

### **5.5.3 Market share**

The following table shows the market share for the subject product based on sales and import volumes expressed as a percentage of total SACU market:

**Table 5.5.3: Market share**

	2021/22		2022/23		2023/24	
	Volume tonnes	%	Volume tonnes	%	Volume tonnes	%
<b>Screws</b>						
Applicant's market share	100	100	139	135	114	148
Other SACU producers' market share	100	100	139	133	114	150
Alleged dumped imports' market share	100	100	140	140	102	134
Other imports' market share	100	100	14	13	5	7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>102</b>	<b>100</b>	<b>78</b>	<b>100</b>
<b>Bolts</b>						
Applicant's market share	100	100	150	133	140	162
Other SACU producers' market share	100	100	150	127	140	155
Alleged dumped imports' market share	100	100	165	148	118	138
Other imports' market share	100	100	40	35	18	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>111</b>	<b>100</b>	<b>85</b>	<b>100</b>

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.3 above indicates that the Applicant's market shares for Screws increased year on year by 35 index points from 2021/22 to 2022/23, and further increased by 13 index points in the subsequent year, with an overall increase of 48 index points over the POI. The alleged dumped imports market shares increased year on year by 40 index points from 2021/22 to 2022/23, then decreased by 6 index points in the subsequent year, with an overall increase of 34 index points over POI. Imports from other countries' market shares decreased year on year by 87 index points from 2021/22 to 2022/23, decreasing further by 6 index points in the subsequent year, with an overall decrease of 93 index points over POI.

Information in table 5.5.3 above also indicates that the Applicant's market shares for Bolts increased year on year by 33 index points from 2021/22 to 2022/23, increased by 29 index points in the subsequent year, with an overall increase of 62 index points over the POI. The alleged dumped imports market shares on the other hand increased year on year by 48 index points from 2021/22 to 2022/23, then decreased by 10 index points in the subsequent year, with an overall increase of 38 index points over POI.

Imports from other countries' market shares decreased by 55 index points from 2020/21 to 2021/22 and decreased further by 25 index points in the subsequent year, with an overall decrease of 80 index points over POI.

### **Comments by FDA**

The domestic industry's market share actually increased over the POI, contrary to claims of injury. Set screws market share increased from 100 to 147 while Bolts market share grew from 100 to 164. Industry's market share outpaced alleged dumped imports. Other imports' market share decreased significantly. This indicates the industry is maintaining its competitive position and expanding its market influence, contradicting claims of injury.

### **Comments by the Applicant**

The Applicant stated that the looming expiration of safeguard duties on screws (August 2024) and bolts (December 2024) creates a critical circumstance where dumping would likely cause material injury. Despite current 30% safeguard duties, China increased exports and market share during the POI, strategically positioning itself to dominate the market once protections lapse.

### **Commission's Consideration**

The Commission noted that the assertion that the domestic industry is increasing market share during the POI contradicts claims of injury, is misleading and fails to account for the impact of the safeguard duty. The safeguard duty, which was in place during the POI, protected the domestic industry from the full effects of dumped imports. As a result, the industry's market share increase may be attributed, at least in part, to the protective effect of the duty rather than any inherent competitiveness or strength of the industry.

It is likely that, in the absence of the safeguard duty, the domestic industry's market share would have been negatively impacted by the alleged dumped imports. The fact that other imports' market share decreased significantly during the POI suggests that the safeguard duty may have had a distortive effect on the market. Therefore, the domestic industry's increasing market share during the POI does not necessarily contradict claims of injury, and interested parties should consider the impact of the safeguard duty when assessing the industry's performance.

### 5.5.4 Output

The following table shows the Applicant's domestic production volume of the subject product:

**Table 5.5.4: Production Volumes**

Output (Ton)	2021/22	2022/23	2023/24
Screws	100	151	107
Bolts	100	168	148

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in Table 5.5.4 above indicates that the output for Screws increased by 51 index points from 2021/22 to 2022/23, then decreased by 44 index points in the subsequent year, with an overall increase of 7 index points over the POI. Information in Table 5.5.4 above also indicates that the output for Bolts increased by 68 index points from 2020/21 to 2021/22, then decreased by 20 index points in the subsequent year, with an overall increase of 48 index points over the POI.

### 5.5.6 Employment

The following table provides the Applicant's number of employees in production:

**Table 5.5.6: Employment**

	2021/22	2022/23	2023/24
<b>Direct labour units (Production)</b>			
Screws	100	102	108
Bolts	100	103	97
<b>Indirect labour units (Production)</b>			
Screws	100	84	95
Bolts	100	83	92
<b>Total labour units (Production)</b>			
Screws	100	88	98
Bolts	100	86	93

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.6 above indicates that the number of manufacturing employees for Screws decreased by 2 index points from 2021/22 to 2022/23, increased by 10 index points in the subsequent year, with an overall POI decrease of 2 index points.

Information in table 5.5.6 above also indicates that the number of manufacturing employees for Bolts decreased by 4 index points from 2021/22 to 2022/23, then increased by 7 index points in the subsequent year, with an overall, POI decrease of 7 index points.

### 5.5.7 Productivity

The table below shows the Applicant's productivity determined based on output and the number of employees in production:

**Table 5.5.7: Productivity**

	2021/22	2022/23	2023/24
<b>Production (Ton)</b>			
Screws	100	151	107
Bolts	100	168	148
<b>No. of employees (production)</b>			
Screws	100	102	108
Bolts	100	103	97
<b>Productivity per employee (Ton)</b>			
Screws	100	147	100
Bolts	100	163	151

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.7 above indicates that the productivity per employee for Screws increased by 4 index points from 2021/22 to 2022/23, then decreased by 47 index points in the subsequent year, and over the POI it was constant.

Information in table 5.5.7 above also indicates that the productivity per employee for Bolts increased by 63 index points from 2021/22 to 2022/23, then decreased by 12 in the subsequent year, with an overall increase of 51 index points over the POI.

### 5.5.8 Utilisation of production capacity

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

**Table 5.5.8: Utilisation of production capacity**

Tonnes	2021/22	2022/23	2023/24
<b>Capacity</b>			
Screws	100	100	100
Bolts	100	100	100
<b>Actual production</b>			
Screws	100	151	107
Bolts	100	168	148
<b>Capacity utilisation %</b>			
Screws	100	144	106
Bolts	100	173	155

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.8 above indicates that capacity utilisation for Screws increased by 44 index points from 2021/22 to 2022/23, then decreased by 38 index points in the subsequent year, with an overall increase of 6 index points over the POI. Information in table 5.5.8 above also indicates that capacity utilisation for Bolts increased by 73 index points from 2021/22 to 2022/23, then decreased by 18 index points in the subsequent year, with an overall increase of 55 index points over the POI.

#### **Comments by FDA**

- a) SA Bolt has a significant production capacity of 500-600 tons/month, making it a major player in the domestic market. To accurately assess the industry's health and competitiveness, it's crucial to include SA Bolt's manufacturing figures in the analysis.
- b) CBC's output increased in year 2, then decreased in year 3, despite changes in alleged dumped imports. Set screws: Impala's output increased, while industry output rose by 7 index points over the POI. Bolts: CBC's and Impala's output increased, leading to a 48 index points increase in industry output over the POI. Capacity utilization remained constant throughout the POI. The data suggests that the alleged dumped imports did not impact CBC's output. Industry output rose alongside rising imports in year 2 and declined when imports decreased in year 3, showing no clear impact from alleged dumped imports.

**Commission’s consideration**

- a) The production capacity of SA Bolt is properly included in the assessment, as it is now under the ownership of Impala. Moreover, the decision to participate in the investigation, and stance taken, whether in support, neutral or opposition, as well as the provision of information, would have remained the sole discretion of SA Bolt.
- b) CBC's output increase in year 2 and decrease in year 3 may be attributed to various factors, including changes in market demand, production strategies, or internal company decisions. However, it is also possible that CBC's output was affected by the alleged dumped imports, but in a way that is not immediately apparent from the data. The fact that industry output rose alongside rising imports in year 2 and declined when imports decreased in year 3 does not necessarily indicate that alleged dumped imports had no impact. It is possible that the industry's output was influenced by other factors, such as changes in global market trends, consumer demand, or production costs. The constant capacity utilization throughout the POI does not provide conclusive evidence that alleged dumped imports had no impact on the industry. Capacity utilization is only one indicator of industry performance, and other factors, such as profitability, sales, and market share, should also be considered.

**5.5.9 Return on Assets**

The following table shows the Applicant’s return on investment:

**Table 5.5.9: Return on investment.**

Net profit (R)	2021/22	2022/23	2023/24
Screws	100	-8	189
Bolts	100	646	1036
<b>Net assets for the product concerned</b>			
Screws	100	109	93
Bolts	100	134	99
<b>Return on net asset %</b>			
Screws	100	0	250
Bolts	100	600	1400

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.9 above indicates that return on assets for Screws declined from 2021/22, to a zero return in 2022/23, then increased by 150 index points in 2023/24, with an overall increase of 150 index points over the POI. Information in table 5.5.9 above also indicates that return on assets for Bolts improved year on year, moving from a base of 100 index points in 2021/22, increasing by 500 index points in the subsequent year, with an overall increase of 1300 index points in 2023/24. The Commission considered that the actual percentage increases were smaller and that the base was extremely low and hence the hyperbolic figures above.

### **Comments by FDA**

The profit and loss performance of CBC and Impala differs significantly. For set screws: CBC's net profit plunged from 495 to -750 in year 3, while Impala's net profit increased from -35 to 241. For bolts: CBC's net profit changed from 100 to 266 to -157, while Impala's gross profit more than doubled, and its net profit likely increased. The industry as a whole shows a healthy performance, with increasing gross and net profits despite a decreasing market size. The disparate performance of CBC and Impala suggests internal factors, rather than alleged dumped imports, may be contributing to CBC's poor performance.

### **Commission's consideration**

The Commission considered that the differences in company-specific factors, such as production costs, market focus, or business strategies, may explain some of the disparities in performance.

However, it is also possible that CBC is more vulnerable to the effects of dumped imports due to its specific circumstances. Furthermore, the industry's overall healthy performance, with increasing gross and net profits, does not necessarily rule out the possibility of a threat of material injury caused by dumped imports.

#### **5.5.10 Factors affecting domestic prices**

The Applicant experienced price undercutting on both Screws and Bolts over the POI.

### 5.5.11. The magnitude of the margin of dumping

The following margin of dumping was calculated:

**Table 5.5.11: Margin of dumping-PRC**

	Dumping margin as a % of the ex-factory export price
Screws	175%
Bolts	19%

#### Commission's consideration

The Commission considered that the margin of dumping on both Screws and Bolts is substantial. The alleged dumped imports volume of Screws and Bolts increased substantially (40% and 65%) from 2021/22 to 2022/23, decreasing in the subsequent year (27% and 28%) in line with a decrease in the size of the SACU market, however, the volume of imports only decreased near levels seen in 2021/2022, a substantial baseline volume. The alleged dumped imports market share of Screws and Bolts increased substantially from 35% to 49% and 29% to 43%, respectively, from 2021/2022 to 2022/23, with a slight decrease of 2% and 3% in the final year of the POI. Over the POI the market share increased by 12% and 11%, respectively. The PRC was the single largest exporter of Screws and Bolts into the SACU market over the POI. The prices of the alleged dumped imports have consistently remained lower than those of the SACU industry and therefore resulting in substantial price undercutting.

### 5.5.11 Actual and potential negative effects on cash flow

The following table reflects the Applicant's cash flow situation:

**Table 5.5.11: Cash flow**

(R)	2021/22	2022/23	2023/24
<b>Cash flow: Incoming</b>			
Screws	100	233	218
Bolts	100	320	299
<b>Cash flow: Outgoing</b>			
Screws	100	117	122
Bolts	100	137	147
<b>Net cash flow</b>			
<b>Screws</b>	<b>negative</b>	<b>6</b>	<b>-20</b>
<b>Bolts</b>	<b>negative</b>	<b>5</b>	<b>-28</b>

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.11 above indicates that the net cash flow for Screws improved, first moving from a negative cash flow to a positive net cash flow from 2021/22 to 2022/23 and then from positive net cash flow to a negative in the subsequent year and overall, the negative net cash flow improved by 80 index points over the POI, remaining negative but at a lower degree than in the base year. Information in table 5.5.11 above also indicates that the net cash flow for Bolts improved, first moving from a negative cash flow to a positive net cash flow from 2021/22 to 2022/23 and then from positive net cash flow to a negative in the subsequent year and overall, the negative net cash flow improved by 72 index points over the POI, remaining negative but at a lower degree than in the base year.

### 5.5.12 Inventories

The following table provides the Applicant's inventories for the subject products.

**Table 5.5.12: Inventories**

	2021/22	2022/23	2023/24
<b>Inventory volume (Ton)</b>			
Screws	100	214	248
Bolts	100	121	132
<b>Inventory value (Rm)</b>			
Screws	100	244	92
Bolts	100	577	647

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.12 above indicates that inventory volume for Screws increased by 114 index points from 2021/22 to 2022/23, and further increased by 34 index points in the subsequent year, with an overall increase of 148 index points over the POI. Inventory value also increased year on year by 144 index points from 2021/22 to 2022/23, then decreased by 152 index points in the subsequent year, with an overall decrease of 8 index points over the POI. Information in table 5.5.12 above also indicates that inventory volume for Bolts increased year on year by 21 index points from 2021/22 to 2022/23, increased further by 11 index points in the subsequent year, with an overall increase of 32 index points over the POI. Inventory value increased year on year by 477 index points from 2021/22 to 2022/23 and increased further by 70 index points the subsequent year, with an overall increase of 547 index points over the POI.

### Comments by FDA

Poor inventory management practices within the domestic industry have increased costs and financial difficulties leading to higher storage costs, increased working capital requirements and obsolete or slow-moving stock. These issues suppress prices, reduce profit margins, and negatively impact cash flow. Inventory management challenges are unrelated to dumped imports and are an internal factor contributing to the industry's difficulties.

### Comments by the Applicant

FDA claim that inefficient inventory management is the cause of injury is incorrect and irrelevant. The industry's inventory management is efficient, and FDA's unsubstantiated claims should be dismissed.

### Commission's consideration

The Commission considered that the argument that poor inventory management practices within the domestic industry are the primary cause of its difficulties is misleading. The applicant's business model, which involves producing per order, inherently requires low inventory stock levels. This production strategy suggests that the applicant's inventory management practices are tailored to its specific business needs, rather than being inherently poor or inefficient. The fact that the applicant's inventory management practices may differ from those of other companies does not necessarily mean that the industry's difficulties are unrelated to dumped imports. The Commission also considered that due to low priced imports, the Applicant had cancelled orders which resulted in the increased inventory.

### 5.5.13 Wages and Salaries

The following table shows the Applicant's wages and salaries:

**Table 5.5.13: Wages and Salaries**

<b>Wages and salaries (Rm)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Screws	100	126	108
Bolts	100	156	157

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.13 above indicates that wages and salaries for Screws increased by 26 index points from 2021/22 to 2022/23, then decreased by 18 index points in the subsequent year, with an overall decrease of 8 index points over the POI. While the wages and salaries for Bolts increased year on year by 56 index points from 2021/22 to 2022/23, and by 1 index point in the subsequent year, with an overall increase of 57 index points over the POI.

#### 5.5.14 Ability to raise capital or investments.

The following table provides the Applicant's ability to raise capital or investments:

**Table 5.5.14: Ability to raise capital or investments.**

(Rm)	2021/22	2022/23	2023/24
<b>Capital investment in subject product</b>			
Screws	100	123	92
Bolts	100	118	114
<b>Capital expenditure in subject product</b>			
Screws	100	1768	6606
Bolts	100	2094	6606

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.14 above indicates that the capital investments on Screws increased by 23 index points from 2021/22 to 2022/23, then decreased by 31 index points in the subsequent year, with an overall decrease of 8 index points over the POI. While the capital investment on Bolts increased by 18 index points from 2021/22 to 2022/23, then decreased by 4 index points from 2022/23 to 2023/24, with an overall increase of 14 index points over the POI. The capital expenditure on the subject product increased year on year, increasing by 6506 index points over the POI.

#### 5.5.15 Growth

The following table shows the growth of the SACU market:

**Table 5.5.15(a): Growth**

<b>Screws (Ton)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Applicant sales volume	100	139	114
Applicant's % growth from previous year		100	-46
Other SACU producers' volume	100	139	114
Other SACU producers' % growth from previous year		100	-46
Alleged dumped imports	100	140	102
Alleged dumped imports % growth from previous year		100	-68
Other imports	100	14	5
Other imports % growth from previous year		100	71
<b>Size of the SACU market</b>	<b>100</b>	<b>102</b>	<b>78</b>
<b>Size of SACU market % growth from previous year</b>		<b>100</b>	<b>-1200</b>

The figures were indexed due to confidentiality using 2021/22 as a base year.

information in table 5.5.15(a) above indicates that the size of the SACU market for Screws grew by 2 index points from 2021/22 to 2022/23, then decreased by 24 index points from 2022/23 to 2022/24, with an overall decrease of 22 index points over the POI.

**Table 5.5.15(b): Growth**

<b>Bolts (Ton)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Applicant sales volume	100	150	140
Applicant's % growth from previous year		100	-14%
Other SACU producers' volume	100	150	140
Other SACU producers' % growth from previous year		100	-14%
Alleged dumped imports	100	165	118
Alleged dumped imports % growth from previous year		100	-43
Other imports	100	40	18
Other imports % growth from previous year		100	92
<b>Size of the SACU market</b>	<b>100</b>	<b>111</b>	<b>85</b>
<b>Size of SACU market % growth from previous year</b>		<b>100</b>	<b>209</b>

The figures were indexed due to confidentiality using 2021/22 as a base year.

Information in table 5.5.15(b) above indicates that the size of the SACU market for Bolts grew by 11 index points from 2021/22 to 2022/23, then decreased by 26 index points from 2022/23 to 2023/24, with an overall decrease of 15 index points over the POI.

### **Commission's consideration**

The Commission considered that the above tables indicate that when the SACU market is growing, alleged dumped imports volumes increase at a rate faster than that of the Applicant's sales volumes. This is depicted by the growth rate of alleged dumped imports of Screws and Bolts, respectively from year 1 to year 2 where the SACU market grew by 2 and 11 index points respectively. In a decreasing market both the Applicant and alleged dumped imports decreased.

The decline in the size of the SACU market may be attributed to decline in demand due to the SACU economic decline.

## SUMMARY – MATERIAL INJURY

Based on the information above, the material injury information of the Applicant for the period 01 February 2021 to 31 January 2023 is as follows:

**Table 5.5.16: Material injury indicators**

Material injury indicator	Screws	Bolts
Import volumes	<i>Increased</i>	<i>Increased</i>
Price undercutting	<b>Yes</b>	<b>Yes</b>
Price depression (R)	None	None
Price suppression	None	None
Sales volume (T)	Increased	Increased
Profits (R)	Positive	Positive
Output (T)	Increased	Increased
Applicant's market share	Increased	Increased
Number of employees	<b>Decreased</b>	<b>Decreased</b>
Productivity (T)	Constant	Increased
Return on investment	Positive	Positive
Net cash flow	<b>Negative</b>	<b>Negative</b>
Utilisation of capacity	Increased	Increased
Applicant's Growth	Increased	Increased
Inventories (T)	Increased	Increased
Capital investment	<b>Decreased</b>	Increased

### 5.6 Analysis of the Applicant's overall performance over the POI (Year 1 – Year 3)

**Screws:** Information in table 5.5.16 above indicates that over the POI the Screws industry experienced price undercutting, negative net cash flow, decreased employment, and capital investment. All other injury indicators such as sales, market share, output, productivity, capacity utilization, gross profit, net profit, and return on investment increased. The information also shows that the Applicant did not experience price depression and price suppression over the same period. The margin of dumping was found to be 171%.

**Bolts:** Information in table 5.5.16 above also indicates that over the POI the Bolts industry experienced price undercutting, negative net cash flow and decreased employment.

All other injury indicators such as sales, market share, output, productivity, capacity utilization, gross profit, net profit, return on investment and capital investment increased. The information also shows that the Applicant did not experience price depression and price suppression over the same period. The margin of dumping was found to 19%.

The Commission noted and considered that the positive results of the SACU industry are despite a decline in the size of the SACU market over the same period. The positive results can be attributed to current customs duties and the safeguard duties which were instituted on the subject products in 2018 and 2021, and which allowed the Screws and Bolts industry to increase market share and become profitable.

The safeguard duties together with the customs duties on the subject products, restricted imports from other countries therefore allowed the SACU industry to recover, although not fully as noted above with reference to negative net cashflows, declines in employment, capital investment and price undercutting over the POI.

#### **5.7 Analysis of the Applicant's overall performance by the end of the POI (Year 2 – Year 3)**

**Screws:** Information in the material injury section of this submission indicates that at the end of the POI, the Screws industry experienced price undercutting, declines in sales volumes, output, productivity, capacity utilization, gross profit, and capital investments. The information also shows that there was no price depression and suppression. All other injury indicators such as market share, net profit, employment and return on investment improved.

**Bolts:** Information in the material injury section of this submission also indicates that at the end of the POI the Bolts industry experienced price undercutting, declines in sales volumes, output, productivity, capacity utilization, employment, gross profit, capital investments and negative net cashflows. The information also shows that there was no price depression and suppression. All other injury indicators such as market share, return on investment and net profit improved.

The Commission thus noted that the current safeguard duties have enabled the Screws and Bolts industry to marginally recover from previous injury, however the information in the material injury section also reveals that the SACU industry has not benefited fully from these measures. Therefore, the SACU industry finds itself in a vulnerable state at the end of the POI, making it susceptible to material injury going forward. Notably the declines experienced by the Screws and Bolts industries at the end of the POI coincide with a decline in the size of the SACU market of 22 and 15 index points, respectively. This is indicative of decreased demand for the subject products in the period 2023/24, which coincides with lower- than-expected GDP growth of 0.6% in 2023. The volume of imports from the PRC also declined during this period, and hence, the decline cannot be entirely attributed to PRC imports.

The expiration of the safeguard duties on Screws and Bolts, which were set at 30.6% and 30.8%, and which expired in August and December 2024 respectively, raises concerns about the potential impact of the alleged dumped imports on the SACU Screws and Bolts industries. Considering the rate at which increased imports of the subject products from the PRC, which has already established a substantial market presence, the expiry of these duties will lead to a substantial reduction in landed costs. This, in turn, is expected to result in a substantial increase in imports from the PRC, causing material injury to the SACU Screw and Bolts industry. Import information post the POI and expiry of the safeguard duties on Screws shows a significant increase as indicated in table 5.3.1(c) above. Import information post the POI shows a significant increase in imports of Bolts as indicated in Table 5.3.1(d) of this submission.

Based on the above, the Commission made a preliminary determination that there are indications that the SACU industry will experience material injury in the future.

## 6. THREAT OF MATERIAL INJURY

---

A threat of material injury relates to injury which is yet to occur and, therefore, warrants the determination, based on facts, whether material injury is likely to occur in the near future. In determining this, **Regulation 14** of the ADR states as follows:

- 14.1. A determination of threat of material injury shall be based on facts and not merely on allegation, conjecture, or remote possibility. The change in circumstances which would create a situation in which dumping would cause material injury must be clearly foreseen and imminent.
- 14.2. In considering a threat of material injury the Commission shall, in addition to the factors indicated under section 13, and where relevant information is available, consider such factors as:
  - (a) a significant rate of increase of dumped imports into the SACU.
  - (b) sufficiently freely available, or an imminent substantial increase in, capacity of the foreign producer;
  - (c) the availability of other export markets to absorb additional export volumes;
  - (d) whether products are entering or will be entering the SACU at prices that will have a significant depressing or suppressing effect on SACU prices; and
  - (e) the foreign producer's inventories of the product under investigation.

Therefore, the Commission considered that the general enquiry in a threat of material injury analysis is as follows:

- Whether there is a foreseeable and imminent change in circumstances, which would lead to substantially increased imports, such that increased imports would cause the SACU industry to experience material injury.
- To determine the above, the Commission will need to consider the condition of the domestic industry as it pertains to the factors listed in Regulation 13 of the ADR. This analysis will speak to the consequent impact of the dumped imports on the SACU industry. Please see discussion in the material injury section of this submission; and

- An additional assessment involves the consideration of factors in ADR 14.2 (a) to (e). According to the Panel in Mexico – Corn Syrup, these “factors relate specifically to the questions of the likelihood of increased imports based on, the rate of increase of imports, the capacity of exporters to increase exports, and the availability of other export markets, the effects of imports on future prices and likely future demand for imports, and inventories”.

#### **Comments by FDA**

- a) SAFMA applied for anti-dumping duties on imported screws and bolts, citing a threat of material injury. However, SAFMA acknowledges that there is currently no actual material injury. The Anti-Dumping Regulations do not allow for investigations based on a threat of injury, only actual injury.
- b) The applicant has failed to demonstrate a threat of material injury, as import volumes have decreased, and prices have increased. The industry has been protected by safeguard duties for six years and appears to be financially healthy. Imposing additional duties would likely enable the industry to solidify its market dominance, stifle competition, and ultimately harm consumers.

#### **Comments by the Applicant**

##### **a) Regulation 1**

The Applicant stated that the legislative intent behind the provisions enabling ITAC to investigate threats of injury is to protect domestic industries from imminent harm. The Anti-Dumping Regulations (ADR) and the World Trade Organization's Anti-Dumping Agreement (ADA) explicitly recognize the concept of "threat of material injury" as a valid basis for investigation. Initiating investigations based on a threat of injury is essential, as waiting for actual injury to occur would render the provision meaningless. The ADA requires that a threat of injury be based on facts, and that the change in circumstances leading to injury be clearly foreseen and imminent. In this context, ITAC's investigation into the threat of injury posed by dumped imports is not only justified but also necessary to protect the domestic industry from potential harm.

- b) Chinese import prices undercut domestic prices by considerable margins regardless of the safeguard protection in place. The lapse of the safeguard will result in a definitive 30% decrease in the landed costs which will have a significant depressing and/or suppressing effect on industry prices.

### **Commission's consideration**

- a) The Commission considered that the assertion that the Anti-Dumping Regulations do not allow for investigations based on a threat of material injury is incorrect. ADR1 provides for three forms of material injury: (i) actual material injury; (ii) threat of material injury or (iii) material retardation of the establishment of an industry. In past investigations, the Commission has allowed the supplementation of actual injury with the threat of material injury. However, it is important to emphasize that only one kind of injury is necessary for a finding of injury.
- b) The argument that the applicant has failed to demonstrate a threat of material injury due to decreased import volumes and the industry's healthy financial position is misleading. The decrease in import volumes and the industry's financial health can be directly attributed to the safeguard measures that have been in place. It is inaccurate to suggest that the industry's current financial health is a result of its own competitiveness, when in fact, it has been shielded from imports by safeguard duties for six years. This protection has artificially reduced import volumes and allowed the industry to maintain prices. Furthermore, the imposition of anti-dumping duties is not intended to enable the industry to solidify its market dominance or stifle competition. Rather, it is aimed at preventing unfair trading practices and ensuring a level playing field. Therefore, the argument that the applicant has failed to demonstrate a threat of material injury is unfounded and ignores the impact of safeguard measures on the industry's current financial health.

## 6.1 Foreseeable and imminent change in circumstance

The Commission considered the Applicant's assertion that currently China is dumping the subject products in the SACU market, despite safeguard duties being in place. The expiration of the safeguard duties is clearly imminent and foreseeable. Furthermore, although the imposition of the safeguard duties has been somewhat effective to protect the industry, import volumes continued to increase alarmingly. The industry is currently particularly exposed and extremely vulnerable as import volumes continue to increase. Therefore, the imminent lapse of the safeguard duties will immediately substantially decrease the landed cost of Screws and Bolts by 30.6% and 30.8% (current safeguard duties), respectively, exacerbating the imminent threat of material injury to the Applicant in what can only be described as the perfect storm.

This surge in imports will substantially decrease the Applicant's market share coupled by an immediate significant decrease in the Applicant's selling prices substantially impacting the Applicant's profit margins and ability to face off material injury in the wake of these challenges. The Applicant asserted further that this is further evidence by the fact that the SACU Screw and Bolt industry has a history of requiring anti-dumping protection, specifically against China, indicating a pattern of unfair trade, which is taking place yet again, especially considering the high inventory levels of steel products in China now, as their domestic demand decreases.

## 6.2 Forecasted injury indicators (12 months after lapse of safeguard duty):

In addition to the factors listed in the material injury of this submission, the Applicant provided forecasts for the twelve months after the lapsing of the safeguard duties. A consolidated basis for the estimations was not provided, but basis and assumptions were made under each injury indicator.

The Commission considered that in agreeing with the panel in Mexico – Corn Syrup that “there must in every case in which threat is found, be an evaluation of the condition of the industry in light of Article 3.4 factors to establish a background against which the impact of future dumped imports must be assessed, in addition to an assessment of specific threat factors”.

The panel in US - Softwood Lumber VI indicated that “once such an analysis has been carried out, an assessment of the likely impact of future imports by reference to a consideration of projections regarding each of the Article 3.4 factors is not required”. The Panel noted that “such information might not be available and might result in a degree of speculation in the decision-making process, which is not consistent with the requirements of the Agreement”.

The Commission considered that an evaluation of the condition of the industry is conducted in section 5 of this report. Therefore, the Commission did not need to do an additional assessment in relation to projected threat of material injury information.

### **6.3 Factors as per Regulation 14 of the ADR**

The Commission considered the following information submitted by the Applicant relating to factors in Regulation 14 of the ADR, to substantiate threat of material injury:

#### **6.3.1 Freely disposable capacity of the exporter**

- The Applicant stated that Ming Xing, Dongguan City Yuhuang Electronic Technology Co., Ltd, a leading Chinese manufacturer of Screws and fasteners, has opened a new factory in Lechang, marking a significant expansion of its operations and production capacity. The modern factory, equipped with advanced machinery and technology, enables the production of high-quality Screws and fasteners at a faster rate and with greater precision. Note, posted under news on the company website on, “Post time: Jun-19-2023”.
- The Applicant indicated that Hisener, a leading global fastener supplier, plans to expand its market share by developing new products and upgrading production capacity. In August 2022, the company opened a modern 32 000 square meter factory, allowing it to produce 1 500 tons of Screws per month, significantly surpassing its previous capacity of 500 tons. The 1 500 capacity equates to 18 000 tons per annum a 67% increase in screw production capacity.
- The Applicant also stated that a People’s Daily article indicates that fasteners (Screws) are the new rice industry to China. The Applicant states

that the articles make reference to increase in technological improvements and investment in the industry means there is a direct increase in capacity and a continued strive to increase capacity for these products.

- The Applicant also indicated that a People's Daily article stated that Handan Yanzhao Fastener Manufactory Co., Ltd, an enterprise specializing in the manufacturing of fasteners, such as Screws and Bolts, implemented digital technologies to optimize their operations and efficiency, lower their production cost and lift their products' quality. The use of digital and intelligent technology at Handan replaced manual labour with robotic arms, which shortens the time for processing embedded screw sleeves by 70 percent and lifts production capacity by 72 percent. Furthermore, according to the company website, Handan welcomed another two heavyweight advanced production equipment, a shot blasting cleaning machine, and a heat processing machine. According to the company, the addition of the two-production equipment to increase capacity is the third quarter in 2023.
- The Applicant further stated that Ningbo Geobo Hardware Manufacturer, announced plans to expand its sales to Mexico, Brazil, and South American markets, with optimism for the potential of South Africa. The Applicant asserts that to achieve this, the company will need to increase production and manufacturing capacity to supply to external markets, focusing on fasteners such as Bolts, Screws, nuts, washers, anchors, and shelf brackets.
- The Applicant further stated that Tianjin Chaotuo Imp. & Exp. Co., Ltd., a producer of Screws, stated in their website that "over 80%" of their annual production is exported to overseas markets, such as Europe, Southeast Asia, Middle East, South America, Africa etc. The Applicant asserts that this indicates the tendency for excess inventories to be exported.
- The Applicant further stated that according to Volza Grow Global, a USA-based Market Research Company that deals with global export-import intelligence, as of 08 December 2023, China exported 558 000 shipments of Screws and Bolts, exported by **19 457** Chinese exporters, to 20 885 customers, mainly in Mexico, United States, and India. The Applicant states that the top 3 exporters of Screws and Bolts are China (558 038 shipments), India (477 706 shipments) and Germany (224 383 shipments). The

Applicant asserts that this indicates China’s increased capability to produce manufactured imports.

- The Applicant further stated that Jiaxing Qimu trading Co., LTD is professionally engaged in fastener manufacture and trading. The company’s annual production capacity exceeds 20 000 tons. Another company, Ningbo Yipian Hong Fastener Co., Ltd is a professional fastener manufacturer and exporter of fasteners and are engaged in manufacturing various kinds of high-strength Bolts, nuts, and thread rods with a yearly capacity of 30 000 tons.

The Applicant further stated that information obtained from Trade Map provides further credence to the fact that China is the largest exporter of Screws and Bolts and fasteners in general. The Applicant provided the table to substantiate this. The Applicant further stated that although the information also includes other products not subject to its application, it is the best information available and gives an accurate assessment of China export capacity.

#### Top 5 exporters of Fasteners over the last 3 years

Exporters	2021		2022		2023
	Exported quantity	Unit	Exported quantity	Unit	Exported quantity, Tons
World	5475068	Tons	5550179	Tons	
China	1669898	Tons	1732325	Tons	1752593
Taipei, Chinese	812766	Tons	846711	Tons	626246
Germany	476834	Tons	458602	Tons	457231
Italy	310606	Tons	332838	Tons	343898
United States of America	381431	Tons	325392	Tons	369046

\*Source: Annexure F1(a) -Trade Map

- The Applicant further stated that the information in the table above provide proof that Chinese producers are engaged in various efforts, such as additions of new factories, new machines, and implementation of digital technology to increase production capacity and that China is the largest exporter of fasteners, in particular Bolts and Screws.
- The Applicant further stated that the expansion in production capacity can be expected to cater for the export markets in Asia, America, and Africa. The increased manufacture of the subject products coupled with closure of the EU market in the form of anti-dumping duties against China as well as

the slow domestic growth that does not match up with the level of output, makes the SACU market to become an easy target for export, especially at current prices.

- The Applicant further stated that the trend of increased capacities and propensity to export is clearly a systemic issue as shown in China Fastener World Magazine No.69/2023 where exports of Bolts to all the major markets (US and EU) have decreased from the first half of 2022 to the first half of 2023. At the same time exports to other countries (including SACU) has risen by 10.48% or more than 29 000 tonnes, while the average price per kg dropped by 5.43% or \$0.14.
- The Applicant further stated that the Magazine states in the magazine that “The current weaker-than-expected export performance of major fastener items from China and Taiwan may be related to the overall poor global environment and the tightening of purchasing capacity by international buyers whose inventories are still at a high level. However, the scenario of hundreds of Chinese exhibitors actively participating in many recent international exhibitions shows that many Chinese manufacturers are still optimistic about the future development of export and sales, and through practical actions (such as setting up factories or recruiting regional agents) they continue to expand their export share in many markets (EU, UK, ASEAN, Japan, S. Korea and India, etc.) which do not impose anti-dumping and countervailing duties against China in order to capture more orders.”
- The Applicant further states that China is looking to increase exports to countries which are vulnerable, such as the SACU, which is not equipped to deal with the flood of low cost (dumped) imports from China, which will undoubtedly lead to material injury.

### **Commission consideration**

The Commission considered the following in relation to the information submitted by the Applicant:

- Although the information on Ming Xing’s website indicates that a new factory was opened, the production capacity of the new plant was not indicated and particularly as it pertains to hexagon-headed Screws and Bolts.

- The article on Hisener refers to all types of Screws, Bolts, and other fasteners. According to Fastener World, the company mainly offers Screws and produces solely for export to the USA (20%), Europe (35%), Russia (30%), South America (13%) and 2% to other regions.
- The People's Daily article discussed the digitization of the screw industry, but the specific examples mentioned, regarding the use of robotic arms to increase efficiency and production capacity, refers to a workshop in Hunan province.
- According to the pamphlet/brochure on Ningbo Geobo Hardware Manufacturer, the company has been on an increasing growth trajectory since inception of domestic production in 2008 and later in 2012 engaging in international fastener trade. The pamphlet/brochure specifically mentions South Africa, Mexico, Brazil, and other South American countries as potential export destinations. The pamphlet/brochure also mentions an annual capacity of over 5000 tons by 2019 for Screws, Bolts, and other products.
- Therefore, the exact production capacity or estimated capacity of the company on the subject products is not known. The brochure mentions that the company has 80 automated machines producing the subject products as well other products.
- Tianjin Chaotuo Imp. & Exp. Co., Ltd states on its website that it has a daily capacity of 15 000 tons to produce various types of Screws and other products.
- The reference to Jiaxing Qimu trading Co., LTD's production capacity which exceeds 20,000 tons and Ningbo Yipian Hong Fastener Co., Ltd, yearly capacity of 30,000 tons, encompasses various products produced by the companies including Screws and Bolts.
- The Applicant correctly asserts that the export information provided from Trade Map refers to fasteners. The Applicant also states that "China is the largest exporters of fasteners, particularly Bolts and Screws. However, without indicating the percentage of fasteners hexagon head Screws and Bolts make up, then this is mere conjecture.
- The China Fastener World Magazine No.69/2023 showed that in terms of export data, wood Screws, self-tapping Screws, Bolts, nuts, and iron & steel nails are the main export items from China and Taiwan.

- The information provided by GEM-YEAR Industrial Co., Ltd, one of the respondents in this investigation supports the Applicant's assertion that there is freely available capacity in China. The information shows that the company is major producer of the subject products in spite operating at less 50% of its installed capacity. Showing that the company can be able to increase its production (with over 50% available capacity in the last years of the POI) at any moment should it wish to do so.

### **Comments by FDA**

The application lacks sufficient evidence of excess capacity, a crucial factor in assessing the likelihood of material injury. The ADA excludes injury caused by technological advancements, and there's no evidence of freely available capacity that could flood the market and cause injury.

The GATT Panel in the Korea – Polyacetal Resins dispute indicated that capacity per se was not a sufficient factor in considering the likelihood of increased import volumes, but that it should also be investigated whether there was a likelihood that such capacity would actually be used to increase supplies to [the importing] market.

### **Comment by the Applicant**

The Applicant stated that China possesses substantial excess capacity and inventory for export, driven by its economic downturn and collapsing property market. Furthermore, China's export opportunities to markets beyond the SACU are shrinking as more WTO members implement trade remedies to safeguard their domestic industries, reducing the capacity of other markets to absorb additional Chinese exports.

The Applicant further stated that the Commission is reminded of the **salient points on capacity** as follows:

- China dominates global screws and bolts production, with a single mill exceeding SACU's entire demand.
- Global crude steel oversupply leads to excess screws and bolts production, as China shifts production down the value chain.
- Declining domestic demand in China's construction and automotive sectors,

due to a property glut and slow economic growth, has resulted in excess capacity and inventories.

- China is diverting excess volumes to less protected markets, like SACU, as other export markets impose trade barriers.

### **Commission's consideration**

The information submitted in the application, although not all, revealed that there is freely disposable capacity to produce bolts and screws in the PRC. Additional information received from the verified exporter reveals that it has over 70% excess capacity. This freely disposable capacity poses a significant threat to the domestic industry, as it could be used to increase exports to the domestic market, potentially causing material injury. The fact that this capacity exists and is not currently being utilized to its full potential suggests that there is a real risk of increased imports, which could harm the domestic industry. The Commission also noted that the SACU industry is small relative to the PRC and even a small increase in capacity and export volumes has the potential of replacing SACU production and sales volumes with PRC imports. Additionally, the Applicant showed that there are duties on the subject product in China's main markets such that the exports to those countries could be diverted to SACU.

The GATT Panel's findings in the Korea – Polyacetal Resins dispute do not support the argument that capacity per se is not a sufficient factor. Rather, the Panel emphasized the importance of investigating whether there is a likelihood that excess capacity would be used to increase supplies to the importing market. The Commission as indicated above believes this likelihood exists.

### **6.3.2 Significant increase of allegedly dumped imports into the SACU market**

The Commission considered the following assertions made by the Applicant:

- There have been significant increases in import volumes of both hexagon head Screws and Bolts from China over the POI.
- The import volumes increased significantly by 2% on Screws and 18% on Bolts over the POI.
- The phasing down of Safeguard duties led to increased import volumes.
- The likelihood of substantially increased imports is directly linked to the lapsing of the safeguard duties which will have an immediate increasing

impact on imports and the landed cost of the imported product will decrease substantially by the level of the duty.

- With dumping already present and affecting the industry whilst the safeguard duties are in place, once these duties lapse within the next 12 months, the effects of these imports will become exponentially worse on the domestic industry and the associated material injury being experienced will, as a result, increase exponentially.

### **Commission's consideration**

The Commission considered that despite customs and safeguard duties of approximately 60% during the POI, imports of the subject products from the PRC increased by 2% and 18% in absolute terms over the POI. The alleged dumped imports of Screws and Bolts showed a significant rise, with a 12% and 11% increase relative to consumption over the POI, respectively. Imports of Screws and Bolts from the PRC experienced a remarkable rise in Year 2 of the POI, followed by a decline in Year 3. The initial increase in imports comes at the back of a substantial baseline volume in 2021/22 of 3 267 and 2 127 tonnes for Screws and Bolts, respectively.

The PRC's share of screw and bolt total imports skyrocketed, accounting for 96% and 83% of total imports by the end of the POI, up from 55% and 42% in 2021/22 (significant baseline). The PRC thus became the single largest exporter of Screws and Bolts to SACU.

The market share of allegedly dumped Screws and Bolts from China saw a substantial increase, rising from 35% to 49% and 29% to 43% from 2021/2022 to 2022/23, with declines of 2% and 3% in the final year. Overall, the market share increased by 12% and 11% respectively, over the POI. Without the safeguard duties the SACU industry will face substantially higher undercutting margins and therefore this in addition to the rate of increase shown above suggests that there will be significant increases in imports of the subject products which will lead to material injury should anti-dumping duties not be enacted.

Information in Table 5.3.1(c) shows that the alleged dumped imports of Screws increased to 97% of total imports in the 8 months after the POI (with volumes just shy of 2 500 tons), relative to the 55% captured in the last year of the POI (12 months). The increase in imports has accelerated even before the safeguard duties expired. After the expiry of the duties on 01 August 2024, alleged dumped imports accelerated even further, with volumes reaching almost 3 200 tons in only 4 months, which is 147% higher than those imported in the same period in 2023 and also surpassed the increase in the 8 months before the expiry of duties. Therefore, the removal of the safeguard duties has resulted in even more substantial imports of Screws from the PRC. On the contrary, imports from other countries continued to decline in both the 8-month and 4-month periods.

Information in Table 5.3.1(d) shows that the alleged dumped imports of Bolts increased to 89% of total imports in the 10 months after the POI (with volumes just over 3 800 tons), relative to the 42% captured in the last year of the POI (12 months). The increase in imports has accelerated even before the safeguard duties expired. Information on imports after the expiry of the safeguard duties is not available since these only expired in December 2024. However, the trend depicted by alleged dumped imports post the POI suggests that imports from the PRC can be expected to accelerate post the expiry of safeguard duties. Further solidifying the allegation of imminent substantial increase in alleged dumped imports.

#### **Comments by FDA**

In past anti-dumping cases, a "threat of injury" is typically supported by evidence of increasing imports and decreasing prices. For example, in the 2003 US-Korea DRAM case, the US ITC found a threat of injury due to rising import volumes, falling prices, and potential further increases in Korean exports, leading to anti-dumping duties.

To establish a threat of material injury, a significant increase in dumped imports is required. However, the data shows that imports into SACU actually decreased over the investigation period, contradicting the claim of a material injury threat.

In the application it is indicated that alleged dumped imports from China developed as follows:

Quantity	Feb 2021 to Jan 2022	Feb 2022 to Jan 2023	Feb 2023 to Jan 2024
<b>Set screws (kg)</b>			
Imports: China	3 266 859	4 584 779	3 328 258
Imports: Other	2 716 211	371 076	143 222
Total imports	5 983 070	4 955 855	3 471 480
<b>Bolts (kg)</b>			
Imports: China	2 128 625	3 514 345	2 521 223
Imports: Other	2 932 024	1 173 466	524 498
Total imports	5 060 649	4 687 811	3 045 721

FDA argued that imports of set screws from China increased negligibly (<2%) over the period, with total imports decreased significantly in the second and third years. China's bolt exports increased by 18% but decreased by 28% in the final year. FDA further stated that China's exports to South Africa are increasing at a slower rate than globally, and that South African market is not being flooded with Chinese products.

#### **Comments by the Applicant**

The Applicant stated that when examining the rise in dumped imports relative to production, a concerning trend emerges. Despite a shrinking market due to low demand, dumped imports increased their market share, with significant gains in screws (35% to 47%) and bolts (29% to 40%) over the period of investigation. This surge in market share, particularly in a market where imports should be declining due to protective measures, signals a threat of injury to the domestic industry. The expected lapse of safeguard duties is likely to exacerbate this trend, leading to substantial increases in dumped imports.

The Applicant further stated that the data suggests that pricing practices (dumping) and China's excess production capacity, rather than declining demand, are driving the increase in market share for dumped imports, posing a significant threat to the domestic industry.

#### **Commission's consideration**

The FDA's analysis pertains only to the actual rate of increase in imports and does not consider the increase in alleged dumped imports relative to SACU consumption. Alleged dumped imports of screws and bolts relative to consumption increased by 12% and 11%, respectively, over the POI.

Additionally, the safeguard duties in place during the POI seem to have effectively slowed the growth of imports of the subject products, the rate would be higher in their absence. This is proven by the import information for the period August to November 2024 (period after expiry of the safeguard duties on Screws) relative to the same period in 2023, where imports increased by over 147% from 2023 to 2024. Moreover, FDA fails to consider that this investigation is focused on the threat of material injury, rather than actual injury. Specifically, the imports of the subject products from the PRC pose a significant threat to the domestic industry, particularly now that the safeguard duties have expired.

### **6.3.3 Prices that will have a significant depressing or suppressing effect on SACU prices.**

The Commission considered the following assertions made by the Applicant:

- The expected low-priced products will in future have significant price depressing effects as the domestic manufacturers will have no choice but to decrease their own prices to remain competitive.
- Despite the already high import barriers that presently exist on the subject product imports from China have increased.
- There is no indication that China will increase its selling prices once the duties have lapsed, and this will result in price depression and/or suppression by the domestic industry.
- Over the last 12 months of the POI, import prices have fluctuated. For Screws have increased by 14% and for Bolts prices decreased by 20% whereas imports from other countries prices increased by 49%. This indicates that low-cost imports are not increasing in line with what is expected from the market but instead continuously undercut the domestic prices.

### **Commission's consideration**

The Commission considered that although the prices of the alleged dumped imports of Screws and Bolts increased by 5% and 14% during the period of investigation (POI), they remained significantly lower than those of the SACU industry, resulting in substantial price undercutting. Despite this, the Applicant managed to increase its prices and improve profitability, indicating no price depression or suppression. However, the lapsing of the safeguard duties on Screws and Bolts is expected to result in import prices from the PRC dropping by 30.8% and 30.6% (rate of safeguard) respectively, leading to substantially reduced costs associated with the importation of these products. It follows that if quality and service are not an issue and competition is based solely on price, SACU customers will likely increase their orders from Chinese producers. This trend has already been observed during the period of investigation (POI), despite the presence of safeguard duties.

In such a price-driven market, domestic producers are expected to lower their prices to match those of the imported products. This will lead to a depression and suppression of the SACU producers' prices. Note, as shown in section 5 (Table 5.3.2.3) and 7 (Table 7.3) of this submission, the cost of producing the subject products is already higher than the price of the imported products and therefore domestic producers will be forced to sell at a loss.

### **Comments by FDA**

In 2004, the EU imposed anti-dumping duties on PET imports from several countries, citing a threat of material injury to the EU PET industry. The decision was based on expected increases in imports and evidence of price undercutting, highlighting the importance of these factors in assessing threatened material injury under WTO rules.

The application lacks concrete evidence of current price depression or suppression in the domestic market. Instead, it speculates about potential future low-priced imports, which is not a reliable basis for making a determination. The application's claim of "expected low-priced products" is speculative and unsupported by data. In contrast, actual import prices have increased by 14% over the investigation period, indicating a healthy industry position.

### **Comments by the Applicant**

The Applicant stated that FDA's argument that FOB import prices rose 14% during the POI misses the point. The concern is the impending 30% decrease in landed costs, which will directly impact competition with domestic products. This significant price drop will likely depress or suppress industry prices. Furthermore, the lapse of safeguard duties on screws in August 2024 has already led to a surge in dumped imports and plummeting FOB prices, exacerbating the situation.

The Applicant stated that a lapse of safeguard duties would worsen price undercutting, increasing from 39% to 60% due to declining FOB prices. To remain competitive, the domestic industry must drastically cut prices by 60% within three months, inevitably leading to price depression and suppression as they try to prevent losing market share to dumped imports.

### **Commission's consideration**

The Commission considered that there is evidence of price undercutting on Screws and Bolts over the POI as shown in table 5.3.2.1 of this report. This in addition to the imminent increase in imports and other factors considered threatening to cause material injury to the SACU industry. Furthermore, while price undercutting was a factor in the EU's decision, it is not the only indicator of threatened material injury. The WTO's Anti-Dumping Agreement does not require price undercutting, depression, or suppression as a prerequisite for initiating an investigation based on threat of material injury. Article 3.7 of the Agreement states that a threat of material injury shall be based on "facts and not merely on allegations, conjectures or remote possibilities."

In this case, the application presents evidence of increasing imports of subject products, as well as price undercutting, which could potentially disrupt the domestic market. The PRC's significant production capacity and export potential, posing a threat to the domestic industry. These factors, taken together, provide a reasonable basis for initiating an investigation into the threat of material injury, even in the absence of price undercutting, depression, or suppression. In this case, however, there is price undercutting by Chinese exporters.

Regarding the argument that actual import prices have increased by 14% over the investigation period, indicating a healthy industry position. This argument overlooks the potential risks associated with low-priced imports in the future. The investigation should consider the potential impact of such imports on the domestic industry rather than solely relying on current price trends. However, if current trends are to be used, the alleged dumped import prices for both Screws and Bolts increased at a slower pace than those of SACU producers and have consistently remained lower than those of SACU producers, signaling their pricing power. Therefore, the application provided sufficient evidence to support the initiation of an investigation into the threat of material injury, and the absence of price depression, or suppression does not preclude such an investigation.

#### **6.3.4 Exporters' inventories**

The Commission considered that the Applicant did not have full and precise knowledge of exporters' inventories of the subject product. It could only find information showing an indication of China's steel inventory levels. China Iron and Steel Association (CISA) states that Chinese steel mills rose to 19 million tons in Mid-February 2024, a 25.7% compared to early February 2024. The Applicant also asserted that while specific inventory data for the subject products is not publicly available, the Applicant notes that China faces trade restrictions from Canada and the EU on both the subject products, and the US through its S232 duties on steel and aluminium products, leaving a large area of the world unavailable to China for exports, which indicates unused inventories that could be easily diverted to SACU.

The Applicant further stated that with China's property market in decline, domestic consumption is unlikely to increase, leaving inventories full and encouraging exporters to dump excess products in unprotected countries like SACU.

#### **Comments by FDA**

The applicant admits to having no information on Chinese inventories, and the application lacks evidence of excess inventories in China. Without proof of excess capacity or inventories, the claim of a threat of material injury remains unsubstantiated, undermining the credibility of the application.

### **Commission's consideration**

The Commission considered that the absence of Chinese inventory information on the part of the Applicant does not preclude the existence of threat of material injury. Moreover, inventory levels alone are insufficient to dismiss the potential threat posed by imports from the PRC, particularly if the safeguard duties lapse. Additionally, since the screws and bolts industries in SACU and the PRC primarily produce based on orders, inventory data may not be relevant for evaluation.

#### **6.3.5 State of the economy of the country of origin/export and its influence on the operations of the manufacturers/exporters.**

The Commission considered the following assertions made by the Applicant:

- According to a recent World Bank article, China is a growing influence on developing economies through trade, investment, and ideas. Many of the development challenges that China faces are relevant to other countries such as transitioning to a new growth model, rapid aging, building a cost-effective health system, and promoting a lower-carbon energy path.
- Net exports are expected to weigh on growth, due to softer external demand coupled with a modest acceleration in import growth driven by the increase in domestic demand.
- Following the reopening after COVID19, China's GDP growth is predicted to rebound to 5.1% in 2023 from 3% in 2022, driven by a recovery in demand, particularly services. Investment is expected to remain robust, supported by slower but sustained growth in infrastructure and manufacturing investment as well as a gradual stabilization of property investment.
- The SACU, due to increased Chinese manufacturing, EU market closure due to Anti-Dumping duties against China and section 232 duties in the US, as well as slow domestic growth which does not match up with the level of output in China, becomes an easy export target due to lower prices than domestic manufacturers' raw material costs, illustrating a cause-and-effect relationship.
- The SACU market represents a fraction of the size of China's capacity, and the smallest increase in exports to SACU could cataclysmically effect the SACU industry. China is the largest manufacturer globally, even a small

increase in its capacity equates to large volumes of excess exports.

- Tables below compare Chinese export market size for fasteners under tariff subheading 7318.15 to SACU imports, highlighting low-cost Chinese exports' threat to the SACU.

#### Chinese Exports to the world (7318.15)

Exporters	2019		2020		2021	2022	2023
	Exported quantity	Unit	Exported quantity	Unit	Exported quantity, Tons	Exported quantity, Tons	Exported quantity, Tons
World	No Quantity	No Quantity	No Quantity	No Quantity	5475368	5350179	
China	1569049	Tons	1468873	Tons	1669998	1732325	1752395

#### SACU Imports Threaded Fasteners (7318.15)

Exporters	2019	2020	2021	2022	2023
	Imported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons
World	21006	18386	26417	24734	19052
China	11284	7940	11930	16513	13390

#### SACU Imports Screws (7318.15.39)

Exporters	2019	2020	2021	2022	2023
	Imported quantity, Kilograms	Imported quantity, Kilograms	Imported quantity, Kilograms	Imported quantity, Kilograms	Imported quantity, Kilograms
World	1652660	3075812	5588926	5332555	3358033
China	41836	32098	2717494	4915018	3207297
	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>
World	1692.68	3075.912	5596.926	5332.555	3358.033
China	41.836	32.098	2717.494	4915.018	3207.297

#### SACU Imports Bolts (7318.15.43)

Exporters	2019	2020	2021	2022	2023
	Imported quantity, Kilograms	Imported quantity, Kilograms	Imported quantity, Kilograms	Imported quantity, Kilograms	Imported quantity, Kilograms
World	4361613	3439863	4977696	4580905	2985756
China	2686753	2220266	1892799	3493138	2269023
	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>	<b>Converted to Tons:</b>
World	4361.613	3439.863	4977.696	4580.905	2985.756
China	2686.753	2220.266	1892.799	3493.138	2269.023

### Commission's consideration

The Commission considered that there is freely disposable capacity and imminent increase in capacity of hexagon head Screws and Bolts and therefore there is potential to increase exports to SACU for the following reasons:

- China is the leading manufacturer (based on exports) of fasteners in the world. According to China Fastener World Magazine No.69/2023, the top three products exported by China for the period January to June 2023 were wood Screws, self-tapping Screws, and Bolts. The first two are not subject to this application and although Bolts include other Bolts, it is noted that sometimes "Bolts" and "Screws" are used interchangeably in PRC.
- China Fastener World Magazine No.69/2023 showed that exports of Bolts

to the EU and USA for the period January to June 2023 decreased while those to other markets increased.

- There are possible limits to demand in China due to its slow growth and property crisis.
- There is closure of the US, Canada and EU markets through trade defense measures.
- The SACU market is a relatively small market such that even a small increase in capacity in China would be more than sufficient to increase exports to SACU.
- There are indications of new factories opening and additional equipment purchased to add additional capacity to produce fastener products including the subject products.
- The verified exporter has more than 50% unused capacity. Therefore, even a slight increase in their capacity would be sufficient to increase exports to SACU.

The Commission also considered that the increase in imports volume from the PRC over the POI both in absolute and relative to SACU consumption, is an indicator of the attractiveness of the SACU market to Chinese exporters. Despite the presence of substantial customs and safeguard duties of about 60% on both products during the POI. As a result, alleged dumped imports will likely increase in the absence of duties. As already has been shown for Screws.

The significant price difference between the imported products and the SACU like product is likely to lead to demand for lower priced imported products. This will result in a depressing and suppressing effect on the SACU industry.

The Panel in Dominican Republic – AD on Steel Bars (Costa Rica) stressed that factors listed in Article 3.7 have to be considered in **their totality**, and found, that "the mere fact that the exporting company's inventory level was not, in itself, an indicator of a threat of injury does not, in our view, mean that, in combination with other factors, it could not serve as a basis for concluding that further dumped exports were imminent". Similarly, the Panel found that "[T]he exporter's freely disposable capacity alone cannot support a conclusion that further exports are 'imminent'.

While an existing production capacity may be indicative of potential to export, we do not see how this fact on its own can substantiate the "imminence" of further exports".

The Panel in US – Coated Paper in responding to a claim that a threat determination not based on events that occurred during the POI would be based on mere conjecture, stated: "In determining the existence of a threat of material injury, the investigating authorities will necessarily have to make assumptions relating to the 'occurrence of future events' since such future events 'can never be definitively proven by facts'". The Panel went on to state that, "in our view events that took place during the POI provide the background against which an investigating authority can evaluate the likely future events, but do not limit the scope of projections that the authority may make concerning future events. Of course, the investigating authority would be expected to explain the change in circumstances that will result in the future situation being different from the past."

#### **Comments by the Applicant**

The Applicant stated that evidence presented demonstrates a severe and imminent threat to domestic screw and bolt manufacturers from Chinese dumped imports. The Applicant has provided comprehensive evidence supporting the threat of injury, meeting the requirements of ADR 14 and 16. If left unchecked, significant harm is likely. China's strategic expansion and patience await the safeguard duty lapse, poised to monopolize the market. The threat is critical, with CBC and Impala already experiencing losses.

Urgent intervention is necessary to prevent harm. The evidence supports protecting the domestic industry from China's unfair dumping practices. We urge the Commission to take immediate action, imposing preliminary and definitive dumping duties to safeguard the domestic fastener industry's viability and long-term survival.

Considering the analysis of the ADR 13 and 14 factors contained in section 5 and 6 of this submission, the Commission made a preliminary determination that there is a foreseeable and imminent change in circumstances which will lead to substantially increased imports, such that increased imports would cause the SACU industry to experience material injury.

## 7. CAUSAL LINK

---

### 7.1 GENERAL

To justify action against the alleged dumping, the Commission must be satisfied that the material injury and or a threat thereof experienced by the SACU industry is a result of the dumping of the subject product.

#### Comments by FDA

- a) To initiate an anti-dumping investigation, three elements must be present which are dumping, material injury (or threat thereof) and causal link between dumping and injury. Since no material injury was proven, the investigation should not have been initiated. Regarding causal link, ADR 16.1 outlines that analysis of these factors change in volume of dumped imports, price undercutting, market share of dumped imports, magnitude of dumping margin, price of un-dumped imports should be taken into consideration. However, analysis of these factors does not demonstrate a direct causal relationship between alleged dumped imports and claimed injury.
- b) Article 3.5 of the ADA emphasizes that any causal relationship between dumped imports and material injury must be based on solid evidence. The analysis must also consider other factors that might be contributing to injury in the domestic industry, such as changes in demand, technological advancements, or the competitive landscape.

The first sentence of Article 3.5 of the ADA provides that “It must be demonstrated that the dumped imports are, through the effects of dumping, as set forth in paragraphs 2 and 4, causing injury within the meaning of this Agreement.” The WTO has ruled that the use of the present tense – “causing injury” – means that injury or a threat thereof must be taking place, and not that it took place sometime in the past or might take place sometime in the future. The coincidence in time, or contemporaneity, of increased dumped imports and injury to the domestic industry is the point of departure in the causal link analysis. In *Argentina – Footwear* the Appellate Body indicated that movements between (dumped) imports and injury are central to the causal link

analysis. Where there is no coincidence in trends, there cannot be any causal link.

In US – Steel Safeguards, the panel required a separate correlation requirement in respect of each injury factor and note that trends in the same direction at the same time could indicate causality. The same panel also noted that the more competitive a market is, and the fastener market would be highly competitive as competition is mainly based on price, the shorter the time lag between importation and injury.

### **Comments by the Applicant**

The Applicant stated that FDA misinterprets the WTO provision on causality, arguing that injury must be currently occurring. However, the definition of "threat" implies that harm is likely to occur, but not necessarily at the time of determination. The present tense refers to the imminent threat, which coincides with the increase in dumped imports.

The Applicant further stated that causal link is established by the industry's vulnerable state, loss of market share, China's past practices, the impending 30% decrease in landed costs, and excess capacity, all of which coincide with the surge in dumped imports.

### **Commission's consideration**

a) The Commission considered that the Anti-Dumping Agreement explicitly recognizes the threat of material injury as a sufficient basis for initiating an investigation. In this case, the threat of material injury is evident, particularly in light of the safeguard duties that were in place during the POI. The safeguard duties, which protected the domestic industry from the full effects of dumped imports, artificially mitigated the injury caused by the dumped imports. Therefore, the absence of material injury during the POI does not necessarily indicate that the domestic industry is not vulnerable to injury. While ADR 16.1 outlines specific factors to consider, the analysis of these factors must take into account the distortive effect of the safeguard duties. The fact that the safeguard duties were in place during the POI means that the analysis of the causal link must consider the potential impact of the dumped

imports in the absence of these duties.

- b) The argument that there is no causal link between dumped imports and material injury is overly simplistic and ignores the complexities of the case. The safeguard duty, which is in place, has likely distorted the market and masked the true impact of the dumped imports. Article 3.5 of the ADA emphasizes the need for solid evidence of a causal relationship, but it does not require a perfect coincidence in time between increased dumped imports and injury. The Appellate Body's ruling in Argentina – Footwear and the panel's decision in US – Steel Safeguards provide guidance on the importance of correlation and trends, but they do not establish a rigid requirement for contemporaneity.

In this case, the investigation has revealed that the domestic industry is facing a threat of material injury, and the dumped imports pose a significant risk to the industry's viability. The safeguard duty has likely protected the industry from the full effects of the dumped imports, but it does not eliminate the threat of material injury.

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

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

### **7.2.1 Import volumes**

The following tables show the import volumes of the subject products:

**Table 7.2.1 (a): Import volumes – Screws**

<b>Screw (Tonnes)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Alleged dumped imports from the PRC	3 267	4 585	3 328
Other countries' imports	2 716	371	143
<b>Total imports</b>	<b>5 983</b>	<b>4 956</b>	<b>3 471</b>
Alleged dumped imports as a % of total imports	55%	93%	96%
Other countries' imports from as a % of total imports	45%	7%	4%
<b>Total imports</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Information in table 7.2.1(a) above indicates that the alleged dumped imports of Screws increased year on year by 40% from 2021/22 to 2022/23, and then decreased by 27% in the subsequent year, with an overall increase of 2% over the POI. Contrary to the trend shown by imports from the PRC, imports from other countries showed year on year decrease of 86% from 2021/22 to 2022/23, 61% in the subsequent year, with an overall decrease of 95% over the POI.

**Table 7.2.1 (b): Import volumes - Bolts**

<b>Bolts (Tonnes)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Alleged dumped imports from the PRC	2 129	3 514	2 521
Other imports	2 932	1 174	525
<b>Total imports</b>	<b>5 061</b>	<b>4 688</b>	<b>3 046</b>
Alleged dumped imports as a % of total imports	42%	75%	83%
Other imports as a % of total imports	58%	25%	17%
<b>Total imports</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Information in table 7.2.1(b) above indicates that the alleged dumped imports of Bolts increased year on year by 65% from 2021/22 to 2022/23, then decreased by 28% in the subsequent year, with an overall increase of 18% over the POI. Imports from other countries decreased by 60% from 2021/22 to 2022/23 and further decreased by 55% in the subsequent year, with an overall decrease of 82% over the POI.

**Table 7.2.1 (c): import volumes Screws**

Screws (Tonnes)	Period after POI (Feb – Sep 2024)	Period after expiry of duties (Aug – Nov 2024)	Imports from Aug to Nov 2023
<b>Alleged dumped imports from the PRC</b>	2 453	3 178	1 286
Other imports	84	54	54
<b>Total imports</b>	<b>2 537</b>	<b>3 232</b>	<b>1 340</b>
Alleged dumped imports as a % of total imports	97%	98%	96%
Other imports as a % of total imports	3%	2%	4%
<b>Total imports</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Information in Table 7.2.1(c) shows that the alleged dumped imports increased to 97% of total imports in the 8 months after the POI (with volumes just shy of 2 500 tons), relative to the 55% captured in the last year of the POI (12 months). The increase in imports has accelerated even before the safeguard duties expired.

After the expiry of the duties on 01 August 2024, alleged dumped imports accelerated even further, with volumes reaching almost 3 200 tons in only 4 months, which is 147% higher than those imported in the same period in 2023 and also surpassed the increase in the 8 months before the expiry of duties. Therefore, the removal of the safeguard duties has resulted in even more substantial imports of Screws from the PRC. On the contrary, imports from other countries continued to decline in both the 8-month and 4-month periods.

**Table 7.2.1 (d): import volumes Bolts**

Bolts (tonnes)	Period after POI (Feb – Nov 2024)	Period after expiry of duties (Dec 2024)
<b>Alleged dumped imports from the PRC Screws</b>	3 809	Duty expired Dec
Other imports	492	Duty expired Dec
<b>Total imports</b>	<b>4 301</b>	
Alleged dumped imports as a % of total imports	89%	Duty expired Dec
Other imports as a % of total imports	11%	Duty expired Dec
<b>Total imports</b>	<b>100%</b>	<b>100%</b>

Information in Table 7.2.1(d) shows that the alleged dumped imports increased to 89% of total imports in the 10 months after the POI (with volumes just over 3 800 tons), relative to the 42% captured in the last year of the POI (12 months).

The increase in imports has accelerated even before the safeguard duties expired. Information on imports after the expiry of the safeguard duties is not available since these only expired in December 2024. However, the trend depicted by alleged dumped imports post the POI suggests that imports from the PRC can be expected to accelerate post the expiry of safeguard duties.

### Commission’s consideration

The Commission considered that despite the imposition of customs and safeguard duties of approximately 60%, the volume of Screws and Bolts imports from the PRC showed a substantial increase in year 2 of the POI, followed by a decrease in year 3. However, overall imports from China rose by 2% and 18% over the POI. China's share of Screw and Bolt imports surged from 55% and 42% in 2021/22 to 96% and 83% by the end of the POI, becoming the largest exporter to SACU. Imports from the PRC continued to accelerate post the POI for both screws and bolts and post the expiry of safeguard duties on Screws. The imports from the PRC are expected to increase substantially post the expiry of safeguard duties on Bolts.

### 7.2.2 Market share

The following table shows the market share based on sales and import volumes:

**Table 7.2.2: Market share**

	2021/22		2022/23		2023/24	
	tonnes	%	tonnes	%	tonnes	%
<b>Screws</b>						
Applicant's market share	100	100	139	135	114	148
Other SACU producers' market share	100	100	139	133	114	150
Alleged dumped imports' market share	100	100	140	140	102	134
Other imports' market share	100	100	14	13	5	7
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>102</b>	<b>100%</b>	<b>78</b>	<b>100%</b>
<b>Bolts</b>						
Applicant's market share	100	100	150	133	140	162

	2021/22		2022/23		2023/24	
Other SACU producers' market share	100	100	150	127	140	155
Alleged dumped imports' market share	100	100	165	148	118	138
Other imports' market share	100	100	40	45	18	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>111</b>	<b>100</b>	<b>85</b>	<b>100</b>

Information in table 7.2.2 above indicates that the Applicant's market shares for Screws increased year on year by 35 index points from 2021/22 to 2022/23, and further increased by 13 index points in the subsequent year, with an overall increase of 48 index points over the POI. The alleged dumped imports market shares increased year on year by 40 index points from 2021/22 to 2022/23, then decreased by 6 index points in the subsequent year, with an overall increase of 34 index points over POI. Imports from other countries' market shares decreased year on year by 87 index points from 2021/22 to 2022/23, decreasing further by 6 index points in the subsequent year, with an overall decrease of 93 index points over POI.

Information in table 7.2.2 above also indicates that the Applicant's market shares for Bolts increased year on year by 33 index points from 2021/22 to 2022/23, increased by 29 index points in the subsequent year, with an overall increase of 62 index points over the POI. The alleged dumped imports market shares on the other hand increased year on year by 48 index points from 2021/22 to 2022/23, then decreased by 10 index points in the subsequent year, with an overall increase of 38 index points over POI. Imports from other countries' market shares decreased by 55 index points from 2020/21 to 2021/22 and decreased further by 25 index points in the subsequent year, with an overall decrease of 80 index points over POI.

### **Commission's consideration**

The Commission considered that over the POI, the share of the market for alleged dumped imports grew at a similar rate to that of the Applicant on both products.

However, the rate of increase year on year growth rate of alleged dumped imports outpaced that of the Applicant, albeit a slight decrease in alleged dumped imports compare with a slight increase in the Applicant's market share in year 3. The trend depicted in year 3 and over the POI may also be attributed to the decline in the total SACU market.

### 7.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects:

**Table 7.3: Price undercutting, price suppression and depression**

	2021/22	2022/23	2023/24	Change over the POI
<b>Applicant's ex-factory selling price (R/t)</b>				
Screws	100	112	117	17 index points
Bolts	100	115	118	18 index points
<b>Alleged dumped FOB import price (R/t)</b>				
Screws	16 785	19 759	19 569	14%
Bolts	24 939	24 867	26 229	5%
<b>Applicant cost of production as a % of ex-factory selling price</b>				
Screws	100	96	92	(8 index points)
Bolts	100	99	99	(1 index points)
<b>Price undercutting %</b>				
Screws	100	92	100	Constant
Bolts	100	233	211	111 index points

Information in table 7.3 above shows that the Applicant experienced price undercutting on both Screws and Bolts. There was no price depression and suppression and prices of the alleged dumped imports increased over the POI.

## 7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

**Table 7.4: Material Injury Indicators for the period 01 February 2021 to 31 January 2024**

<b>Material injury indicator</b>	<b>Screws</b>	<b>Bolts</b>
Import volumes	<i>Increased</i>	<i>Increased</i>
Price undercutting	<b>Yes</b>	<b>Yes</b>
Price depression (R)	None	None
Price suppression	None	None
Sales volume (T)	Increased	Increased
Profits (R)	Positive	Positive
Output (T)	Increased	Increased
Applicant's market share	Increased	Increased
Number of employees	<b>Decreased</b>	<b>Decreased</b>
Productivity (T)	Increased	Increased
Return on investment	Positive	Positive
Net cash flow	<b>Negative</b>	<b>Negative</b>
Utilisation of capacity	Increased	Increased
Applicant's Growth	Increased	Increased
<b>Material injury indicator</b>	<b>Screws</b>	<b>Bolts</b>
Inventories (T)	<b>Increased</b>	<b>Increased</b>
Capital investment	Increased	Increased

## 7.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

**Table 7.5: Examination of causality under Regulation 16 of the Anti-Dumping Regulations**

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Change over the POI</b>
<b>FOB prices of imports not sold at dumped prices (R/t)</b>				
Screws	25 561	85 898	218 115	753%
Bolts	50 067	128 701	248 378	396%
<b>Volume of imports not sold at dumping prices (t)</b>				
Screws	2 716	369	143	-95%
Bolts	2 925	1 173	524	-82%

	2021/22	2022/23	2023/24	Change over the POI
<b>Changes in demand or patterns of consumption</b>	The Applicant stated that due to the recovery from the safeguard duties and strong local demand, the total market size for the subject products experienced an increasing trend in the first year of the POI with a slight levelling off during the last year of the POI. The Applicant also indicated that demand has shown signs of recovery but is under increasing pressure owing to the effects of the "SACU economic downturn".			
<b>Trade-restrictive practices of foreign and domestic producers</b>	The Applicant stated that there were no trade restrictive practices.			
<b>Developments in technology</b>	The Applicant stated that it is not aware of any recent developments in technology.			
<b>Other factors affecting the SACU prices</b>	None.			
<b>Export performance of the domestic industry</b>	The Applicant stated that the domestic industry is unable to export the subject products, as it is not economically feasible currently.			
<b>Productivity of the domestic industry</b>	The Applicant stated that to its knowledge the productivity of the South African producers is on par with their overseas counterparts.			
<b>Any strikes, go-slows, or lockouts in the last 12 months</b>	The Applicant stated that there were no strikes, go slows or lockouts.			
<b>Effect of the changing exchange rate if any</b>	The exchange rate has had no impact on the above costs for the Applicant. The Applicant is unaware of any changes to the selling price of the imported product.			
<b>Indicate any other factors affecting the SACU prices</b>	The Applicant stated that it is not aware of any other factors affecting the SACU prices.			

### Comments by FDA

- a) Market contraction is a significant factor contributing to the domestic industry's challenges as a shrinking market can impact on overhead costs, pricing strategies, profit margins and return on investment. Companies struggle to maintain economies of scale, leading to higher costs and reduced profitability. Market contraction, unrelated to alleged dumped imports, is a primary factor in the industry's difficulties. Evidence suggests

the shrinking market size has played a more substantial role in observed injury than Chinese imports.

- b) Chinese producers' advanced technology gives them a competitive edge, enable Chinese manufacturers to produce at lower costs and with higher efficiency. This competitive advantage is due to legitimate improvements in production processes and innovation, not dumping practices. Under Article 3.5 of the ADA, injuries from technological advancements should not be considered when determining material injury or causal link. Evidence suggests competitive pressure from Chinese producers stems from technological superiority, not unfair trade practices.
- c) Rising electricity tariffs have significantly impacted on the domestic industry, which led to higher production costs which eventually reduced profitability, leading to price suppression and lower profit margins and further strained the industry, hindering its competitiveness. These cost increases are unrelated to alleged dumped imports and are due to domestic energy policy and market conditions.

#### **Comments by the Applicant**

- a) The Applicant stated that when examining the rise in dumped imports relative to production, a concerning trend emerges. Despite a shrinking market due to low demand, dumped imports increased their market share, with significant gains in screws (35% to 47%) and bolts (29% to 40%) over the period of investigation. This surge in market share, particularly in a market where imports should be declining due to protective measures, signals a threat of injury to the domestic industry. The expected lapse of safeguard duties is likely to exacerbate this trend, leading to substantial increases in dumped imports. The Applicant further stated that the data suggests that pricing practices (dumping) and China's excess production capacity, rather than declining demand, are driving the increase in market share for dumped imports, posing a significant threat to the domestic industry.
- b) There is no evidence to support the claim that Chinese technological advancements have improved their production capabilities or surpassed those of the Applicant's member companies. This argument lacks concrete data and should be dismissed as unsubstantiated.

- c) FDA incorrectly claims that high electricity prices is the causes of injury. However, since the investigation focuses on a threat of injury, not actual injury, FDA's argument about electricity costs is irrelevant, and FD's unsubstantiated claims should be dismissed.

### **Commission's consideration**

- a) The argument that market contraction, unrelated to alleged dumped imports, is the primary factor in the industry's difficulties is overly simplistic and ignores the complexities of the case. While market contraction may be a contributing factor, it does not negate the threat of material injury posed by the alleged dumped imports. In fact, the combination of market contraction and dumped imports may have a compounded negative effect on the domestic industry. The dumped imports may be exacerbating the challenges faced by the industry due to market contraction, making it even more difficult for domestic producers to preserve efficiencies, reduce costs, and remain profitable. Furthermore, the fact that the market size has shrunk does not necessarily mean that the alleged dumped imports have not caused injury. The Anti-Dumping Agreement recognizes that a threat of material injury can exist even if the domestic industry is not currently experiencing injury but is likely to do so in the future. In this case, the threat of material injury is real, and the alleged dumped imports pose a significant risk to the domestic industry.
- b) While it is acknowledged that Chinese producers have made significant advancements in technology, which have enabled them to produce at lower costs and with higher efficiency, this does not necessarily mean that dumping is not occurring. Dumping is about unfair pricing, not about the underlying costs or efficiencies of production. The fact that Chinese producers have a competitive edge due to their technological advancements does not justify the sale of goods at prices that are lower than their normal value.

Article 3.5 of the ADA states that injuries from technological advancements should not be considered when determining material injury or causal link. However, this provision does not apply in cases where technological advancements are used to facilitate dumping practices. The evidence suggests that Chinese producers are selling goods at prices that are lower

than their normal value, which is a classic indicator of dumping. The fact that they are able to do so due to their technological advancements does not make the dumping any less unfair. Therefore, if these efficiencies are present, they should be evident in all markets, including the domestic market, and not just in export markets.

- c) While it is acknowledged that rising electricity tariffs have significantly impacted the domestic industry, leading to higher production costs and reduced profitability, this does not negate the fact that dumping is occurring due to unfair pricing. High electricity costs are a legitimate expense that domestic producers must incur, and it is not unreasonable to expect that these costs would be reflected in their pricing. However, the issue at hand is not the level of costs, but rather the unfair pricing practices of the alleged dumped imports. The fact that the domestic industry is facing challenges due to rising electricity tariffs does not justify the sale of goods at prices that are lower than their normal value. Dumping is about unfair pricing, regardless of the domestic industry's cost structure. Therefore, the increase in electricity prices does not diminish the threat of material injury to the SACU industry as a result of the alleged dumped imports.

### **Comments by FDA**

Anti-dumping investigations are predicated on the presence of three key elements: evidence of dumping, material injury to the domestic industry, and a clear causal link between the dumping and the injury. Without robust evidence supporting all three of these elements, an investigation cannot be justified. In this case, while the application attempts to establish a connection between the alleged dumped imports and the injury, the evidence presented falls short of proving material injury or a causal relationship. This deficiency calls into question the legitimacy of pursuing an investigation.

The absence of proof of material injury is a significant issue that undermines the basis for any further investigation. According to the ADA, without evidence of actual material injury, there is no justification for initiating or continuing an anti-dumping investigation. Even though the application discusses the potential for injury, the lack of concrete evidence means that the causal link between the alleged dumping and the injury cannot be established. As a result, without this crucial element, the

investigation should not proceed.

### **Commission's consideration**

The Commission considered that the argument that the application lacks robust evidence of material injury and a causal link between dumping and injury is misplaced. This criticism is based on a fundamental misunderstanding of the application's basis. The application is, in fact, based on a claim of a threat of material injury, not material injury. This distinction is crucial, as the legal standards and evidentiary requirements for the threat of material injury are different from those for material injury. In the case of a threat of material injury, the focus is on whether the domestic industry is likely to suffer material injury in the future, rather than whether injury has already occurred.

### **Summary of Causal link**

The Commission considered that the volume of imports from the PRC for both Screws and Bolts increased by 2% and 18% in absolute terms and by 12% and 11% relative to consumption, respectively, over the POI. The increase in imports was from a substantial baseline volume in 2021/22 where the alleged dumped imports for Screws and Bolts accounted for 54% and 42% of total imports into SACU. In the last year (2023/24) of the POI subject imports from the PRC accounted for 96% and 83% of total imports into SACU. Therefore, the trajectory suggests the PRC is the single largest exporter of the subject products to SACU.

Despite the customs and safeguard duties in place during the POI, the alleged dumped imports increased and gained a higher market share capturing a sizable portion of the market share previously held by non-dumped imports. The market share of the alleged dumped imports of Screws and Bolts increased from a substantial baseline. The trends depicted take place in a decreasing market because of slowed demand due to the SACU economic downturn.

Most of the injury indicators seem to move in the same direction as the trend shown by the size of the SACU market, with an initial increase from year 1 to year 2, followed by declines in the subsequent year. While the size of the SACU market declined over the POI, the market share of the alleged dumped imports, the Applicant and other SACU producers increased. Therefore, the alleged dumped imports and the SACU producers took the market share for other countries. The

alleged dumped imports prices increased in line with SACU prices. However, alleged dumped imports prices increased from a low base compared to that of the Applicant. The alleged dumped product substantially undercuts the Applicant's prices. The prices of the un-dumped imports increased by 753%, while the volumes decreased by 95% over the POI. The SACU prices for Bolts increased at a faster rate than the alleged dumped import prices, which only increased by 5% and substantially undercut the SACU prices. The prices of the un-dumped imports increased by 396%, while the volumes decreased by 82% over the POI.

The SACU industry showed improved performance because of the safeguard duties which somewhat restricted imports. Although the SACU industry did not experience material injury during the POI, as noted in section 5 of this report, the SACU industry finds itself in a vulnerable condition at the end of the POI, making it susceptible to future injury. Although it is noted that the declines coincide with the decrease in the size of the SACU market, it is also noted that the substantial increase in the alleged dumped imports and their market share are such that their effect on the SACU industry is not that which is inconsequential. Therefore, the foreseeable and imminent change in circumstance which relates to expiry of the Safeguard duties has been shown will lead to a substantially increased imports of the subject products from the PRC such that the SACU industry is threatened with material injury as a result.

Based on the above and information contained in this report, the Commission made a preliminary determination that there is a causal link between the imminent threat of alleged dumped imports from the PRC and the material injury that is foreseen to be suffered by the SACU industry. Furthermore, other factors cited by interested parties, such as high electricity costs, reduction in the size of the SACU market or PRC technological advances, do not detract from this causality.

## 8. PROVISIONAL PAYMENTS

---

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

It is the Commission's practice to consider a lesser duty if a cooperating exporter responds with its related importer. In this regard, the one importer who imports from Gem-Year Industrial provided a deficient response and is deemed to have not fully responded to the investigation. The Commission made a preliminary determination not to consider a lesser duty.

The following provisional measures were calculated.

**Table 8.1: Anti-dumping duties for the People's Republic of China**

	<b>Screws</b>	<b>Bolts</b>
	<b>R/kg</b>	<b>R/kg</b>
Ex- factory normal value	51.09	29.55
Less: Ex-factory export price	18,59	24,92
<b>Margin of dumping</b>	<b>32.5</b>	<b>4.63</b>
FOB Export Price	<b>19.57</b>	<b>26.23</b>
<b>Margin of dumping as a % of fob export price</b>	<b>166.07%</b>	<b>17.65%</b>

The Commission made a preliminary determination that:

- The Screws and Bolts originating in or imported from the People's Republic of China are being dumped into the SACU market;
- The SACU industry for both Screws and Bolts is not experiencing material injury;
- The SACU industry for both Screws and Bolts is facing a threat of material injury;
- There is no causal link between the alleged dumped imports and material injury; and
- There is causal link between the alleged dumped imports and threat of material injury.

The Commission further made a preliminary determination to request the Commissioner of South African Revenue Service ("SARS") to impose provisional payments, to prevent material injury being caused during the investigation, for a period of six months on the subject products, as per table 8.1 in section 8 of this report.