



OTTAWA, April 9, 2020

STATEMENT OF REASONS

Concerning expiry review determinations under paragraph 76.03(7)(a) of the
Special Import Measures Act regarding

**CERTAIN CARBON STEEL FASTENERS ORIGINATING IN OR EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA AND THE SEPARATE CUSTOMS
TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU (CHINESE TAIPEI)**

DECISION

On March 26, 2020, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the Canada Border Services Agency determined that the expiry of the Canadian International Trade Tribunal's order made on January 5, 2015, in Expiry Review No. RR-2014-001:

- i. is likely to result in the continuation or resumption of dumping of certain carbon steel fasteners originating in or exported from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei); and
- ii. is likely to result in the continuation or resumption of subsidizing of certain carbon steel fasteners originating in or exported from China.

Cet *Énoncé des motifs* est également disponible en français.
This *Statement of Reasons* is also available in French.

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EXECUTIVE SUMMARY

[1] On October 28, 2019, the Canadian International Trade Tribunal (CITT), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its order made on January 5, 2015, in Expiry Review No. RR-2014-001 concerning the dumping of certain carbon steel fasteners originating in or exported from the People's Republic of China (China) and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and the subsidizing of such goods originating in or exported from China.

[2] As a result of the CITT's notice of expiry review, on October 29, 2019, the Canada Border Services Agency (CBSA), pursuant to paragraph 76.03(7)(a) of SIMA, initiated an expiry review investigation to determine whether the expiry of the order is likely to result in the continuation or resumption of dumping and/or subsidizing of the subject goods.

[3] The CBSA received responses to its Domestic Producer Expiry Review Questionnaire (ERQ) from Infasco, a Division of Ifastgroupe 2004 L.P. (Infasco), Leland Industries Inc. (Leland), The Hillman Group Canada ULC (Hillman Canada) and Visqué Inc. (Visqué).

[4] Case briefs were also received from Leland and Infasco which included information in support of their position that continued or resumed dumping of subject goods from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and subsidizing of such goods from China are likely, if the CITT's order is allowed to expire.

[5] The CBSA received responses to its Importer ERQ from seven companies. None of the importers filed a case brief or a reply submission.

[6] The CBSA received responses to its Exporter/Foreign Producer ERQ from 15 companies. Of the responses, two were submitted by companies located in China, nine from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), one from Liechtenstein and the other three, from companies located in the United States of America (US). None of the exporters or foreign producers filed a case brief or a reply submission.

[7] The CBSA did not receive a response to the Subsidy ERQ from the Government of China (GOC) nor did the GOC provide a case brief or reply submission.

[8] With respect to the dumping from China, the analysis of information on the administrative record regarding certain carbon steel fasteners indicated that: China is a leading producer and the producers have excess production capacity; there is a high export orientation on the part of many of the producers in China; the exporters in China have continued dumping and shown a sustained interest in the Canadian market during the POR; the exporters in China are currently facing challenges due to the restrictive tariffs imposed by the US on fasteners and the increased competition in other markets; there is the presence in Canada of low-priced imports from other countries with which exporters from China will likely have to compete with to secure sales; and certain carbon steel fasteners are a commodity product and are sold typically on the basis of price.

[9] With respect to the dumping from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), the analysis of information on the administrative record regarding certain carbon steel fasteners indicated that: there is substantial available production capacity on the part of the producers in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and its fastener industry is export dependent; the exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) have continued dumping and shown a sustained interest in the Canadian market during the POR; several exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) that participated in the CBSA's most recent re-investigation were not issued normal values; the exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) are currently facing challenges due to the increased competition in various markets resulting in part from the US-China trade dispute; there is the presence in Canada of low-priced imports from other countries with which exporters from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) will likely have to compete with to secure sales; and certain carbon steel fasteners are a commodity product and are sold typically on the basis of price.

[10] With respect to the subsidizing from China, the analysis of information on the administrative record regarding certain carbon steel fasteners indicated that: subsidy programs are likely to continue to be made available in the future by the GOC to the producers in China; and exporters in China have continued to ship subsidized subject goods and shown a sustained interest in the Canadian market throughout the POR.

[11] For the foregoing reasons, the President of the CBSA, having considered the information on the administrative record, made determinations on March 26, 2020, pursuant to paragraph 76.03(7)(a) of SIMA that:

- the expiry of the order in respect of certain carbon steel fasteners originating in or exported from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is likely to result in the continuation or resumption of dumping of the goods into Canada; and
- the expiry of the order in respect of certain carbon steel fasteners originating in or exported from China is likely to result in the continuation or resumption of subsidizing of the goods exported to Canada.

BACKGROUND

[12] On April 28, 2004, following a complaint received from Leland, the CBSA initiated investigations, pursuant to subsection 31(1) of SIMA, into the alleged injurious dumping and subsidizing of certain carbon steel fasteners and certain stainless steel fasteners, i.e. screws, nuts and bolts that are used to mechanically join two or more elements, excluding fasteners specifically designed for application in the automotive or aerospace industry, originating in or exported from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

[13] On December 9, 2004, pursuant to subsection 41(1) of SIMA, the CBSA made a final determination of dumping respecting certain carbon steel fasteners and certain stainless steel fasteners from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), and made a final determination of subsidizing of such goods from China. On the same date, pursuant to subsection 41(1) of SIMA, the CBSA terminated the subsidy investigation of such goods from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

[14] On January 7, 2005, the CITT issued its findings in Inquiry No. NQ-2004-005. The CITT terminated its inquiry regarding the dumping and subsidizing of certain stainless steel screws from China, as the volume of such goods was negligible. In its injury findings, the CITT found that the dumping of certain carbon steel screws from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and the subsidizing of such goods from China had caused injury to the domestic industry. Furthermore, the CITT found that the dumping of certain stainless steel screws from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) was threatening to cause injury to the domestic industry. From these injury findings, the CITT excluded specific products.

[15] On the same date, the CITT found that the dumping of certain carbon and stainless steel nuts and bolts from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and the subsidizing of such goods from China have not caused injury and were not threatening to cause injury to the domestic industry.

[16] Following the CITT's initiation of an expiry review of its findings on April 22, 2009, the CBSA commenced its expiry review investigation and determined on August 20, 2009, pursuant to subsection 76.03(7)(a) of SIMA that the expiry of the CITT's findings concerning certain carbon steel fasteners from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and certain stainless steel fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) was likely to result in the continuation or resumption of dumping of the goods, and that the expiry of the CITT's finding concerning certain carbon steel fasteners from China was likely to result in the continuation or resumption of subsidizing of the goods.

[17] On January 6, 2010, in Expiry Review No. RR-2009-001, the CITT continued, with amendment, its findings concerning certain carbon steel fasteners from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and rescinded its finding concerning certain stainless steel fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

[18] On April 24, 2014, pursuant to subsection 76.03(3) of SIMA, the CBSA initiated an expiry review investigation concerning certain carbon steel fasteners. On August 21, 2014, pursuant to subsection 76.03(7)(a) of SIMA, the CBSA determined that the expiry of the order was likely to result in the continuation or resumption of dumping of the goods from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and in the continuation or resumption of subsidizing of the goods from China.

[19] On January 5, 2015, in Expiry Review No. RR-2014-001, the CITT continued, with amendment, its order concerning certain carbon steel fasteners originating in or exported from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

[20] On September 6, 2019, the CITT issued a notice¹ concerning the expiry of its order, which was scheduled to expire on January 4, 2020. Based on the information filed during the expiry process, the CITT decided that a review of its order was warranted and initiated an expiry review on October 28, 2019.²

[21] On October 29, 2019, the CBSA commenced an expiry review investigation to determine whether the expiry of the CITT's order is likely to result in continued or resumed dumping and/or subsidizing of the subject goods.

[22] Since the CITT's findings on January 7, 2005, the CBSA has conducted six re-investigations of certain carbon steel fasteners from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). The CBSA's most recent re-investigation to update the normal values, export prices and amounts of subsidy was concluded on November 14, 2019.

PRODUCT DEFINITION

[23] The goods subject to this expiry review investigation are defined as:

“Certain carbon steel fasteners originating in or exported from the People's Republic of China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), excluding fasteners specifically designed for application in the automotive or aerospace industry.”

[24] Detailed information on the product definition is found in **Appendix A**.

¹ Canadian International Trade Tribunal, Notice of Expiry of Order, Certain Fasteners, Expiry No. LE-2019-001.

² Canadian International Trade Tribunal, Notice of Expiry Review of Order, Certain Fasteners, Expiry Review No. RR-2019-002.

CLASSIFICATION OF IMPORTS

[25] The subject goods are usually classified under the following tariff classification numbers.

As of January 1, 2017:

7318.11.00.00	7318.15.00.10
7318.12.00.00	7318.15.00.49
7318.14.00.00	

Prior to January 1, 2017:

7318.11.00.00	7318.15.00.12	7318.15.00.32
7318.12.00.00	7318.15.00.21	7318.15.00.39
7318.14.00.00	7318.15.00.29	7318.15.00.44
7318.15.00.11	7318.15.00.31	

[26] This listing of tariff classification numbers is for convenience of reference only. The tariff classification numbers provided may include goods that are not subject goods and subject goods may also be imported into Canada under tariff classification numbers other than those provided. Refer to the product definition for authoritative details regarding the subject goods.

PERIOD OF REVIEW

[27] The period of review (POR) for the CBSA's expiry review investigation is from January 1, 2016 to June 30, 2019.

CANADIAN INDUSTRY

[28] The Canadian industry for certain carbon steel fasteners is comprised of the following producers: Infasco (Marieville, Québec), Leland (Toronto, Ontario), Standard Fasteners Ltd.³ (Surrey, British Columbia), Hillman Canada (Toronto, Ontario) and Visqué (Anjou, Québec).

Infasco, a division of Ifastgroupe 2004 L.P.

[29] Infasco is a large producer of fasteners, which manufactures some certain carbon steel fasteners but primarily produces non-subject goods, such as carbon steel nuts and bolts.⁴

Leland Industries Inc.

[30] Leland, the complainant, manufactures a full range of certain carbon steel fasteners as well as other products, including standard and special engineered fasteners, custom and Leland-designed product, and fasteners with custom coatings, platings, assemblies, powder and wet paint and individualized packaging and labeling. It also produces stainless steel fasteners as well as non-subject nuts and bolts.⁵

³ Exhibit 002 (NC), CITT's Administrative Record No. RR-2019-002 – LE-2019-001-02.02 and (Standard Fasteners).

⁴ Exhibit 002 (NC), CITT's Administrative Record No. RR-2019-002 – LE-2019-001-02.03.

⁵ Exhibit 039 (NC), Response to the ERQ by Leland Industries Inc.

Standard Fasteners Ltd.

[31] Standard Fasteners (formerly Arrow Fasteners Ltd.) manufactures mainly standard carbon and stainless steel screws as well small quantities of specialized fasteners.⁶

The Hillman Group Canada ULC

[32] Hillman Canada (formerly H Paulin & Co. Limited) produces certain carbon steel fasteners as well as non-subject fasteners at two of its manufacturing facilities, Precision Fasteners (Milton, Ontario) and Long Lok (Toronto, Ontario). In December 2018, Hillman Canada closed one of its facilities, Capital Metal Industries (Scarborough, Ontario) which manufactured two main categories of products, automotive fasteners and mainly bin bolts. The machinery used to produce certain carbon steel fasteners was transferred to its other manufacturing locations.⁷

Visqué Inc.

[33] Visqué manufactures certain carbon steel fasteners as well as non-subject fasteners, in stainless steel and brass, which are destined primarily to original equipment manufacturers (OEM).⁸

⁶ Exhibit 002 (NC), CITT's Administrative Record No. RR-2019-002 – LE-2019-001-02.02.

⁷ Exhibit 002 (NC), CITT's Administrative Record No. RR-2019-002 – LE-2019-001-02.01.

⁸ Exhibit 072 (NC), Response to the ERQ by Visqué Inc.

CANADIAN MARKET

[34] The apparent Canadian market for certain carbon steel fasteners over the POR expressed in Canadian Dollars (CAD) and percentage shares is provided in **Table 1** and **Table 2**.

Apparent Canadian Market⁹ Certain Carbon Steel Fasteners - (Value in Canadian Dollars (CAD))

Table 1:

Origin	2016	2017	2018	Jan. to June 2019
Domestic Producers	26,589,434	27,269,878	28,492,241	15,629,106
China	6,906,239	7,160,673	7,796,642	4,320,349
Chinese Taipei	29,777,283	35,775,597	45,268,718	23,304,446
US	45,508,099	43,355,708	42,766,760	26,893,590
All Other Countries	23,688,305	27,509,300	29,299,957	14,373,270
Total Imports	105,879,926	113,801,278	125,132,077	68,891,655
Total Market	132,469,360	141,071,156	153,624,318	84,520,761

Note: CBSA's import data on volumes as reported on import documentation includes quantities expressed in kilograms, pounds, number of pieces and in units of packaging (boxes, bags, buckets, etc.). As a result, the CBSA was unable to estimate the volume of imports into Canada of certain carbon steel fasteners.

Apparent Canadian Market Certain Carbon Steel Fasteners - (% of Value)

Table 2:

Origin	2016	2017	2018	Jan. to June 2019
Domestic Producers	20.1	19.3	18.5	18.5
China	5.2	5.1	5.1	5.1
Chinese Taipei	22.5	25.4	29.5	27.6
US	34.4	30.7	27.8	31.8
All Other Countries	17.9	19.5	19.1	17.0
Total Imports*	79.9	80.7	81.5	81.5
Total Market	100	100	100	100

* Percentages may not add up due to rounding.

[35] As detailed in **Table 1** and **Table 2** above, the Canadian market for certain carbon steel fasteners has increased in value by 16.0% from 2016 to 2018. Although the domestic producers were able to increase their sales value by 7.2% from 2016 to 2018, its market share nevertheless decreased during this period from 20.1% to 18.5%. In regard to the value of imports from China, its market share reached a high of 5.2% in 2016 and remained stable at 5.1% in 2017 and 2018. Concerning the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), its market share increased continuously during this period, from 22.5% in 2016 to 29.5% in 2018.

⁹ Exhibits 038 (PRO), 040 (PRO), 055 (PRO) and 071 (PRO), Responses to the Domestic Producer ERQ and Exhibit 075 (NC), Final Import and Domestic Market Statistics.

ENFORCEMENT DATA

[36] As detailed in **Table 3** below, the enforcement of the CITT's order by the CBSA during the POR has resulted in the assessment of anti-dumping and countervailing duties on imports of subject goods from China in the amount of \$9,582,952. In regard to imports of subject goods from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) during the POR, the CBSA assessment in anti-dumping duty was \$29,730,149.

SIMA Duties¹⁰ Certain Carbon Steel Fasteners - (Value in Canadian Dollars (CAD))

Table 3:

Origin	2016	2017	2018	Jan. to June 2019
China	2,296,021	2,392,689	2,968,344	1,925,898
Chinese Taipei	7,321,146	7,849,814	9,931,000	4,628,189
Total	9,617,167	10,242,503	12,899,344	6,554,087

PARTIES TO THE PROCEEDINGS

[37] On October 29, 2019, a notice concerning the CBSA's initiation of the expiry review investigation was sent to domestic producers, potential exporters and foreign producers and importers of subject goods, as well as to the GOC. All of these parties were also sent an ERQ. The CBSA also offered to any other interested parties the opportunity to participate in the expiry review investigation.

[38] The ERQs requested information relevant to the consideration of the expiry review factors found under subsection 37.2(1) of the *Special Import Measures Regulations* (SIMR).

[39] Four domestic producers, Hillman Canada, Infasco, Leland and Visqué provided responses to the Domestic Producer ERQ. In addition, Leland and Infasco provided case briefs in support of their position that continued or resumed dumping of subject goods from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and subsidizing of such goods from China are likely, if the CITT's order is allowed to expire. No reply submissions were filed.

[40] Seven importers participated in the expiry review investigation by providing a response to the Importer ERQ. None of the importers filed a case brief or a reply submission.

[41] Fifteen companies participated in the expiry review investigation by providing a response to the Exporter/Foreign Producer ERQ. Of the responses, two were submitted by companies located in China, nine from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), one from Liechtenstein and the other three, from companies located in the US. None of the exporters or foreign producers filed a case brief or a reply submission.

[42] The GOC did not provide a response to the Subsidy ERQ nor did it provide a case brief or reply submission.

¹⁰ Exhibit 073 (NC), CBSA Compliance Statistics for the Period of Review (final).

INFORMATION CONSIDERED BY THE CBSA

Administrative Record

[43] The information considered by the CBSA for purposes of this expiry review investigation is contained on the administrative record. The administrative record includes the information on the CBSA's Exhibit Listing, which is comprised of the CITT's administrative record at initiation of the expiry review, CBSA exhibits and information submitted by interested persons, including information which parties feel is relevant to the decision as to whether dumping and/or subsidizing of the subject goods is likely to continue or resume if the order is rescinded. This information may consist of expert analyst reports, excerpts from trade magazines and newspapers, orders and findings issued by authorities of Canada or of a country other than Canada, documents from international trade organizations such as the World Trade Organization and responses to the ERQs, if any, submitted by domestic producers, importers, exporters and foreigner producers as well as by the GOC.

[44] For purposes of an expiry review investigation, the CBSA sets a date after which no new information submitted by interested parties will be placed on the administrative record or considered as part of the CBSA's expiry review investigation. This is referred to as the "closing of the record date." For this expiry review investigation, the closing of the record date was December 18, 2019. This deadline allows parties time to prepare their case briefs and reply submissions based on the information that is on the administrative record.

Procedural Issues

[45] The CBSA will normally not consider any new information submitted by parties subsequent to the closing of the record date. However, in certain exceptional circumstances, it may be necessary to permit new information to be submitted. The CBSA will consider the following factors in deciding whether to accept new information submitted after the closing of the record date:

- (a) the availability of the information prior to the closing of the record date;
- (b) the emergence of new or unforeseen issues;
- (c) the relevance and materiality of the information;
- (d) the opportunity for other participants to respond to the new information; and
- (e) whether the new information can reasonably be taken into consideration by the CBSA in making the determination.

[46] Participants wishing to file new information after the closing of the record date, either separately or in case briefs or reply submissions, must identify this information so that the CBSA can decide whether it will be included in the administrative record for purposes of the determination.

[47] In this expiry review investigation, there were no procedural issues surrounding the information on the administrative record.

POSITION OF THE PARTIES - DUMPING

Parties Contending that Continued or Resumed Dumping is Likely

Domestic Producers

[48] Leland provided a case brief supporting its position that dumping from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is likely to continue or resume in the event the order is allowed to expire.¹¹ Infasco also filed a case brief,¹² and indicated that it supports the position of Leland.

[49] No other domestic producer filed a case brief. Visqué,¹³ indicated in its response to the ERQ that it believed that should the order expire, resumed dumping would occur almost immediately, while Hillman Canada¹⁴ indicated, if the anti-dumping duties were removed, China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) would likely rush to ship product into Canada.

[50] The factors identified by Leland in support of their position are summarized as follows:

- Current international market conditions
- Current domestic market conditions
- Commodity nature of fasteners
- Factors specific to China
- Factors specific to the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)

Current International Market Conditions

[51] Leland stated that as a result of the slowing global economy and the softening of the international demand for fasteners, and the trade uncertainty resulting from tariffs imposed by the US on various products from China, which includes fasteners covered by the CITT's Order, combined with the slowing demand for fasteners in China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) (subject country/subject customs territory), in order to maintain capacity utilization, producers in the subject country/subject customs territory will therefore likely need to increase their exports to foreign countries, and Canada will become a target for increased volumes of dumped and subsidized subject goods.

¹¹ Exhibit 078 (NC), Case Brief Filed on Behalf of Leland Industries Inc.

¹² Exhibit 076 (NC), Letter of Support d'Infasco, a division of Ifastgroupe 2004 L.P.

¹³ Exhibit 072 (NC), Response to the ERQ by Visqué Inc.

¹⁴ Exhibit 056 (NC), Response to the ERQ by The Hillman Group Canada.

Current Domestic Market Conditions

[52] Leland stated that in the face of significant global turmoil and uncertainty and slowing growth rates in markets like China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), by contrast, Canada's modest but stable economic growth will make Canada a desirable export destination for dumped and subsidized subject goods in the near to mid-term.

[53] In support of its statement, Leland noted that demand in key downstream applications for fasteners such as the general construction, machinery and equipment manufacturing, and household furniture and appliances manufacturing, will see stable to modest growth in Canada through 2020.

Commodity Nature of Fasteners

[54] Leland stated that it is a well-known and well-established fact that certain carbon steel fasteners are a commodity product. To this effect, Leland noted that the CBSA found that "carbon steel fasteners are a commodity product sensitive to price fluctuations," while the CITT found that "the subject goods from each of the subject countries remain substitutable for each other and the like goods because they are commodity product, which are typically sold on the basis of price."

[55] Leland contended that without the order in place to provide some pricing discipline in the Canadian market, subject fasteners would be sold at increasingly dumped and subsidized prices in order to gain a competitive advantage. The phenomenon of increased price competition from low-priced countries, is not limited to Canada and has also been seen in other markets around the world.

Position in Regards to China

Chinese Exporters Produce Significant Volumes of Fasteners and Have a Strong Export Focus

[56] Leland stated that China, with its more than 8,000 fastener enterprises, is a leading producer and exporter of industrial fasteners in the world, accounting for 40 percent of revenue in the market. In terms of the exports of fasteners by China, Leland noted that in the first 10 months of 2018, the reported value was \$7.0 billion while the total market in Canada for certain carbon steel fasteners for all of 2018 was valued at \$153.6 million.

[57] With their significant amount of production capacity and massive excess capacity, it should therefore come as no surprise that several fastener producers in China are entirely export focused.

[58] China's economic activity has weakened significantly in 2019 as compared to prior years, partially as a result of the ongoing US-China trade dispute and reports indicated that China's economic growth could drop below 6 percent for the first time since 1990.

[59] As a result of the current and projected worsening market conditions in China, Leland contended that the export focus of fastener producers in China will increase the likelihood that Chinese producers continue dumping fasteners.

Chinese Producers Have Substantial Excess Capacity

[60] Leland contended that with no increase in domestic or global demand to serve as other outlets for ongoing export levels, there is worsening excess and unused production capacity on the part of the fastener producers in China.

[61] Leland compared the volume of excess production capacity available from the two producers in China that responded to the ERQ to the size of the total Canadian market, and to the production by the manufacturers in Canada. In this context of overwhelming excess capacity, Leland stressed the fact that there are more than 8,000 fastener manufacturers in China.

Chinese Exporters Have a Sustained Interest in the Canadian Market

[62] During the POR, Leland stated that imports of subject fasteners from China have maintained a strong and growing presence in Canada. As such, Canada continued to be an attractive market for shipments of subject goods.

[63] In terms of presence, Leland noted that some exporters from China have participated in almost every re-investigation since the original finding. The ongoing participation from the exporters in China has led to the establishment of long-standing distribution channels with importers in Canada.

Chinese Exporters Continue to Dump Significant Volumes into the Canadian Market

[64] Leland underlined that there is clear and conclusive evidence that throughout the POR, exporters from China have continued to export dumped and subsidized subject goods into Canada as witnessed by the significant amount of nearly \$9.6 million in SIMA duties collected.

[65] Leland noted that this behavior of dumping by China in Canada is not limited to subject fasteners but also extends to 17 different steel products.

Measures in Other Jurisdictions Increase Likelihood of Diversion of Dumped Goods from China

[66] Leland claimed that the trade measures imposed on fasteners in other jurisdictions such as import tariffs from the US, safeguard tariffs from South Africa, and anti-dumping measures from the European Union (EU)¹⁵ will increase the likelihood of diversion of dumped fasteners from China should the order expire.

¹⁵ While the EU's anti-dumping measures against fasteners from China have been removed, Leland noted that there has been a lasting effect on exports from China to the EU.

[67] Leland argued that the diverted fasteners from China will likely be searching for a new home and Canada would be a prime target given the relatively robust Canadian economy compared to other markets and China has long-standing distribution channels established in Canada.

[68] Infasco agreed with the submissions filed by Leland that, should the order expire, the dumping of subject goods will only worsen. Absent the order, Infasco contended that any price stability brought by the order will certainly disappear, as the volume of low-priced dumped imports will increase substantially and drive pricing even lower.

Position in Regards to the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)

The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) Exporters Produce Significant Volumes of Fasteners and Have an Almost Exclusive Export Focus

[69] Leland stated that the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is the world's third largest producer of screws, with reports indicating that there are more than 1,650 fastener factories in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). The fastener industry in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is so vast that it is often called the "Kingdom of Fasteners."

[70] Given this vast amount of production, it should come as no surprise that the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) fastener industry is heavily dependent on export markets to sustain their factories. Indeed, the fastener industry is one of the most important export-oriented industries in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) with more than 90% of its fastener industry exporting their product abroad. To put these figures into perspective, Leland underlined that the export value of fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is several times the size of the Canadian market.

[71] Leland contended that the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) exporters have massive amounts of production capacity, continue to add capacity and are almost exclusively export focused. This almost singular export focus is also supported by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) fastener producers and exporters that responded to the ERQ and which responded to the Request for Information (RFI) in the CBSA's most recently concluded re-investigation.

The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) Fastener Producers Have Been Increasing Excess Capacity and Inventories and Turn to Dumping to Relieve Pressure

[72] Despite possible expectations of exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to be beneficiaries of the trade dispute between China and the US and the imposition of the Section 301 tariffs on fasteners from China, such was not the case. With the ongoing US-China trade dispute, screws from China were being sold urgently to the US as importers overloaded their warehouse and other producers and exporters in China turned their attention to the European markets. As a result, there was a decline in exports of fasteners by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) in 2019.

[73] As a result of lower export volumes in 2019, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) fasteners producers have increasing excess capacity. To this effect, Leland compared the excess capacity in the first six months of 2019 of the respondents to the ERQ that were solely producers of fasteners in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to Leland's production capacity in the same period. Keeping in mind that there are over 1,650 producers in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), Leland contended that this accumulated increased excess capacity points to a likelihood that the producers of fasteners in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) will resort to dumping to return to their previous levels of capacity, resulting in a potentially devastating impact on the domestic industry.

[74] Lastly, Leland noted that the nine exporters from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) that responded to the ERQ show an increase in inventories of fasteners and indicated that such inventory buildup points to a likely increase in dumping in order to offload inventories into export markets. In light of the present poor global fastener market and increased competition for sales in export markets, Leland contended that these impediments will not provide significant cushion for exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to increase their exports.

The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) Exporters Have a Sustained Interest in the Canadian Market and Turn to Dumping to Canada When Exports to Other Markets Soften

[75] Leland underlined that in the most recent re-investigation of subject fasteners, while the CBSA received at least 28 responses to the RFI from exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), only half of those participants received normal values at the conclusion. As such, absent the order, Leland argued that these 14 remaining exporters will undoubtedly seek to re-enter the Canadian market.

[76] Leland noted that during the POR, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) exporters turned to increased dumping to Canada in order to alleviate their poor situation in other export markets. The CBSA collected \$7.8 million in anti-dumping duty in 2017 which increased to \$9.9 million in 2018. Absent an order, Leland stated that Canada will be a likely target for increased dumped fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) Exporters Continue to Dump Significant Volumes of Fasteners into the Canadian Market

[77] Leland noted that from 2016 to June 2019, the CBSA collected over \$29.7 million in anti-dumping duty from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) fastener exporters. To put this amount into perspective, Leland noted that in its previous expiry review investigation, the CBSA collected only \$14.5 million in anti-dumping duty from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) from 2011 to 2013.

[78] Lastly, Leland underlined that one exporter, Honor Best, from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) supports the dumping order, and stated: “{w}e believe that a regulated market is important in order to maintain the market in an orderly fashion and not fall into price cutting war! Hence, in our opinion, probably dumping duty is one good mechanism to serve this purpose.”

[79] Infasco agreed with the submissions filed by Leland that, should the order expire, the dumping of subject goods will only worsen. Absent the order, Infasco contended that any price stability brought by the order will certainly disappear, as the volume of low-priced dumped imports will increase substantially and drive pricing even lower.

Parties Contending that Continued or Resumed Dumping is Unlikely

Importers, Exporters and Foreign Producers

[80] No case briefs or reply submissions were submitted contending that the dumping of the subject fasteners from China or the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) was not likely to continue or resume if the order is rescinded.

CONSIDERATION AND ANALYSIS - DUMPING

[81] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the order is likely to result in the continuation or resumption of dumping of the goods from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), the CBSA may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

LIKELIHOOD OF CONTINUED OR RESUMED DUMPING

Commodity nature of certain carbon steel fasteners

[82] Generally speaking, certain carbon steel fasteners produced either by a Canadian manufacturer or by a foreign manufacturer are physically interchangeable. Consequently, the sale of carbon steel fasteners is price-sensitive.

[83] As noted by the CITT in its Reasons issued in Expiry Review No. RR-2014-001: “In particular, there was no evidence of a change in the conditions of competition since the 2009 expiry review. The Tribunal finds that the subject goods from each of the subject countries remain substitutable for each other and the like goods because they are commodity products, which are typically sold on the basis of price” and “there was no positive evidence before it to warrant a departure from its previous conclusion that the subject goods trade largely on the basis of price, assuming that factors such as quality, customer specifications and reliability of supply are comparable.”¹⁶

[84] The following analysis of the likelihood of continued and resumed dumping begins with China, followed by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

China

[85] In assessing the likelihood of continued or resumed dumping from China should the CITT’s order be rescinded, the CBSA relied on the information on the administrative record which includes the responses to the various ERQs from all interested parties.

[86] Although the CBSA solicited information from 49 potential producers and exporters of subject fasteners in China, as mentioned earlier in this report, it received but two responses to the Exporter/Foreign Producer ERQ from companies located in China. The companies that provided a response were:

- Robertson Inc. Jianxing (Robertson China)
- Suzhou Hongly Hardware Co., Ltd./Suzhou Litto Fasteners Co., Ltd.¹⁷
(Suzhou Hongly/Litto)

[87] Neither Robertson China nor Suzhou Hongly/Litto submitted a case brief or a reply submission for the CBSA to consider in making a determination. Furthermore, no importers of subject fasteners from China filed a case brief or reply submission.

[88] The CBSA did not interpret the non-response to the ERQ by the other surveyed producers and exporters in China as their lack of interest in the Canadian market for subject fasteners.

¹⁶ Exhibit 066 (NC), CITT’s Order and Reasons on Certain Fasteners, January 2015 at paras 65 and 166.

¹⁷ A joint submission was filed with the CBSA, Exhibits 020 (PRO) and 021 (NC) – Response to the ERQ by Suzhou Litto Fasteners Co., Ltd.

[89] The CBSA underlined that in its most recent re-investigation on subject fasteners which concluded on November 14, 2019, five of the six companies from China that participated, were issued normal values, which include Robertson China and Suzhou Hongly/Litto.¹⁸

[90] Throughout the POR of the expiry review investigation, producers and exporters in China have demonstrated their continued interest in the Canadian market with sustained shipments. In terms of market share, imports from China were relatively stable, capturing 5.1% of the total value of the Canadian market while peaking at a high of 5.2% in 2016 (see **Table 2**). As such, subject fasteners from China remained an integral part of the Canadian market in terms of supply. During the POR, the CBSA assessed a total of \$9,582,952 in SIMA duties.¹⁹

[91] China with more than 8,000 fastener enterprises, including more than 6,000 private businesses, small and medium-sized companies,²⁰ remains a leading producer and exporter of industrial fasteners in the world.²¹ With the presence of such numerous enterprises, China's fastener industry is one that is fragmented, where aggressive and fierce competition is witnessed from the small to larger companies vying for business in the home market and international markets, with Europe and the US being among the most important export destinations.

[92] The CBSA is cognizant that this production of fasteners in China includes a broader range of products than the subject fasteners. Nevertheless, this very fact underlines the magnitude of the number of fastener enterprises located in China when compared to Canada.

[93] In taking a closer look at the business orientation of the fastener companies in China, the CBSA first examined the responses to the ERQ received from Robertson China and Suzhou Hongly/Litto.²² Each respondent, identified itself as a manufacturer of fasteners for export markets and indicated that it did not sell any fasteners in its domestic market. As such, their entire fastener production, which includes subject fasteners, is 100% destined for exports.

[94] As to the business activity of other producers located in China, from its most recent re-investigation which concluded on November 14, 2019, the CBSA had information pertaining to three other producers²³ which further corroborates the export orientation of China. Such information can be summarized as follows: two producers had both domestic and export sales while the other, had fasteners destined only for export markets. The CBSA also recognizes that certain producers in China have only domestic sales of fasteners.

[95] Although the snapshot above does not represent the entire population of the fastener producers and exporters in China, the CBSA can infer, from these five companies, that the business success of many fastener enterprises relies on their export performance and that China continues to be a country that is dependent of its export of fasteners, which includes subject fasteners.

¹⁸ Exhibit 065 (NC), CBSA's Notice of Conclusion of Re-investigation on Certain Carbon Steel Fasteners – November 14, 2019.

¹⁹ The total in SIMA duties include both anti-dumping duty and countervailing duty (see **Table 3**).

²⁰ Exhibit 048 (NC), China gains major win in fastener dispute with EU.

²¹ Exhibit 004 (NC), Asian Industrial Fastener Market.

²² Exhibits 033 (NC) and 021 (NC), Responses to the ERQ by Robertson Inc. (Jianxing) Ltd. and Suzhou Litto Fasteners Co., Ltd.

²³ Exhibit 019 (PRO), Exporters' Letters – Notice of Conclusion of Re-investigation (FAS 2019 RI).

[96] While the administrative record for the CBSA's expiry review investigation did not contain definitive information in terms of total production capacity and capacity utilization rates of fastener producers in China, in order to obtain a clearer picture, the CBSA analyzed the responses to the ERQ received from Robertson China and Suzhou Hongly/Litto.

[97] Due to confidentiality, the CBSA can't divulge company specifics in terms of production capacity and capacity utilization rates.²⁴ Nevertheless, information of the administrative record indicated that the two producers located in China that responded to the ERQ, relied 100% on exports and had available production capacity to ship additional volumes of subject fasteners to Canada with well established distribution channels. Considering those facts and the size of the Canadian market, in the eventuality that a small amount of either excess capacity or new additional production capacity that came on stream in China during the POR is directed to Canada, it would take a large portion of the domestic producers' share in the Canadian marketplace.²⁵

[98] Furthermore, the accumulated loss of export sales to the US, that arose in 2018 to the first six months of 2019, coupled with the long lasting recovery from the EU anti-dumping measures on iron and steel fasteners from 2009 to 2016,²⁶ lead to the availability of production capacity on the part of the export-oriented companies in China. Considering that the EU and US are among the most important export destinations, the CBSA is of the view that the excess fastener production capacity from the other 8,000 fastener enterprises in China can be estimated as being significantly larger than the size of the Canadian market.²⁷ Additionally, subject fasteners are a commodity product, so excess capacity in one country can easily displace production in other markets, thus harming producers in those markets.

[99] Furthermore, the recent and ongoing trade dispute with the US is not only impacting producers and exporters in China, but is also having repercussions in the overall fastener environment.

[100] In September 2018, as a result of Section 301, the US imposed tariffs on various products from China, including fasteners, at a rate of 10%. In order to lessen the effect of this tariff and by extension in losing sales in the US, several exporters from China decreased their prices to customers. In addition, in order to support exporters that have come under pressure from the escalating trade dispute, the GOC raised on September 15, 2018, the export tax rebate for fasteners from 5% to 9%.²⁸ As a result of these actions, for the most part, exporters from China were able to cope with this 10% tariff.

²⁴ Exhibits 032 (PRO) and 020 (PRO), Responses to the ERQ by Robertson Inc. (Jianxing) Ltd. and Suzhou Litto Fasteners Co., Ltd.

²⁵ Exhibits 038 (PRO), 040 (PRO), 055 (PRO) and 071 (PRO), Responses to the Domestic Producer ERQ.

²⁶ In January 2017, the EU also confirmed the expiry of stainless steel anti-dumping regulations on certain stainless steel fasteners from China, Taiwan and the Philippines.

²⁷ Exhibits 038 (PRO), 040 (PRO), 055 (PRO) and 071 (PRO), Responses to the Domestic Producer ERQ.

²⁸ Exhibit 048 (NC), China to boost tax relief for exporters as more US tariffs loom.

[101] After the imposition of the 10% tariff, the US stated that this tariff would escalate to 25% at the beginning of 2019. Although the increase did not materialize before May 2019, the mere speculation created uncertainty in the US marketplace and led some importers to urgently overload their warehouses with fasteners to avoid the upcoming tariff increase while other importers immediately shifted orders away from Chinese factories,²⁹ and that, to other Asian countries. Furthermore, on November 1, 2018, in order to further lower the costs of exporters, the GOC increased the export tax rebate by 1% on fasteners, to 10%.³⁰

[102] The importance of price in the purchasing decision means that importers are continuously searching the globe in order to find the lowest-priced source. If the price of fasteners imported from one source becomes uncompetitive as result of the imposition of anti-dumping duties or other restrictive measures (safeguard,³¹ quotas, tariffs, etc.), an importer will source-switch to new suppliers of low-priced fasteners in other countries.

[103] The evidence on the administrative record of this expiry review investigation shows that the practise of sourcing imports from low-priced countries continues today not only in foreign countries but also in Canada.

[104] In this regard, the CBSA underlined that although the EU revoked its restrictive measures in 2016 on iron and steel fasteners, China has not been able to reclaim its dominant share in the EU marketplace. This in part was due to the fact that with the 2009 anti-dumping duty imposed on China, the pursuit of lower cost producers continued and countries such as India, Thailand, and Vietnam were able to increase their exports of fasteners and customer base in the EU markets.³²

[105] As for Canada, the evidence on the administrative record indicated that fasteners which meet the product definition were imported into Canada from countries such as Malaysia and Vietnam throughout the POR.³³ In terms of pricing for these countries, one exporter from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) indicated: “Our understanding is that, so far some Canadian importers buy large volume of fasteners from south-east Asian countries, such as Vietnam, Malaysia, etc. for cheaper prices, because there is no dumping duty applied to those countries.”³⁴

[106] As reaffirmed by the CITT in its 2015 Reasons in Expiry Review No.: RR-2014-001, subject goods and like goods are commodity products typically sold on the basis of price.³⁵ This means that these fasteners compete in a market that is price sensitive, and where price is a major factor affecting customer purchasing decisions.

²⁹ Exhibits 017 (NC), US hikes tariffs on Chinese fasteners.

³⁰ Exhibit 048 (NC), China Export Tax Rebates for Fasteners Increased to 10%.

³¹ In March 2019, the International Trade Commission of South Africa indicated that it would decide whether a safeguard is needed on imports of bolts, nuts and screws from China. Exhibit 004 (NC), A flood of Chinese screws, nuts and bolts has hit South Africa – now government may strike back.

³² Exhibit 065 (NC), 2017 EU Import Trends.

³³ Exhibit 060 (NC), Response to the ERQ by Les Attaches Evolution Fasteners Inc.

³⁴ Exhibit 029 (NC), Response to the ERQ by Honor Best Co., Ltd.

³⁵ Exhibit 066 (NC), CITT’s Order and Reasons on Certain Fasteners, January 2015 at para 65.

[107] The ongoing commercial trade dispute with the US has dragged on exports of fasteners from China. Faced with uncertainty and a continued decrease in their exports of fasteners in the US in 2019, many Chinese exporters switched their focus to a familiar destination, the European markets. Due to the competitiveness of the market as a result of the already established low-cost producing countries, to achieve sales of fasteners in Europe, suppliers from China had to lower their price offerings in the first four months of 2019.³⁶

[108] With its dwindling export sales persisting in the first half of 2019, in order to maintain sales in Europe, the decline in export price of fasteners from China continued in July 2019.³⁷ The continued decrease in export prices exhibited in 2019 demonstrated that when faced with adversity, suppliers from China will take all necessary steps in order to capture sales. Evidence on the administrative record pointed to the fact that “when Chinese screw manufacturers see a rival doing well, they focus on doing whatever it takes to steal away the competitor’s orders.”³⁸

[109] As price is a major factor for commodity products such as certain carbon steel fasteners, given the increased competition from low-priced Asian countries, it is reasonable to conclude that the price of fasteners in the Canadian market will continue to be increasingly competitive. Consequently, in order to maintain its share in the Canadian market, in the CBSA’s view, exports of subject fasteners from China may likely have to re-enter the Canadian market at even lower prices than before due to these additional downward pressures on price as a result of increased competition.

Determination Regarding the Likelihood of Continued or Resumed Dumping - China

[110] With respect to the dumping of certain carbon steel fasteners from China, based on the information on the administrative record in respect of the facts that: China is a leading producer and its producers have excess production capacity; there is a high export orientation on the part of many producers in China; exporters in China have continued dumping and shown a sustained interest in the Canadian market during the POR; the exporters in China are currently facing challenges due to the restrictive tariffs imposed by the US on fasteners and the increased competition in other markets; there is the presence in Canada of low-priced imports from other countries with which exporters from China will likely have to compete with to secure sales; and certain carbon steel fasteners are a commodity product and are sold typically on the basis of price, the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of dumping into Canada of subject fasteners originating in or exported from China.

³⁶ Exhibit 048 (NC), China’s Fastener Export to Europe in the First 4 Months 2019 Shows Growth in Volume and Decline in Price.

³⁷ Exhibit 048 (NC), China’s Fastener Export Drops in H1 2019 and Fastener Sales from China to Europe Grow 12.8% This July.

³⁸ Exhibit 017 (NC), How Taiwan’s Small-Town Factories Keep the World’s Money.

The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)

[111] In assessing the likelihood of continued or resumed dumping from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) should the CITT's order be rescinded, the CBSA relied on the information on the administrative record which includes the responses to the various ERQs from all interested parties.

[112] The CBSA solicited information from 76 potential producers and exporters of subject fasteners in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and as mentioned earlier in this report, it received nine responses to the Exporter/Foreign Producer ERQ. The companies that provided a response were:

- Glorbal Sales Company Limited;
- Honor Best Co., Ltd. (Honor Best);
- Jau Yeou Industry Co., Ltd.;
- Kind-Auspice Industrial Co., Ltd.;
- Kwantex Research Inc. (Kwantex);
- Loyal Int'l Co., Ltd. and Taiwan CMC Co., Ltd.;
- QST International Corp.;
- Racing Point Industry Co., Ltd.; and
- Taiwan Shan Yin Int. Co., Ltd.

[113] Neither producers nor exporters submitted case briefs or reply submissions for the CBSA to consider in making a determination. Furthermore, no importers of subject fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) filed a case brief or reply submission.

[114] The CBSA did not interpret the non-response to the ERQ by the other surveyed producers and exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) as their lack of interest in the Canadian market for subject fasteners.

[115] The CBSA underlined that in its most recent re-investigation of subject fasteners which concluded on November 14, 2019, although over 30 companies from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) participated, only 14 were issued normal values.³⁹

[116] Throughout the POR of the expiry review investigation, producers and exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) have demonstrated their continued interest in the Canadian market with sustained shipments. In terms of market share, imports from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) had a steady growth from 2016 to 2018, capturing 22.5%, 25.4% and 29.5% of the total value of the Canadian market. In the first six months of 2019, the market share of their imports decreased to 27.6% (see **Table 2**). As such, subject fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) remained an integral part of the Canadian marketplace in terms of supply. During the POR, the CBSA assessed a total of \$29,730,149 in anti-dumping duty (see **Table 3**).

³⁹ Exhibits 002 (NC), Certain Carbon Steel Fasteners, FAS 2019 RI (CBSA), List of Exhibits and 065 (NC), CBSA's Notice of Conclusion of Re-investigation on Certain Carbon Steel Fasteners – November 14, 2019.

[117] The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), which is also known as the “Kingdom of Fasteners”, is one of the most important exporters of fasteners in the world. Tu-Chin Tsai, the Chairman of the Taiwan Industrial Fasteners Institute (TIFI), stated: “With 1,650 factories employing 35,000 industry personnel, Taiwan’s fasteners industry exported more than 1.65 million tonnes of fasteners in 2018, to over 150 countries around the world.”⁴⁰

[118] For illustrative purposes, the CBSA notes that within a 5-kilometer radius in the district of Kaohsiung, there are more than 700 screw producers, making this area the densest concentration of fastener manufacturers in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).⁴¹

[119] The CBSA is cognizant that this production of fasteners in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) includes a broader range of products than the subject fasteners. Nevertheless, this very fact underlines the magnitude of the number of fastener factories located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) when compared to Canada.

[120] In taking a closer look at the business orientation of these factories, evidence on the administrative record indicated that the fastener industry is one of the most important export-oriented industries in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) exported over 90% of its output of fasteners thus demonstrating the very strong export dependency, which includes subject fasteners.⁴² Evidence on the administrative record indicated that the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is “the third largest exporter of binding and fastening products worldwide.”⁴³

[121] The descriptor of “export-oriented fastener industry” was corroborated, to an even greater degree than the 90% threshold, by the respondents to the ERQ⁴⁴ located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). Each one of the respondents indicated that 100% of its fasteners, which include subject fasteners, were destined for exports markets.

[122] While the administrative record for the CBSA’s expiry review investigation did not contain definitive information in terms of total production capacity and capacity utilization rates of fastener producers in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), in order to paint a clearer picture, the CBSA analyzed the responses to the ERQ received from the nine companies located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

⁴⁰ Exhibit 004 (NC), Taiwan Fastener Companies on the Rise In Europe.

⁴¹ Exhibit 017 (NC), How Taiwan’s Small-Town Factories Keep the World’s Money.

⁴² Exhibit 065 (NC), 2018 sees strong growth.

⁴³ Exhibit 004 (NC), Taiwan Fastener Companies on the Rise in Europe.

⁴⁴ Exhibits 023 (NC), 025 (NC), 029 (NC), 031 (NC), 037 (NC), 047 (NC), 062 (NC), 068 (NC) and 070 (NC) - Responses to the Exporter/Foreign Producer ERQ.

[123] As a preliminary remark, the CBSA underlines that while some producers in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) manufacture a fastener from start to finish, other producers will purchase the steel rod/wire, perform one of the production process and use the services of various sub-contractors to handle the other production processes: head forming and thread rolling, forge pointing, tail cutting, washer and assembly, heat treating, plating, painting, quality control, packaging, etc.

[124] Of the nine respondents to the ERQ located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), the CBSA noted that three producers⁴⁵ manufacture a fastener from start to finish while the other six,⁴⁶ employ various sub-contractors to complete the production of a fastener.

[125] Furthermore, in its analysis, the CBSA observed that although one of the producers that manufactures a fastener from start to finish reported a capacity utilization rate of 100% throughout the POR, such percentage did not represent a “rate” as it measured only one variable, that is, the actual production of fasteners as per the orders of the producer’s customers. As such, the CBSA was of the opinion that had the producer provided its potential or standard production capacity, it would have had available production capacity and the calculation of its utilization rates would not have yielded 100%.

[126] Lastly, in regards to the other producers who employ various sub-contractors to complete the production of a fastener, one exporter located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), Kwantex, indicated that as a result of using sub-contractors, “there is no limit to production capacity and capacity utilization rate.”⁴⁷

[127] Due to confidentiality, the CBSA can’t divulge company specifics in terms of production capacity and capacity utilization rates.⁴⁸ Nevertheless, information of the administrative record indicated that the nine companies located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) that responded to the ERQ, relied 100% on exports and had or had access to available production capacity to ship additional volumes of subject fasteners to Canada with well established distribution channels. Considering those facts and the size of the Canadian market, in the eventuality that a small amount of either excess capacity or new additional production capacity that came on stream in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) during the POR is directed to Canada, it would take a large portion of the domestic producers’ share in the Canadian marketplace.⁴⁹ Additionally, subject fasteners are a commodity product, so excess capacity in one country can with relative ease displace production in other markets, thus harming producers in those markets.

⁴⁵ Exhibits 037 (NC), 062 (NC) and 070 (NC) - Responses to the Exporter/Foreign Producer ERQ.

⁴⁶ Exhibits 023 (NC), 025 (NC), 029 (NC), 031 (NC), 047 (NC) and 068 (NC) - Responses to the Exporter/Foreign Producer ERQ.

⁴⁷ Exhibit 031 (NC), Response to the ERQ by Kwantex Research Inc.

⁴⁸ Exhibits 022 (PRO), 024 (PRO), 028 (PRO), 030 (PRO), 036 (PRO), 046 (PRO), 061 (PRO), 067 (PRO) and 069 (PRO) - Responses to the Exporter/Foreign Producer ERQ.

⁴⁹ Exhibits 038 (PRO), 040 (PRO), 055 (PRO) and 071 (PRO), Responses to the Domestic Producer ERQ.

[128] Furthermore, the CBSA's conclusion, on November 14, 2019, in its most recent re-investigation of certain carbon steel fasteners impacted several producers and exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) due to the non-issuance of normal values. The reasons for the non-issuance of updated normal values related to incomplete responses to the RFI or that the information provided was found to be unreliable. As such, the normal values previously in place for these companies expired at the conclusion of the re-investigation and updated normal values were not issued, which in turn leads to the availability of production capacity on the part of these producers.

[129] As indicated previously, the US Section 301 tariff on fasteners from China is having a ripple effect on the global fastener environment. With the continued pressure of decreasing sales of fasteners in 2019, many exporters in China have switched their focus from the US and have targeted the European markets. Due to the competitiveness of that market as a result of the already established low cost producing countries, to achieve sales of fasteners in Europe, in January 2019, suppliers from China lowered their price offerings and this decreasing trend in export prices continued right into July 2019.⁵⁰

[130] One exporter, Kwantex, located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) indicated in its response to the ERQ that as a result of the actions taken by several producers and exporters from China in markets such as the US, Europe and Southeast Asia, "affects Taiwan's exporting performance directly, and the order of Q4 of 2019 is not good."⁵¹ Furthermore, evidence on the administrative record indicated that although exports of fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) reached a record-high in 2018 with the US being the top destination, followed by Germany, such a high was short lived as exports declined in the first six-month of 2019.⁵² "Taiwan screws' manufacturers had a bitter 2019, with the number of orders was less and the profit was just passable."⁵³ According to the TIFI, it expects that the fastener industry "may not (see) good conditions until the second quarter of 2020" and indicated that Taiwan fastener manufacturers "can't compete on price with low-wage countries such as Vietnam and Malaysia."⁵⁴

[131] With respect to the assertion advanced by some importers that certain producers in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) have the know-how to manufacture higher-quality fasteners, evidence on the administrative record indicated that "For every 10 screws that Taiwan exports, nine are standard specification items that can be mass-produced and only one is a specialty product."⁵⁵

[132] As reaffirmed by the CITT in its 2015 Reasons in Expiry Review No.: RR-2014-001, subject goods and like goods are commodity products typically sold on the basis of price.⁵⁶ This means that these fasteners compete in a market that is price sensitive, and where price is a major factor affecting customer purchasing decisions.

⁵⁰ Exhibit 048 (NC), China's Fastener Export Drops in H1 2019 and Fastener Sales from China Grow 12.8% This July.

⁵¹ Exhibit 031 (NC), Response to the ERQ by Kwantex Research Inc.

⁵² Exhibit 017 (NC), Taiwan's Fastener Export Reached New High in 2018 and Taiwan's Fastener Export in H1 2019 Declines in Volume.

⁵³ Exhibit 065 (NC), Taiwan's screw manufacturers hope to receive gov's support to take back US & EU market share.

⁵⁴ Exhibit 017 (NC), Taiwan Industry in 'Decline'.

⁵⁵ Exhibit 017 (NC), How Taiwan's Small-Town Factories Keep the World's Money.

⁵⁶ Exhibit 066 (NC), CITT's Order and Reasons on Certain Fasteners, January 2015 at para 65.

[133] The importance of price in the purchasing decision means that importers are continuously searching the globe in order to find the lowest-priced source. If the price of fasteners imported from one source becomes uncompetitive as result of the imposition of anti-dumping duties or other restrictive measures (safeguard,⁵⁷ quotas, tariffs, etc.), an importer will source-switch to new suppliers of low-priced fasteners in other countries.

[134] The business practise of sourcing imports from other low-priced Asian countries was previously noted in the CITT's Reasons in Expiry Review No.: RR-2014-001, "... continued competition from ... low-priced imports from non-subject countries, ... including Malaysia, Thailand and Vietnam ... " and "... in terms of market share in Canada during the POR and the 2013 and 2014 interim periods, ... and other countries, including Malaysia, Thailand and Vietnam accounted for between 13 percent and 20 percent."⁵⁸

[135] The evidence on the administrative record of the expiry review investigation showed that the practise of sourcing imports from low-priced countries continues today not only in Canada, but also in foreign countries.

[136] In this regard, the CBSA noted that fasteners which meet the product definition were imported into Canada from countries such as Malaysia and Vietnam throughout the POR.⁵⁹ In terms of pricing for these countries, one exporter, Honor Best, located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) indicated in response to the ERQ that: "Our understanding is that, so far some Canadian importers buy large volume of fasteners from south-east Asian countries, such as Vietnam, Malaysia, etc. for cheaper prices, because there is no dumping duty applied to those countries."⁶⁰

[137] Furthermore, the CBSA underlined that the business practice of switching sources was also recently witnessed in the US. With the imposition of a 25% tariff, in some instances, fasteners from China had become uneconomical and several importers in the US turned their attention to other Asian countries offering lower-price fasteners.⁶¹

[138] In light of this aggressive competition in the fastener industry, the exporter, Honor Best, further indicated that "We believe that a regulated market is important in order to maintain the market in an orderly fashion and not fall into price cutting war! Hence, in our opinion, probably dumping duty is one good mechanism to serve this purpose."⁶²

⁵⁷ In March 2019, the International Trade Commission of South Africa indicated that it would decide whether a safeguard is needed on imports of bolts, nuts and screws from China. Exhibit 004 (NC), A flood of Chinese screws, nuts and bolts has hit South Africa – now government may strike back.

⁵⁸ Exhibit 066 (NC), CITT's Order and Reasons on Certain Fasteners, January 2015 at paras 97, 113 and 122.

⁵⁹ Exhibit 060 (NC), Response to the ERQ by Les Attaches Evolution Fasteners Inc.

⁶⁰ Exhibit 029 (NC), Response to the ERQ by Honor Best Co., Ltd.

⁶¹ Exhibit 017 (NC), US hikes tariffs on Chinese fasteners.

⁶² Exhibit 029 (NC), Response to the ERQ by Honor Best Co., Ltd.

[139] As price is a major factor for commodity products such as certain carbon steel fasteners, given the increased competition from low-priced Asian countries, it is reasonable to conclude that the price of fasteners in the Canadian market will continue to be increasingly competitive. In response to the ERQ, one exporter, Kwantex, located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) indicated “so the screw price of Q1 of 2020 is estimated to be decreased.”⁶³ Consequently, in order to maintain its share in the Canadian market, in the CBSA’s view, exports of subject fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) may likely have to re-enter the Canadian market at even lower prices than before due to these additional downward pressures on price as a result of increased competition.

Determination Regarding the Likelihood of Continued or Resumed Dumping - The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)

[140] With respect to the dumping of certain carbon steel fasteners from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), based on the information on the administrative record in respect of the facts that: there is substantial available production capacity on the part of producers in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and its fastener industry is export dependent; exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) have continued dumping and shown a sustained interest in the Canadian market during the POR; several exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) that participated in the CBSA’s most recent re-investigation were not issued normal values; the exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) are currently facing challenges due to the increased competition in various markets resulting in part from the US-China trade dispute; there is the presence in Canada of low-priced imports from other countries with which exporters from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) will likely have to compete with to secure sales; and certain carbon steel fasteners are a commodity product and are sold typically on the basis of price, the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of dumping into Canada of subject fasteners originating in or exported from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

⁶³Exhibit 031 (NC), Response to the ERQ by Kwantex Research Inc.

POSITION OF THE PARTIES - SUBSIDIZING

Parties Contending that Continued or Resumed Subsidizing is Likely

Domestic Producers

[141] Leland provided a case brief supporting its position that subsidizing from China is likely to continue or resume in the event the order is allowed to expire.⁶⁴ Infasco also filed a case brief,⁶⁵ and indicated that it supports the position of Leland.

[142] The factors identified by Leland in support of their position are summarized as follows:

- Current international market conditions
- Current domestic market conditions
- Commodity nature of fasteners
- Factors specific to China

Current International Market Conditions

[143] Leland stated that as a result of the slowing global economy and the softening of the international demand for fasteners, and the trade uncertainty resulting from tariffs imposed by the US on various products from China, which includes fasteners covered by the CITT's Order, combined with the slowing demand for fasteners in the subject country/subject customs territory, in order to maintain capacity utilization, producers in the subject country/subject customs territory will therefore likely need to increase their exports to foreign countries, and Canada will become a target for increased volumes of dumped and subsidized subject goods.

Current Domestic Market Conditions

[144] Leland stated that in the face of significant global turmoil and uncertainty and slowing growth rates in markets like China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), by contrast, Canada's modest but stable economic growth will make Canada a desirable export destination for dumped and subsidized subject goods in the near to mid-term.

[145] In support of its statement, Leland noted that demand in key downstream applications for fasteners such as the general construction, machinery and equipment manufacturing, and household furniture and appliances manufacturing, will see stable to modest growth in Canada through 2020.

⁶⁴ Exhibit 078 (NC), Case Brief Filed on Behalf of Leland Industries Inc.

⁶⁵ Exhibit 076 (NC), Letter of Support d'Infasco, a division of Ifastgroupe 2004 L.P.

Commodity Nature of Fasteners

[146] Leland stated that it is a well-known and well-established fact that the certain carbon steel fasteners are a commodity product. To this effect, Leland noted that the CBSA found that “carbon steel fasteners are a commodity product sensitive to price fluctuations,” while the CITT found that “the subject goods from each of the subject countries remain substitutable for each other and the like goods because they are commodity product, which are typically sold on the basis of price.”

[147] Leland contended that without the order in place to provide some pricing discipline in the Canadian market, subject fasteners would be sold at increasingly dumped and subsidized prices in order to gain a competitive advantage. The phenomenon of increased price competition from low-priced countries, is not limited to Canada and has also been seen in other markets around the world.

Position in Regards to China

Chinese Fastener Imports Remained Subsidized During the POR

[148] Leland underlined that exporters have continued to export dumped and subsidized subject goods from China into the Canadian market throughout the POR. The SIMA duties, which include amounts of subsidy, increased yearly from \$2.3 million in 2016 to \$3.0 million in 2018.

[149] Leland stated that in the CBSA’s most recent re-investigation which concluded on November 14, 2019, it found that each of the five cooperative exporters from China made use of countervailable subsidies vis-à-vis subject goods. Leland concluded that the GOC continues to find new and innovative ways to subsidize its fastener industry.

Chinese Subsidization is Likely to Continue

[150] Leland indicated that the subsidization of the fastener industry in China is longstanding. In each of its previous re-investigations, the CBSA found material specific amounts of subsidy for the cooperative exporters. Furthermore, the subsidization of fasteners is demonstrative of the broader subsidization of the Chinese steel industry, with subsidy findings in place in Canada on no less than 14 different categories of steel products.

[151] Leland underlined that although the GOC recently offered to end all subsidy programs, instead of scaling back subsidies, the GOC had increased incentives for fasteners manufacturers. As a result of the ongoing trade dispute with the US, to support the fasteners manufacturers in China, the GOC had actually increased the export tax rebates on screws initially from 5% to 9% and finally to 10%.

[152] Infasco agreed with the submissions filed by Leland that, should the order expire, the subsidizing of subject goods will only worsen. Absent the order, Infasco contended that any price stability brought by the order will certainly disappear, as the volume of low-priced subsidized imports will increase substantially and drive pricing even lower.

Parties Contending that Continued or Resumed Subsidizing is Unlikely

Importers, Exporters, Foreign Producers and GOC

[153] No case briefs or reply submissions were submitted contending that the subsidizing of subject fasteners from China was not likely to continue or resume if the order is rescinded. No submissions were received from the GOC.

CONSIDERATION AND ANALYSIS - SUBSIDIZING

[154] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the order is likely to result in the continuation or resumption of subsidizing of the goods from China, the CBSA may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

LIKELIHOOD OF CONTINUED OR RESUMED SUBSIDIZING

China

[155] In assessing the likelihood of continued or resumed subsidizing from China should the CITT's order be rescinded, the CBSA relied on the information on the administrative record which includes the responses to the various ERQs from all participating parties.

[156] Although the CBSA solicited information from 49 potential producers and exporters of subject fasteners in China, as mentioned earlier in this report, it received only two responses to the Exporter/Foreign Producer ERQ from companies located in China. The companies that provided a response were:

- Robertson Inc. Jianxing (Robertson China)
- Suzhou Hongly Hardware Co., Ltd./Suzhou Litto Fasteners Co., Ltd.⁶⁶
(Suzhou Hongly/Litto)

[157] Neither Robertson China nor Suzhou Hongly/Litto nor the importers of subject fasteners from China filed a case brief or reply submission for the CBSA to consider in making a determination. Furthermore, the GOC did not provide a response to the Subsidy ERQ, nor did the GOC provide a case brief or reply submission.

[158] The CBSA did not interpret the non-response to the ERQ by the other surveyed producers and exporters in China as their lack of interest in the Canadian market for subject fasteners.

[159] It is worth noting that none of the respondents to the ERQs that deal with subject fasteners from China expressed an opinion or contended that continued or resumed subsidizing of subject fasteners is unlikely if the order is rescinded. Furthermore, none of the producers or exporters from China that replied to the Exporter/Foreign Producer ERQ refuted the existence of subsidy programs available to them in China.

⁶⁶ A joint submission was filed with the CBSA, Exhibits 020 (PRO) and 021 (NC) – Response to the ERQ by Suzhou Litto Fasteners Co., Ltd.

[160] Concerning the GOC, an article on the administrative record discussed a pledge from China to put an end to its market distorting subsidies for its domestic industries. Although China has made this pledge, it offered no details or concrete actions on how it would achieve such goal.⁶⁷

[161] In its enforcement of the CITT's Order in Expiry Review No. RR-2014-001 made on January 5, 2015, the CBSA recently conducted a re-investigation to update the amounts of subsidy for subject fasteners from China during the period of investigation of January 1, 2018 to February 28, 2019 (subsidy period). The re-investigation was initiated on April 3, 2019 and the CBSA examined 70 potential subsidy programs which were listed in the Subsidy RFI forwarded to producers and exporters in China as well as to the GOC.

[162] On November 14, 2019, the CBSA concluded its re-investigation, and five companies from China that responded to the RFI provided a substantially complete submission and were issued an updated company-specific amount of subsidy, which included Robertson China and Suzhou Hongly/Litto.⁶⁸ As to the two companies that provided an incomplete or unreliable response to the RFI⁶⁹ and to all the other surveyed companies from China that chose not to respond to the RFI, their amount of subsidy was determined to be 1.25 Renminbi per kilogram, in accordance with a ministerial specification pursuant to subsection 30.4(2) of SIMA.

[163] The five exporters for which the CBSA determined a company-specific amount of subsidy benefitted from a total 24 different programs during the subsidy period,⁷⁰ which included 6 new subsidy programs that had not been identified at the initiation of the re-investigation.⁷¹

[164] With respect to current subsidy programs applicable to producers of subject fasteners from China, as the GOC did not respond to the Subsidy ERQ in the expiry review investigation, the existence of the 24 actionable subsidy programs as found during the subsidy period (January 1, 2018 to February 29, 2019) of the CBSA's most recent re-investigation of certain carbon steel fasteners, provides evidence that producers in China have received subsidies from the GOC.

[165] As such, there are strong indications that the GOC would likely continue to subsidize the fastener producers in China in the future.

Other Factors Concerning Subsidy in China

[166] In September 2018, the US imposed tariffs, initially of 10% and subsequently increased such tariffs to 25% in May 2019, on various products from China, which includes fasteners covered by the CITT's Order.⁷² In light of these tariffs imposed by the US, China retaliated by also imposing tariffs on products exported from the US to China. This ongoing trade dispute has created challenges, uncertainties and has impacted businesses not only in China but has weighed on the global economy.

⁶⁷ Exhibit 004 (NC), Exclusive: China offers to end market-distorting subsidies but won't say how.

⁶⁸ Exhibit 065 (NC), CBSA's Notice of Conclusion of Re-investigation on Certain Carbon Steel Fasteners – November 14, 2019.

⁶⁹ Exhibit 002 (NC), Certain Carbon Steel Fasteners, FAS 2019 RI (CBSA), List of Exhibits.

⁷⁰ Exhibit 019 (PRO), Exporters' Letters – Notice of Conclusion of Re-investigation (FAS 2019 RI).

⁷¹ Exhibit 014 (NC), Subsidy ERQ to Foreign Government, Appendix 1 – Subsidy Programs.

⁷² Exhibit 017 (NC), US hikes tariffs on Chinese fasteners.

[167] In looking at the actions taken by the GOC, in order to mitigate the impact of the 10% tariff imposed by the US on various products exported from China, the GOC offered a more generous refund for screws exported from China, from 5% to 9%.⁷³ This export tax rebate increased to 10% in November 2018.⁷⁴ In no way did the CBSA infer that these export tax rebates, which lower the costs for exporters located in China, are a subsidy but the CBSA simply made the observation that these actions taken by the GOC demonstrated that the GOC continues to provide a variety of support measures to producers and exporters in China.

[168] Faced with declining sales in the US as a result of the tariffs, while not abandoning the US market, suppliers of fasteners from China explored also other market opportunities and the EU became a prominent destination. In order to make sales in 2019 in the already competitive EU markets, suppliers of fasteners from China continuously lowered their selling price.⁷⁵

[169] In explaining why the number of orders had decreased and the profit was just passable in 2019 for the Taiwanese screw manufacturers, the vice-chairman of the TIFI pointed out that exports of screws to its main markets of the EU and US had been threatened by the competitors in China and alleged that this threat was mainly as a result of the subsidy policy from the GOC.⁷⁶

[170] As to exports of subject fasteners to Canada during the expiry review investigation, with sustained shipments throughout the POR, China remained an integral part of the supply chain. In terms of market share, imports of subject fasteners from China into Canada were relatively stable and captured 5.1% of the total value of the Canadian market (see **Table 2**).

[171] The CBSA underlined that 100% of the subject goods imported into Canada from China were subsidized and therefore subject to countervailing duties. As a result, the CBSA assessed during the POR a total of \$9,582,952 in SIMA duties.⁷⁷

[172] Concerning production capacity, evidence on the administrative record indicated that with its more than 8,000 fastener enterprises, including more than 6,000 private businesses, small and medium-sized companies,⁷⁸ China is a leading producer and exporter of industrial fasteners.⁷⁹ In order to absorb this substantial excess fastener production capacity, which includes subject fasteners, producers in China rely heavily on export markets, including Canada. In the CBSA's view, the excess fastener production capacity from the producers in China can be estimated as being significantly larger than the size of the Canadian market.⁸⁰

⁷³ Exhibit 048 (NC), China to boost tax relief for exporters as more US tariffs loom.

⁷⁴ Exhibit 048 (NC), China export tax rebates for Fasteners Increased to 10%.

⁷⁵ Exhibit 048 (NC), China's Fastener Export to Europe in the First 4 Months 2019 Shows Growth in Volume and Decline in Price, China's Fastener Export Drops in H1 2019 and Fastener Sales from China to Europe Grow 12.8% This July.

⁷⁶ Exhibit 065 (NC), Taiwan's screw manufacturers hope to receive gov's support to take back US & EU market share.

⁷⁷ The total in SIMA duties include both anti-dumping duty and countervailing duty (see **Table 3**).

⁷⁸ Exhibit 048 (NC), China gains major win in fastener dispute with EU.

⁷⁹ Exhibit 004 (NC), Asian Industrial Fastener Market.

⁸⁰ Exhibits 038 (PRO), 040 (PRO), 055 (PRO) and 071 (PRO), Responses to the Domestic Producer ERQ.

Determination Regarding the Likelihood of Continued or Resumed Subsidizing - China

[173] With respect to the subsidizing of certain carbon steel fasteners from China, based on the information on the administrative record in respect of the facts that: subsidy programs are likely to continue to be made available in the future by the GOC to the producers in China; and exporters in China have continued to ship subsidized subject goods and shown a sustained interest in the Canadian market throughout the POR, the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of subsidizing of subject fasteners originating in or exported from China.

CONCLUSION

[174] For the purpose of making determinations in the expiry review investigation, the CBSA conducted its analysis within the scope of the factors found under subsection 37.2(1) of the SIMR. Based on the foregoing consideration of factors and analysis of information on the administrative record, on March 26, 2020, the CBSA made determinations pursuant to paragraph 76.03(7)(a) of SIMA that the expiry of the CITT's order made on January 5, 2015, in Expiry Review No. RR-2014-001, concerning the dumping of certain carbon steel fasteners originating in or exported from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and the subsidizing of such goods originating in or exported from China, are:

- likely to result in the continuation or resumption of dumping of certain carbon steel fasteners originating in or exported from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei); and
- likely to result in the continuation or resumption of subsidizing of certain carbon steel fasteners originating in or exported from China.

FUTURE ACTION

[175] On October 28, 2019, the CITT commenced its expiry review to determine whether the expiry of the order, with respect to the dumping of certain carbon steel fasteners from China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and the subsidizing of such goods from China, is likely to result in injury to the domestic industry. The CITT's Expiry Review schedule indicates that it will make its order by September 2, 2020.

[176] If the CITT determines that the expiry of the order with respect to the goods is likely to result in injury, the CITT will make an order continuing the order in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping and/or countervailing duties on dumped and/or subsidized importations of the subject goods.

[177] If the CITT determines that the expiry of the order with respect to the goods is not likely to result in injury, the CITT will make an order rescinding the order in respect of those goods. In this case, anti-dumping and/or countervailing duties would then no longer be levied on importations of the subject goods, and any anti-dumping and/or countervailing duties paid in respect of goods that were released after the date that the order was scheduled to expire will be returned to the importer.

INFORMATION

[178] For further information, please contact the officer listed below:

Mail: SIMA Registry and Disclosure Unit
Trade and Anti-dumping Programs Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th floor
Ottawa, Ontario K1A 0L8
Canada

Telephone: Joël Joyal 613-954-7173

E-mail: simaregistry@cbsa-asfc.gc.ca

Web site: www.cbsa-asfc.gc.ca/sima-lmsi

Doug Band
Director General
Trade and Anti-dumping Programs Directorate

APPENDIX A

Product Definition

The subject goods are defined as:

“Certain carbon steel fasteners originating in or exported from the People’s Republic of China and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), excluding fasteners specifically designed for application in the automotive or aerospace industry”.

The following table is a list of subject products included in the Canadian International Trade Tribunal’s (CITT) findings/orders for certain carbon steel fasteners.

	Imperial		Metric	
	Diameter	Length	Diameter	Length
Wood Screws	#4 to #24 (0.112" to 0.386")	3/8 to 8 in.	M3 to M10	10 mm to 200 mm
Square and Hex Lag Screws	#14 to #24 (1/4" to 0.386")	3/4 to 4 in.	M6 to M10	20 mm to 100 mm
Sheet Metal/Tapping Screws	#4 to #24 (0.112" to 0.386")	3/8 to 8 in.	M3 to M10	10 mm to 200 mm
Thread Forming Screws	#4 to #24 (0.112" to 0.386")	3/8 to 3 in.	M3 to M10	10 mm to 75 mm
Thread Cutting Screws	#4 to #24 (0.112" to 0.386")	3/8 to 3 in.	M3 to M10	10 mm to 75 mm
Thread Rolling Screws	#4 to #24 (0.112" to 0.386")	3/8 to 3 in.	M3 to M10	10 mm to 75 mm
Self-drilling Tapping Screws	#4 to #24 (0.112" to 0.386")	3/8 to 3 in.	M3 to M10	10 mm to 75 mm
Machine Screws	#4 to 3/8 in (0.112" to 3/8")	3/8 to 8 in.	M3 to M10	10 mm to 200 mm
Flange Screws	1/4 to 5/8 in	3/8 to 4 in.	M6 to M16	10 mm to 100 mm

The following certain carbon steel fasteners were excluded by the CITT's findings/orders and, therefore, are not subject to anti-dumping duty or countervailing duty.

- Acoustic lag screws
 - Aster screws
 - Chicago screws
 - Collated screws
 - Connector screws (kd)
 - Decor screws
 - Drawer handle screws
 - Drive spikes RR
 - Euro screws
 - Hex socket cap screws
 - Instrument screws
 - Knurled head screws
 - Machine screws with wings
 - Optical screws
 - Screw spikes RR
 - Security screws
 - Self-clinching studs
 - Socket cap screws
 - Socket set screws
 - Square-head set screws
 - Thumb screws
 - U-drive screws
 - Wing screws
- Screws imported under tariff item Nos. 9952.00.00, 9964.00.00, 9969.00.00, 9972.00.00 and 9973.00.00 for use in the manufacture of snowmobiles, all-terrain vehicles, personal watercraft and three-wheeled motorcycles.
- R4™ screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent numbers 2 267 572 and 2 198 832 and a Climatek™ coating which is certified to meet the ICC Evaluation Service, Inc. (ICC-ES) “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- RSS™ rugged structural screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent numbers 2 267 572 and 2 140 472 and a Climatek™ coating which is certified to meet the ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- MSS™ zip tip metal siding screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent numbers 2 267 572 and 2 478 635 and a Climatek™ coating which is certified to meet the ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.

- MSS™ drill tip metal siding screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent numbers 2 267 572 and 2 478 635 and a Climatek™ coating which is certified to meet the ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- Pan™ head screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- Cabinet™ screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- FIN/Trim™ head screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- White FIN/Trim™ head screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- RT Composite™ Trim™ head screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- White RT Composite™ Trim™ head screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- Vinyl Window™ screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- Caliburn™ concrete screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.

- Kameleon™ composite deck screws marketed by GRK Canada Limited which have the features and characteristics described in Canadian patent number 2 267 572 and a Climatek™ coating which is certified to meet ICC-ES “Acceptance Criteria for Corrosion-resistant Fasteners and Evaluation of Corrosion Effects of Wood Treatment Chemicals” (AC257); or equivalent.
- Sharp-pointed drywall screws with diameters ranging from #6 to #7, lengths ranging from 0.4375 in. to 2.25 in., with a coarse, fine or high-low thread, with a bugle, flat, pan, truss or wafer head, with a Phillips driver and a black phosphate or standard zinc finish.
- Self-drilling drywall screws with diameters ranging from #6 to #7, lengths ranging from 0.4375 in. to 2.25 in., with a fine thread, with a bugle, flat, flat truss, pan, pancake, truss or wafer head, with a Phillips driver and a black phosphate or standard zinc finish.
- TOPLoc™ or Splitstop™ composite decking fasteners for exclusive use in conjunction with TimberTech® composite material decking systems.
- Titen HD™ (THD) heavy-duty carbon steel screw anchors for concrete, manufactured for and imported by Simpson Strong-Tie, bearing Canadian trademark number TMA614622 and Canadian patent number CA2349358, with diameters of between 0.25 in. (1/4 in.) and 0.375 in. (3/8 in.), inclusive (i.e. between 6.35 mm and 9.525 mm, inclusive), and lengths of between 1.25 in. and 8.00 in., inclusive (i.e. between 31.75 mm and 203.2 mm, inclusive), tested or assessed in accordance with one or more of: ASTM E488 ("Standard Test Methods for Strength of Anchors in Concrete and Masonry Elements"); AC106 ("Acceptance Criteria for Predrilled Fasteners (Screw Anchors) in Masonry Elements"); AC193 ("Acceptance Criteria for Mechanical Anchors in Concrete Elements"); or ACI 355.2/ACI 355.2R ("Qualification of Post-Installed Mechanical Anchors in Concrete") as amended or replaced from time to time.
- Shoulder bolts made of steel, grade 5, and zinc-plated, with a hexagonal head, an unthreaded cylindrical shoulder section ranging from 1/4 inch to 3/4 inch in diameter, and a threaded section that is smaller in diameter than the shoulder ranging from 3/8 inch to 7/8 inch in length and between 10-24 and 5/8-11 in common thread sizes.
- Squeeeeeek No More® square-drive wood screws, manufactured by or on behalf of O’Berry Enterprises Inc. under U.S. patent Nos. 5,371,992, 5,372,466 or 6,250,186, for use in wood flooring, with scoring above the threaded portion of the screw that allows the upper portion of the screw and head to be easily broken off, 3” or 3.5” in length, of a #8 or #9 diameter, threaded in part with 8 threads per inch and in part with 9 threads per inch, with the remainder unthreaded, and covered in a Gleitmo 615 lubricant coating (or equivalent coating) and imported in packages of 500 screws or less.

Additional Product Information

- Hex socket cap screws and socket cap screws are specifically excluded and hex cap screws as a whole are also excluded.
- “Lag bolts” are in actuality considered to be subject lag screws.
- There is a difference between wing screws and screws with wings, the former are excluded while the latter are, with the exception of machine screws with wings, included.
- Some fasteners designated as "bolts" are in reality subject screws, namely: flange bolts, bin bolts, grain bin bolts, square and hex lag bolts, and stove bolts.