



4366-57 (AD)

4366-58 (CV)

OTTAWA, September 5, 2014

## STATEMENT OF REASONS

Concerning a determination 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 CHINESE TAIPEI**

## DECISION

On August 21, 2014, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the President of the Canada Border Services Agency determined that the expiry of the order made by the Canadian International Trade Tribunal on January 6, 2010, in Expiry Review No. RR-2009-001, concerning certain carbon steel fasteners originating in or exported from the People's Republic of China and Chinese Taipei was likely to result in the continuation or resumption of dumping of these goods into Canada and in the continuation or resumption of subsidizing of such goods originating in or exported from the People's Republic of China.

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

## TABLE OF CONTENTS

SUMMARY .....	1
BACKGROUND .....	2
PRODUCT INFORMATION.....	4
PRODUCT DEFINITION.....	4
ADDITIONAL PRODUCT INFORMATION.....	4
CLASSIFICATION OF IMPORTS.....	5
PERIOD OF REVIEW .....	5
CANADIAN INDUSTRY .....	5
CANADIAN MARKET .....	6
CANADIAN INDUSTRY .....	7
IMPORTS .....	7
ENFORCEMENT DATA.....	7
PARTIES TO THE PROCEEDINGS.....	7
INFORMATION CONSIDERED BY THE PRESIDENT .....	8
ADMINISTRATIVE RECORD .....	8
PROCEDURAL ISSUES .....	9
POSITION OF THE PARTIES - DUMPING .....	9
PARTIES CONTENDING THAT CONTINUED OR RESUMED DUMPING IS LIKELY .....	9
PARTIES CONTENDING THAT CONTINUED OR RESUMED DUMPING IS UNLIKELY .....	11
CONSIDERATION AND ANALYSIS - DUMPING.....	11
COMMODITY NATURE OF CARBON STEEL FASTENERS .....	11
FASTENERS MARKET DEVELOPMENTS AND TRENDS .....	11
LIKELIHOOD OF CONTINUED OR RESUMED DUMPING.....	12
CHINA.....	12
PRESIDENT’S DETERMINATION - CHINA - DUMPING .....	17
CHINESE TAIPEI.....	17
PRESIDENT’S DETERMINATION - CHINESE TAIPEI - DUMPING .....	20
PRESIDENT’S DETERMINATION – DUMPING.....	20
POSITION OF THE PARTIES - SUBSIDIZING .....	21
PARTIES CONTENDING THAT CONTINUED OR RESUMED SUBSIDIZING IS LIKELY .....	21
PARTIES CONTENDING THAT CONTINUED OR RESUMED SUBSIDIZING IS UNLIKELY .....	21
CONSIDERATION AND ANALYSIS - SUBSIDIZING .....	21
LIKELIHOOD OF CONTINUED OR RESUMED SUBSIDIZING .....	22
PRESIDENT’S DETERMINATION – SUBSIDIZING .....	24
CONCLUSION .....	25
FUTURE ACTION.....	25
INFORMATION .....	26
APPENDIX - PRODUCT DEFINITION .....	27

## SUMMARY

[1] On April 23, 2014, the Canadian International Trade Tribunal (Tribunal), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its order made on January 6, 2010, in Expiry Review No. RR-2009-001, continuing, with amendment, its findings made on January 7, 2005, in Inquiry No. NQ-2004-005, concerning the dumping of certain carbon steel fasteners originating in or exported from the People's Republic of China (China) and Chinese Taipei and the subsidizing of such goods originating in or exported from China.

[2] As a result of the Tribunal's notice, on April 24, 2014, the Canada Border Services Agency (CBSA) commenced 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 goods.

[3] Three Canadian producers of carbon steel fasteners, Leland Industries Inc. (Leland), H. Paulin & Co. a division of The Hillman Group Canada ULC (H. Paulin) and Pacific Bolt Manufacturing Ltd. (Pacific Bolt) provided responses to the CBSA's Expiry Review Questionnaire (ERQ). In addition, Leland provided a case brief in support of their position that continued or resumed dumping of certain carbon steel fasteners from China and Chinese Taipei and the subsidizing of such goods from China is likely if the current order is allowed to expire.

[4] The CBSA received responses to the ERQ from 28 importers. None of the importers filed a case brief or a reply submission.

[5] The CBSA received responses to the Exporter ERQ from 14 companies. Of the responses, 12 were submitted by companies located in Chinese Taipei, one from China and the other from a company located in the United States of America (USA). None of the companies filed a case brief or a reply submission.

[6] 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.

[7] Analysis of information on the record shows: that fasteners are a commodity product and are sold on the basis of price; the sustained interest in the Canadian market by the exporters in China and Chinese Taipei as evidenced by the value of exports to Canada during the Period of Review (POR); the continued dumping of subject goods into Canada while the order was in place; the substantial production capacity of producers in China; the excess production capacity of certain carbon steel fasteners in Chinese Taipei; the export dependency of exporters of carbon steel fasteners located in Chinese Taipei; the presence in Canada of low-priced imports of carbon steel fasteners from other countries with which exporters from China and Chinese Taipei will likely have to compete with to secure sales; and the numerous anti-dumping measures imposed by the authorities of other countries in respect of fasteners from China.

[8] Analysis of information on the record also shows: the continued availability of subsidy programs for exporters of carbon steel fasteners in China; that subsidized goods were imported into Canada during the POR; the sustained interest in the Canadian market by exporters in China as evidenced by the value of subsidized goods exported during the POR; the GOC's provision of subsidies to its manufacturers within the steel sector; the existence of countervailing measures in Canada and in the USA against steel products from China.

[9] For the foregoing reasons, the President of the CBSA (President), having considered the relevant information on the record, determined on August 21, 2014, under paragraph 76.03(7)(a) of SIMA, that the expiry of the order by the Tribunal in respect of certain carbon steel fasteners originating in or exported from China and Chinese Taipei and the subsidizing of such goods originating in or exported from China is likely to result in:

- i. the continuation or resumption of dumping of the goods into Canada; and
- ii. the continuation or resumption of subsidizing of the goods exported to Canada.

## **BACKGROUND**

[10] On April 28, 2004, following a complaint made by Leland, the President initiated investigations regarding the dumping and subsidizing of carbon steel fasteners and 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 Chinese Taipei.

[11] On December 9, 2004, the President made a final determination of dumping respecting certain carbon steel fasteners and certain stainless steel fasteners originating in or exported from China and Chinese Taipei, and made a final determination of subsidizing of such goods originating in or exported from China.

[12] On the same date, the President terminated the subsidy investigation of such goods originating in or exported from Chinese Taipei.

[13] The Tribunal issued its injury findings on January 7, 2005 in Inquiry No. NQ-2004-005. In its decision, the Tribunal found that the dumping in Canada of certain carbon steel screws originating in or exported from China and Chinese Taipei and the subsidizing of such goods originating in or exported from China had caused injury to the domestic industry. Further, the dumping in Canada of certain stainless steel screws originating in or exported from Chinese Taipei was threatening to cause injury to the domestic industry.

[14] On the same date, the Tribunal found that the dumping in Canada of certain carbon steel and certain stainless steel nuts and bolts originating in or exported from China and Chinese Taipei and the subsidizing of such goods originating in or exported from China had not caused injury and were not threatening to cause injury to the domestic industry. The Tribunal also determined that the volume of dumped and subsidized subject stainless steel screws originating in or exported from China was negligible and thereby terminated its inquiry regarding the dumping and subsidizing of stainless steel screws originating in or exported from China.

[15] Following the Tribunal's initiation of an expiry review of its findings on April 22, 2009, the CBSA commenced, on April 23, 2009, an expiry review concerning the dumping of certain carbon steel fasteners originating in or exported from China and Chinese Taipei and the subsidizing of such goods originating in or exported from China, and the dumping of certain stainless steel fasteners originating in or exported from Chinese Taipei.

[16] On August 20, 2009, the President determined that the expiry of the findings concerning certain carbon steel fasteners originating in or exported from China and Chinese Taipei and certain stainless steel fasteners originating in or exported from Chinese Taipei was likely to result in the continuation or resumption of dumping of the goods, and that the expiry of the findings concerning certain carbon steel fasteners originating in or exported 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 Tribunal continued, with amendment, its findings concerning certain carbon steel fasteners originating in or exported from China and Chinese Taipei and rescinded its finding concerning certain stainless steel fasteners originating in or exported from Chinese Taipei.

[18] Since the Tribunal's order on January 6, 2010, the CBSA has conducted three re-investigations of certain carbon steel fasteners. The CBSA's last re-investigation to update the normal values, export prices and amounts of subsidy was concluded on March 14, 2014.

[19] On March 4, 2014, the Tribunal issued a notice concerning the upcoming expiry of its order.<sup>1</sup> Based on the available documents and submissions filed by the interested parties, the Tribunal decided that an expiry review of the order was warranted. As a result, on April 23, 2014, the Tribunal gave notice<sup>2</sup> and initiated an expiry review of its order made on January 6, 2010. The order was scheduled to expire on January 5, 2015.

[20] On April 24, 2014, the CBSA commenced an expiry review investigation to determine whether the expiry of the order is likely to result in the continuation or resumption of dumping of the goods from China and Chinese Taipei and in the continuation or resumption of subsidizing of the goods from China.

[21] For purposes of the remainder of this report, the terms "certain carbon steel fasteners" and "subject goods" shall hereafter refer strictly to goods subject to the order, and the countries identified, China and Chinese Taipei, shall collectively be referred to as the "Named Countries".

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<sup>1</sup> Exhibits 032(N.C.)/S032(N.C.), Notice of Expiry of Order - Expiry No. LE-2013-003.

<sup>2</sup> Exhibits 030(N.C.)/S030(N.C.), Notice of Expiry Review of Order – Expiry Review No. RR-2014-001.

## **PRODUCT INFORMATION**

### **Product Definition**

[22] The goods subject to the order under review are defined as:

“Certain carbon steel fasteners originating in or exported from the People’s Republic of China and Chinese Taipei, excluding fasteners specifically designed for application in the automotive or aerospace industry”.

[23] Further information on the product definition is found in the attached **Appendix**.

### **Additional Product Information**

[24] A fastener is a mechanical device designed specifically to hold, join, couple, assemble, or maintain equilibrium of two or multiple components.

[25] A screw is a headed and externally threaded mechanical device possessing capabilities which permit it to be inserted into holes in assembled parts, to be mated with a pre-formed internal thread or to form its own thread, and to be tightened or released by torquing its head. Screws are fastener products with an external threading on the shank.

[26] In addition, 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. Also “lag bolts” are in actuality considered to be lag screws and are considered to be subject screws.

[27] Fasteners are used in a wide range of final applications and depending on the usage, they may be un-hardened or heat-treated, either bare or plated, with or without extra corrosion protection, shipped and distributed in bulk or custom packaged and labeled.

## CLASSIFICATION OF IMPORTS

[28] Certain carbon steel fasteners are normally, but not exclusively, imported into Canada under the following Harmonized System (HS) tariff classification numbers of the *Customs Tariff*:

As of January 1, 2012:

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	

Prior to January 1, 2012:

7318.11.00.00	7318.15.90.12	7318.15.90.32
7318.12.00.00	7318.15.90.21	7318.15.90.39
7318.14.00.00	7318.15.90.29	7318.15.90.44
7318.15.90.11	7318.15.90.31	

## PERIOD OF REVIEW

[29] The POR for the CBSA's expiry review investigation is January 1, 2011 to March 31, 2014.

## CANADIAN INDUSTRY

[30] The Canadian industry for carbon steel fasteners is comprised of several producers. The CBSA received responses from two major Canadian producers, namely Leland Industries Inc. (Toronto, Ontario) and H. Paulin & Co., a division of The Hillman Group Canada ULC (Toronto, Ontario) and also received a response from Pacific Bolt Manufacturing Ltd. (New Westminster, British Columbia).

### **Leland Industries Inc.**

[31] Leland was incorporated in 1983 and began manufacturing steel fasteners in 1986. Its head office and manufacturing plant are located in Toronto, Ontario. Leland also has several warehouses and associated sales agent in Canada and in the USA. Over the years, Leland has expanded by offering a full range of carbon steel fasteners as well as other products including stainless steel fasteners, standard and special engineered fasteners, custom and Leland-designed product. Leland also provides custom coatings, platings, assemblies, powder and wet paint and individualized packaging and labelling. It serves the commercial, industrial and residential construction industry, the agricultural sector and original equipment manufacturing industries.

[32] Leland made a few acquisitions during the POR, namely Canadian Threadall Limited, a producer of threaded products which include U-bolts, anchor bolts and threaded rod and the bolt making equipment from Westland Steel Products Ltd. which allows Leland to offer bolts such as hex, wheel, hub plow, tower and structural.<sup>3</sup>

#### **H. Paulin & Co., a division of The Hillman Group Canada ULC**

[33] H. Paulin was founded in 1920, in Toronto, Ontario and was incorporated in 1928. The company has four manufacturing divisions, all located in Ontario, as well as warehouses in Canada and in the USA. Its divisions, Precisions Fasteners and Capital Metals Industries produce carbon steel fasteners. Over the years, H. Paulin has continued to expand its production capacity and product offerings of fasteners. It now manufactures a wide range of standard and custom screws including wood, tapping, deck, floor, particle board, machine and flange screws in carbon steel, brass, silicon, bronze and stainless steel. Furthermore, H. Paulin also produces non-subject fasteners such as, bolts, nuts, washers, rivets, studs and has an investment in the domestic packaging of these fasteners. In early 2013, The Hillman Group Companies, Inc. located in Cincinnati, Ohio purchased H. Paulin & Co., Limited.<sup>4</sup>

#### **Pacific Bolt Manufacturing Ltd.**

[34] Pacific Bolt is located in New Westminster, British Columbia. It has been manufacturing carbon steel fasteners for 24 years. Furthermore, Pacific Bolt has built a full service machine shop that mainly produces specialty fasteners and its own designed products.

### **CANADIAN MARKET**

[35] The imports of carbon steel fasteners over the POR are indicated in Table 1. Information pertaining to Canadian sales of carbon steel fasteners was designated as confidential in nature by the Canadian producers, and is therefore not being reported in the following table:

**Table 1**  
**Imports of Carbon Steel Fasteners<sup>5</sup>**  
**(Value in CAN\$)**

<b>Source</b>	<b>2011</b>	<b>%</b>	<b>2012</b>	<b>%</b>	<b>2013</b>	<b>%</b>	<b>Q1-2014</b>	<b>%</b>
China	11,758,130	13	13,808,293	14	11,208,443	11	2,760,494	11
Chinese Taipei	23,282,707	25	25,871,935	26	28,646,641	29	7,222,720	29
All Other Countries	57,229,446	62	59,716,407	60	60,115,342	60	14,779,991	60
<b>Total Imports</b>	<b>92,270,283</b>	<b>100</b>	<b>99,396,635</b>	<b>100</b>	<b>99,970,426</b>	<b>100</b>	<b>24,763,205</b>	<b>100</b>

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

<sup>3</sup> Exhibits 042(N.C.)/048(N.C.), Various articles relating to the fasteners industry in Canada.

<sup>4</sup> Ibid.

<sup>5</sup> Exhibits 149(N.C.)/S155(N.C.), Final import and market statistics.



## Canadian Industry

[36] During the years 2011 to 2013 inclusively, the domestic producers' share of the Canadian carbon steel fasteners market, in terms of value, was relatively flat, with a slight increase in the first quarter of 2014.<sup>6</sup>

## Imports

[37] In regard to the value of imports from the Named Countries as shown in Table 1 above, imports from China decreased from 13% to 11% from 2011 to 2013, while imports from Chinese Taipei increased from 25% to 29% during the same period. A similar trend is seen for both China and Chinese Taipei respectively when imports from each country are compared to the total Canadian market.

## ENFORCEMENT DATA

[38] As detailed in Table 2 below, the enforcement of the Tribunal's order 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 \$7,003,189. In regard to Chinese Taipei, the CBSA collected \$14,476,832 in anti-dumping duty during the POR.

**Table 2**  
**SIMA Duties Collected<sup>7</sup>**  
**Value in CAN\$**

Named Countries	2011	2012	2013	Q1-2014
China	1,884,622	2,395,551	2,255,288	467,727
Chinese Taipei	4,456,148	4,130,343	4,859,510	1,030,832
<b>Total</b>	<b>6,340,770</b>	<b>6,525,894</b>	<b>7,114,798</b>	<b>1,498,559</b>

## PARTIES TO THE PROCEEDINGS

[39] On April 24, 2014, the CBSA sent ERQs to the domestic producers, exporters (foreign producers) and importers of carbon steel fasteners concerning the expiry review investigation. The GOC was sent an ERQ relating to subsidy. The CBSA also offered to any other interested parties the opportunity to participate in the expiry review investigation.

[40] 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).

<sup>6</sup> Exhibits 150(P.)/S156(P.), Final import and market statistics.

<sup>7</sup> Exhibits 148(N.C.)/S154(N.C.), Final statistics SIMA Duties Collected.

[41] Three Canadian producers, Leland, H. Paulin and Pacific Bolt, provided responses to the ERQ. In addition, Leland provided a case brief, in which they submitted that there is a likelihood of resumed exports of dumped and subsidized goods from China and Chinese Taipei if the current order is allowed to expire.

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

[43] Fourteen companies participated in the expiry review investigation by providing a response to the Exporter ERQ. Of the responses, 12 companies were located in Chinese Taipei, one was located in China and the other was located in the USA. None of the companies filed a case brief or a reply submission.

[44] Six companies expressed their position, through their ERQ responses, in regard to the expiry of the order. Their opinions differed as some importers/exporters submitted that there is a likelihood of continued or resumed dumping while other importers/exporters submitted that there is no likelihood of continued or resumed dumping.

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

[46] The CBSA also received correspondence from 85 companies who stated that they either did not produce, import or export goods pertaining to this expiry review investigation.

## **INFORMATION CONSIDERED BY THE PRESIDENT**

### **Administrative Record**

[47] The information considered by the President 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 Tribunal'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 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 the GOC.

[48] 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 investigation. This is referred to as the "closing of the record date." For this investigation, the closing of the record date was June 12, 2014. 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**

[49] The President 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 President 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 parties to respond to the new information; and
- (e) whether the new information can reasonably be taken into consideration by the President in making the determination.

[50] Parties 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 President can decide whether it will be included in the record for purposes of the determination.

[51] With respect to this expiry review investigation, Earnest Machine Products Co., an exporter located in the USA, submitted responses to the ERQ after the closing of the record date of June 12, 2014.

[52] In addition, a domestic producer, Standard Fasteners Ltd., submitted a letter in regard to Leland's case brief, after the case brief due date of June 23, 2014.

[53] There was no justification provided as to why this information should be considered after the respective due dates and it did not meet conditions of exceptional circumstances. As such, these documents were not considered in the expiry review investigation as they were either received after the closing of the record or after the due date for receipt of case briefs respectively.

## **POSITION OF THE PARTIES - DUMPING**

### **Parties contending that continued or resumed dumping is likely**

#### **Canadian Producers**

[54] One Canadian producer, Leland, filed a case brief.

[55] Leland submitted that the large size of the fastener industries in China and Chinese Taipei, the heavy reliance of their producers on exports and their consistent history of dumping, and exports to Canada and other markets, supports the conclusion that there is a certainty of resumed exports of dumped goods from these countries if the current order expires.<sup>8</sup>

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<sup>8</sup> Exhibits 152(N.C.)/S158(N.C.), Case brief – Leland Industries Inc.

[56] In addition, Leland indicated that the most direct and compelling evidence of the likelihood of continued or resumed dumping and subsidizing of subject goods is the fact that even with an order in place, \$21,480,000 in SIMA duties were collected on imports from both Named Countries during the POR.

[57] Furthermore, Leland's case brief also elaborated on the following eight major factors:<sup>9</sup>

- The global fastener business finds itself in the aftermath of one of the most serious recessions in the last fifty years (2008-2010), a crisis that caused major economic declines and from which Canada and other economies are still recovering;
- That recession resulted in a drop in fastener demand in China and Chinese Taipei and throughout Asia and other world markets. That lower demand remains a factor today as the global recovery slowly continues. While Canada is in reasonable economic shape, in some markets, like the European Union (EU) and some Asian countries, fastener demand remains soft;
- China and Chinese Taipei are the world's largest fastener producers, including the subject goods, with large excess capacity. With the continuing global slowdown, they have even greater excess capacity and the commercial incentive to liquidate that capacity by exporting subject goods wherever an opportunity presents itself;
- As a general commercial strategy, producers in China and Chinese Taipei are highly export-oriented even under normal economic conditions. Their export incentives are magnified by the post-recession effects of reduced demand in their own markets;
- There are hundreds of exporters in China and Chinese Taipei plus trading companies and their affiliated importers active on world markets, looking for places to sell the subject goods at low prices;
- Exporters in the Named Countries have maintained a significant commercial presence in Canada since 2009 and have continued to export dumped goods to Canada during the entire POR. Moreover, significant SIMA duties were collected during the POR.
- Because the goods are interchangeable (or "fungible") commodities, it is the lowest price that is the deciding factor in making a sale. This low-price factor encourages price undercutting from China and Chinese Taipei with dumped goods;
- Fasteners from China and Chinese Taipei and related steel products are subject to trade remedies in numerous countries around the globe. These foreign actions are evidence of a pattern of producers in China and Chinese Taipei exporting dumped product to world markets.

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<sup>9</sup> Exhibits 152(N.C.)/S158(N.C.), Case brief – Leland Industries Inc.

## **Parties contending that continued or resumed dumping is unlikely**

[58] No case briefs or reply submissions were submitted contending that the dumping of certain carbon steel fasteners is not likely to continue or resume if the order is rescinded.

## **CONSIDERATION AND ANALYSIS - DUMPING**

[59] 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, the President may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

[60] Before presenting a country by country analysis concerning the likelihood of continued or resumed dumping in the absence of the Tribunal's order, there are certain issues that relate to the goods on a broader scale, which are as follows:

### **Commodity Nature of Carbon Steel Fasteners**

[61] As noted by the Tribunal in its 2005 findings and in its 2010 order, carbon steel fasteners are commodity products driven by price. The subject carbon steel screws from China and Chinese Taipei and the like goods generally compete largely on price. This means that these fasteners must compete in a market that is price sensitive, and where price is a major factor affecting customer purchasing decisions.<sup>10</sup>

### **Fasteners Market Developments and Trends**

[62] As per the International Monetary Fund (IMF), global economic activity is projected to strengthen to 3.6% in 2014 and to further increase to 3.9% in 2015. For 2014, the IMF projects the economy in the USA, the Euro Area, Canada and China will grow by 2.8%, 1.2%, 2.3% and 7.5% respectively.<sup>11</sup> The projected growth of many countries around the world should spur growth in durable goods output which largely determines worldwide fastener demand.<sup>12</sup>

[63] The global market for industrial fasteners is expected to climb 5.2% per year to US\$82.9 billion in 2016.<sup>13</sup> The industrial fastener demand in the USA is projected to rise 4.3% per year to US\$14.8 billion in 2017,<sup>14</sup> while sales of industrial fasteners in Canada are forecasted to increase 2.2% per year through 2016 to US\$1.9 billion.<sup>15</sup>

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<sup>10</sup> Exhibits 037(N.C.)/S037(N.C.), Findings and Reasons (January 7, 2005) and 040(N.C.)/S040(N.C.), Orders and Reasons (January 6, 2010).

<sup>11</sup> Exhibits 049(N.C.)/S055(N.C.), World Economic Outlook, International Monetary Fund, April 2014.

<sup>12</sup> Exhibits 147(N.C.)/S153(N.C.), World Sales to Climb 5.2% Annually Through 2016.

<sup>13</sup> Exhibits 147(N.C.)/S153(N.C.), World Demand for Industrial Fasteners to Approach US\$83 billion in 2016, March 4, 2013.

<sup>14</sup> Exhibits 048(N.C.)/S054(N.C.), US Industrial Fasteners Market, American Fastener Journal, April 29, 2014.

<sup>15</sup> Exhibits 147(N.C.)/S153(N.C.), World Demand for Industrial Fasteners to Approach US\$83 billion in 2016, March 4, 2013.

[64] Industrial fastener price increases are expected to be restricted due to the increased competition from fastener producers in lower-cost regions and from moderating raw material costs. Furthermore, fastener products are expected to continue to face competition from alternative joining technologies such as adhesives, clinching and welding.<sup>16</sup>

## **LIKELIHOOD OF CONTINUED OR RESUMED DUMPING**

[65] Guided by the factors in the aforementioned subsection 37.2(1) of the SIMR and having considered the information on the administrative record, the ensuing list represents a summary of the CBSA's analysis conducted in this expiry review investigation with respect to dumping:

- fasteners are a commodity product and are sold on the basis of price;
- the sustained interest in the Canadian market by the Named Countries as evidenced by the value of exports to Canada during the POR;
- the anti-dumping duties collected throughout the POR;
- the excess production capacity in the Named Countries;
- the presence in Canada of low-priced imports of carbon steel fasteners from countries with which exporters from the Named Countries likely would have to compete with to secure sales; and
- the evidence concerning the imposition of anti-dumping measures by a country other than Canada in respect of similar goods.

[66] The following analysis of the likelihood of continued or resumed dumping begins with China, followed by Chinese Taipei.

### **China**

[67] The CBSA received a response to the ERQ from one exporter located in China, Zhejiang Qifeng Hardware Make Co., Ltd. (Zhejiang Qifeng).

[68] Zhejiang Qifeng did not participate in the CBSA's last re-investigation. The exporter made no comments concerning the current or future anticipated state of the carbon steel fasteners markets, nor did it file a case brief or reply submission. Further, no case briefs or reply submissions were received from any of the importers of subject goods during the POR. The GOC did not provide a case brief or reply submission.

[69] Due to the limited participation, the CBSA relied on other information on the record in assessing the likelihood of continued or resumed dumping should the Tribunal's order be rescinded.

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<sup>16</sup> Exhibits 048(N.C.)/S054(N.C.), US Industrial Fasteners Market, American Fastener Journal, April 29, 2014.

[70] During the POR, the CBSA has collected significant amounts of anti-dumping and countervailing duties with respect to imports of subject goods from China, as noted in Table 2. In total, the CBSA collected \$7,003,189 of SIMA duties during the POR. Of note, from 2011 to 2012, SIMA duties collected increased by 27% and slightly decreased by 5.9% from 2012 to 2013. The amount of SIMA duties collected indicate that exporters from China continue to have an interest in the Canadian market and demonstrate a likelihood of the continuation or resumption of dumping in the absence of the current order.

[71] In terms of the likely future performance of exporters in China, it is noted that the exporters have maintained a presence in the Canadian market with respect to certain carbon steel fasteners. As shown in Table 1, in 2011, 2012 and 2013, imports from China of certain carbon steel fasteners into Canada, represented respectively 13%, 14% and 11% of the total import value of carbon steel fasteners. This relatively stable market share of the total import value demonstrates that exporters from China still have a sustained interest in the Canadian market.

[72] China is the world's biggest producer of screws, nuts, bolts and washers.<sup>17</sup> Information on the record indicates that there are numerous producers of fasteners in China. For example, it was reported that the China Fastener Industry Association is comprised of nearly 500 fastener manufacturers.<sup>18</sup> China Fastener Info reported that China's metal fastener output was 6.4 million tons in 2013.<sup>19</sup> As per information previously obtained by the CBSA during the last expiry review, it was estimated that the fastener industry in China had produced 2.2 million tons of fasteners in 2007.<sup>20</sup> That represents a significant production increase of 191% from 2007 to 2013.

[73] In addition, it was reported that in 2013 exports of fasteners in China accounted for 2.6 million tons (41% of the total production).<sup>21</sup> The fact that in 2013 China exported 2.6 million tons of fasteners in comparison to the 2.2 million tons it produced in 2007 strongly demonstrates the export orientation of the fastener industry in China.

[74] With respect to the unused capacity utilization rates of producers in China, the CBSA is not able to conduct a detailed analysis of these rates as there is insufficient information on the record. However, Zhejiang Qifeng, the only exporter from China who provided a response to the ERQ, did report unused capacity of 6% in 2013.<sup>22</sup> In addition, Kwantex Research Inc., an exporter from Chinese Taipei, reported it had 33% of unused capacity in 2013 pertaining to certain carbon steel fasteners at its manufacturing facility in China.<sup>23</sup>

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<sup>17</sup> Exhibit 147(N.C.), Association Asks EU to Drop Anti-dumping Measures on Chinese Steel Fasteners.

<sup>18</sup> Ibid.

<sup>19</sup> Exhibit 043(N.C.), 2013 China's Metal Fastener Output.

<sup>20</sup> Exhibit 039(N.C.), Statement of Reasons, September 4, 2009.

<sup>21</sup> Exhibit 147(N.C.), Five Regions Fastener Association.

<sup>22</sup> Exhibit 138(N.C.), Zhejiang Qifeng ERQ response.

<sup>23</sup> Exhibit 135(N.C.), Kwantex Research Inc. ERQ response.

[75] Moreover, Chun Yu, one of the largest producers of carbon steel fasteners in Chinese Taipei reported in its ERQ response that it had established a new plant in China in 2011 which was capable of producing carbon steel fasteners.<sup>24</sup> Furthermore, two manufacturers from China, Ningbo Fastener Factory and Xiamen Haixingcheng (Bomin) Metal Products Co., Ltd. stated that there was a production overcapacity in the fastener industry in China.<sup>25</sup> This information reveals that there was unused production capacity of carbon steel fasteners in China in 2013 and that production capacity for carbon steel fasteners was added during the POR.

[76] Over the past three decades, China's economy has grown rapidly at an average of approximately 10% every year.<sup>26</sup> However, in 2013, the economy had decelerated to 7.7% and the gross domestic product is projected to moderate even further to 7.5% in 2014 and to 7.3% in 2015.<sup>27</sup> Meanwhile, the production of fasteners in China is estimated to reach 7 million tons in 2014 which represents a year-over-year increase of 9.4%.<sup>28</sup> As China's domestic economy slows, it is likely that producers in China of carbon steel fasteners will depend more on foreign markets to absorb their excess production and they may have to compete more aggressively on pricing to gain market shares.

[77] Information on the record indicates that the fastener market is more competitive than before the POR due to the rise, within the fastener industry, of Southeast Asian countries such as Indonesia, Malaysia, Philippines, Thailand and Vietnam.<sup>29</sup> Documents on the record also indicate that fastener producers located in the Named Countries have established and continue to establish production facilities in some of these countries in response to anti-dumping measures as well as to benefit from lower production costs. For example, Linkwell Industry Co., Ltd.<sup>30</sup> (Linkwell) opened plants in Malaysia (2005) and Indonesia (2013) and it started to invest in a plant in Thailand in 2013.<sup>31</sup>

[78] In regard to the apparent Canadian market of carbon steel fasteners, imports statistics from the CBSA confirm that several of those countries, namely Malaysia, Thailand and Vietnam have a strong presence in Canada while confidential ERQ responses from importers show that unit import prices into Canada of carbon steel fasteners from Malaysia were lower than the unit import prices from China during the POR.

[79] As carbon steel fasteners are a commodity product sensitive to price fluctuations, given the increased competition from low-priced countries, it is reasonable to assume that the price of fasteners will continue to be increasingly competitive. Given this increased competition in the market, the exporters in China may not be able to compete in the Canadian marketplace at

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<sup>24</sup> Exhibits 079(N.C.) and 134(N.C.), Chun Yu Works & Co., Ltd. ERQ response and correspondence.

<sup>25</sup> Exhibit 147(N.C.), Ningbo Fastener Factory: A Time-Honored Factory and 2012 China fastener overcapacity development trend analysis.

<sup>26</sup> Exhibit 049(N.C.), World Economic Outlook, IMF, April 2014, p.36.

<sup>27</sup> Ibid, p.59.

<sup>28</sup> Exhibit 147(N.C.), Five Regions Fastener Association.

<sup>29</sup> Exhibit 107(N.C.), Sheh Fung Screws Co., Ltd. ERQ response.

<sup>30</sup> Linkwell is located in Chinese Taipei and it also has an associated company, Fastwell Industry Co., Ltd., located in China.

<sup>31</sup> Exhibit 147(N.C.) – Excerpt from Fastener Emerging Markets – Linkwell Industry Co., Ltd. – A Heart Given is a Heart Gained.



non-dumped prices.

[80] Another factor in assessing the likelihood of continued or resumed dumping of certain carbon steel fasteners is evidence of the imposition of anti-dumping measures by authorities other than Canada in respect of goods of the same description or similar goods. Based on the information on the record, there are currently two anti-dumping measures in force regarding carbon steel fasteners and three anti-dumping measures in force regarding other fasteners.

[81] On January 26, 2009, the EU imposed anti-dumping duties on carbon steel fasteners from China. The applicable anti-dumping duty rates ranged from 26.5% to 79.5%, with an all other company rate of 85.0%.<sup>32</sup>

[82] On July 18, 2011, the EU extended the anti-dumping duties imposed on carbon steel fasteners from China to imports of carbon steel fasteners from Malaysia whether declared as originating in Malaysia or not. The decision was made further to evidence indicating that the anti-dumping measures on imports of carbon steel fasteners originating from China were being circumvented by means of transshipment via Malaysia.<sup>33</sup>

[83] It is worth noting, that in 2013, the EU also extended the anti-dumping duties on imports of certain stainless steel fasteners from China to imports of certain stainless steel fasteners consigned from the Philippines whether declared as originating in the Philippines or not as it was determined that the anti-dumping measures were circumvented.<sup>34</sup> Although stainless steel fasteners are not subject to the Tribunal's order, stainless steel fasteners may also be produced by the manufacturers of carbon steel fasteners.

[84] The circumvention of the anti-dumping measures shows how critical export markets are to the manufacturers in China and the extent to which some of them will go in order to have access to these markets.

[85] On October 4, 2012, the EU issued revised anti-dumping duty rates on carbon steel fasteners from China as it was determined that the EU had acted inconsistently with certain articles of the WTO *Anti-dumping Agreement*. Further to the reassessment of the original finding, the EU maintained its injury finding in the 2009 investigation and revised the anti-dumping duty rates slightly downwards. The revised rates ranged from 22.9% to 69.7%, with an all other company rate of 74.1%.<sup>35</sup>

[86] Fastener World reported that in 2007 the EU imported 633,000 tons of subject carbon steel fasteners from China compared to only 19,000 tons in 2012 after anti-dumping duties were levied in 2009 therefore causing a great impact on the fastener industry in China.<sup>36</sup>

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<sup>32</sup> Exhibit 050(N.C.), Council Regulation, EC No. 91/2009, 26 January 2009, Official Journal of the European Union.

<sup>33</sup> Exhibit 050(N.C.), Council Implementing Regulation, EU No. 723/2011, 18 July 2011, Official Journal of the European Union.

<sup>34</sup> Exhibit 050(N.C.), Council Implementing Regulation, EU No. 205/2013, 7 March 2013, Official Journal of the European Union.

<sup>35</sup> Exhibit 050(N.C.), Council Implementing Regulation, EU No. 924/2012, 4 October 2012, Official Journal of the European Union.

<sup>36</sup> Exhibit 046(N.C.), Fastener World, p 232.

[87] On January 30, 2014, the EU issued a notice of initiation of an expiry review of the anti-dumping measures applicable to the imports of carbon steel fasteners originating from China.<sup>37</sup> The request for the review was filed by the European Industrial Fasteners Institute on behalf of producers which represented more than 25% of the production of certain iron or steel fasteners in the EU. The investigation is scheduled to be concluded within 15 months of the publication of the notice.

[88] It was reported that the EU will remain the economy with the second largest fastener demand, only second to the USA.<sup>38</sup> Jay Hu, the General Manager of Shanghai Minmetals, made the following comments during an interview in regard to its expected sales performance in 2014: “... *I don't think the fastener market will be much improved in 2014, especially when the EU has initiated an expiry review of the anti-dumping measures applicable to imports of certain iron or steel fasteners originating in China, which eliminates the hope of those who want to enter the European market again.*”<sup>39</sup>

[89] In addition to the EU, the Republic of Colombia imposed anti-dumping duties effective February 26, 2009 on carbon steel screws imported from China.<sup>40</sup>

[90] In addition to the trade actions noted above, the Republic of South Africa has anti-dumping measures currently in force on bolts and nuts of iron or steel and also on fully threaded screws with hexagon heads originating from China<sup>41</sup>, while Mexico has anti-dumping measures currently in force on nuts of carbon steel originating from China.<sup>42</sup> While these three trade actions are not specific to the carbon steel fasteners subject to this expiry review investigation, it does indicate a propensity to dump by the exporters of fasteners in China.

[91] Also of note, is that there are anti-dumping measures currently in force on wire rods from China. Wire rods are used as raw material in the production of fasteners. The EU, Malaysia and Thailand currently have anti-dumping measures on imports of wire rod from China<sup>43</sup> while the USA has initiated anti-dumping and subsidy investigations on carbon and alloy steel wire rod from China.<sup>44</sup>

[92] The number of anti-dumping measures in jurisdictions other than Canada against imports of fasteners from China is clear evidence that exporters of fasteners in China have a propensity to dump these products into foreign markets.

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<sup>37</sup> Exhibit 050(N.C.), Notice of initiation of an expiry review, (2014/C 27/11), Official Journal of the European Union.

<sup>38</sup> Exhibit 046(N.C.), Fastener World, p 117.

<sup>39</sup> Exhibit 043(N.C.), Impacts and Challenges of Anti-dumping Measures on Chinese Fastener Exporters.

<sup>40</sup> Exhibit 051(N.C.), Columbia Semi-annual Report of Anti-Dumping Actions, WTO, 21 March 2014.

<sup>41</sup> Exhibit 051(N.C.), Columbia Semi-annual Report of Anti-Dumping Actions, WTO, 21 March 2014.

<sup>42</sup> Exhibit 051(N.C.), Columbia Semi-annual Report of Anti-Dumping Actions, WTO, 21 March 2014.

<sup>43</sup> Exhibits 051(N.C.) and 146(N.C.), European Union Semi-annual Report of Anti-Dumping Actions, WTO, 14 March 2014 and Enquiry Results Wire Rod Measures, WTO.

<sup>44</sup> Exhibit 043(N.C.), U.S. Trade Case on Wire Rod Called “Game Changer”.

## **President's Determination - China - Dumping**

[93] Based on information on the record in respect of: the fact that fasteners are a commodity product and are sold on the basis of price; the sustained interest in the Canadian market by the exporters from China as evidenced by the value of exports to Canada during the POR; the continued dumping of subject goods into Canada while the order was in place; the substantial production capacity of producers in China; the presence in Canada of low-priced imports of carbon steel fasteners from other countries with which exporters from China will likely have to compete with to secure sales; and the numerous anti-dumping measures imposed by the authorities of other countries in respect of fasteners, the President determined that the expiry of the order is likely to result in the continuation or resumption of dumping into Canada of certain carbon steel fasteners originating in or exported from China.

## **Chinese Taipei**

[94] The CBSA received responses to the Exporter ERQ from 12 companies comprised of producers and vendors located in Chinese Taipei. The companies that provided a response were:

- Chaen Wei Corporation (Chaen Wei);
- Chun Yu Works Co., Ltd. (Chun Yu);
- CPC Fasteners International Co., Ltd. (CPC Fasteners);
- De Hui Screw Industry Co., Ltd. (De Hui);
- Easylink Industrial Co., Ltd. (Easylink);
- Honor Best Co., Ltd. (Honor Best);
- Jau Yeou Industry Co., Ltd. (Jau Yeou);
- Kind-Auspice Industrial Co., Ltd. (Kind-Auspice);
- Kwantex Research Inc. (Kwantex);
- Masterpiece Hardware Industrial Co., Ltd. (Masterpiece);
- Racing Point Industry Co., Ltd. (Racing Point); and
- Sheh Fung Screws Co., Ltd.; (Sheh Fung)

[95] None of these companies submitted a case brief or a reply submission for the President to consider in making a determination. Furthermore, no importers of subject goods from Chinese Taipei filed a case brief or reply submission.

[96] Of the 12 respondents to the ERQ, 11 had a 100% export orientation in regard to fasteners and these 11 exporters had normal values determined in the last re-investigation.<sup>45</sup> Chun Yu, the only company who had both domestic and export sales of fasteners did not export subject goods to Canada during the POR.

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<sup>45</sup> Exhibit 041(N.C.), Notice of Conclusion of Re-investigation (March 14, 2014).

[97] During the POR, the CBSA has collected significant amounts of anti-dumping duties with respect to imports of subject goods from Chinese Taipei, as noted in Table 2. In total, the CBSA collected \$14,476,832 of SIMA duties during the POR. The amount of SIMA duties collected indicates that exporters from Chinese Taipei continue to have an interest in the Canadian market and demonstrate a likelihood of the continuation or resumption of dumping in the absence of the current order.

[98] In regard to the fastener industry in Chinese Taipei, the country's output in New Taiwan Dollars (NTD) totalled NTD 128.7 billion in 2011, NTD 121.3 billion in 2012 and NTD 123.9 billion in 2013. During each of these years, Chinese Taipei exported over 90% of its output of fasteners thus demonstrating the very strong export dependency of the fastener industry in Chinese Taipei.<sup>46</sup>

[99] Chinese Taipei is the second largest exporter of fasteners in the world. With more than 1,250 fastener factories, the country is called the "Kingdom of Fasteners".<sup>47</sup> Exports of fasteners by Chinese Taipei, expressed in volume (tonnes) and in value (US\$) were: 1.42 million tonnes with a value of US\$ 3.97 billion in 2011, 1.38 million tonnes with a value of \$ 3.80 billion in 2012 and 1.46 million tonnes with a value of US\$ 3.86 billion in 2013.<sup>48</sup> In 2014, there is an even more optimistic outlook for the year's exports. It is estimated that exports of fasteners in terms of value will increase to US\$ 3.93 billion.<sup>49</sup>

[100] Another point of observation is that most of the fastener exports by Chinese Taipei are standard goods while most of the imports into Chinese Taipei are high-value added screws for the automotive and construction applications.<sup>50</sup>

[101] There is also information on the record regarding exports of goods classified under HS Code 7318.<sup>51</sup> For the year 2013, the largest export markets of fasteners for Chinese Taipei were the USA followed by Germany, Japan, Netherlands, with Canada ranked at number six.<sup>52</sup> Therefore, it is clear that exporters from Chinese Taipei consider the Canadian market to be an important export market destination for fasteners.

[102] In terms of the likely future performance of exporters from Chinese Taipei, the exporters have maintained a presence in the Canadian market with respect to subject goods. As shown in Table 1, in 2011, 2012 and 2013, imports of subject goods from Chinese Taipei into Canada, expressed in terms of value, captured respectively 25%, 26% and 29% of the total import value of carbon steel fasteners. This increase in market share of the total import value demonstrates that exporters in Chinese Taipei still have a sustained interest in the Canadian market.

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<sup>46</sup> Exhibit 147 (N.C.) – Taiwan Fastener Review for 2013.

<sup>47</sup> Exhibit 044(N.C.) – Introduction of Taiwan Industrial Fasteners Institute.

<sup>48</sup> Exhibit 147(N.C.) – Five Regions Fastener Association.

<sup>49</sup> Exhibit 046(N.C.), Fastener World p. 232, NTD 117.5 billion converted to US\$ based on the exchange rate of 1 NTD = 0.0334812 US\$.

<sup>50</sup> Exhibit 147(N.C.) – Five Regions Fastener Association.

<sup>51</sup> Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter-pins, washers (including spring washers) and similar articles, or iron or steel.

<sup>52</sup> Exhibit 046(N.C.), Fastener World p. 236.

[103] In respect to the producers' excess capacity, the responses to the ERQ from exporters in Chinese Taipei clearly demonstrates that the volume of available production capacity for certain carbon steel fasteners in 2013 is significant in comparison to the sales in Canada of domestic production of carbon steel fasteners by the domestic producers.<sup>53</sup> For the year 2013, the available excess production capacity of those producers was greater than the sales of the domestic producers in Canada.

[104] In regard to additional capacity which has recently come on stream or which is anticipated over the next few years, one producer, in its confidential ERQ response, indicated that it had increased its capacity by 9% in 2013. Furthermore, Your Choice Fasteners & Tools Co., Ltd., who produces and exports fasteners such as self-drilling/tapping screws, drywall/chipboard/roofing screws etc. has invested four million U.S. dollars which will increase its production capacity by three times.<sup>54</sup>

[105] Based on the limited information in terms of excess capacity and new additional production capacity from producers in Chinese Taipei, it can be seen that even if only a fraction of this capacity would be directed to Canada, it would dwarf the domestic producers in regard to their sales in the Canadian market.

[106] Information on the record indicates that the fastener market is more competitive than before the POR due to the rise, within the fastener industry, of Southeast Asian countries such as Indonesia, Malaysia, Philippines, Thailand and Vietnam.<sup>55</sup> Furthermore, in terms of competition, evidence also indicate that fastener producers located in the Named Countries have established and continue to establish production facilities in some of these countries in response to anti-dumping measures as well as to benefit from lower production costs. For example, Linkwell<sup>56</sup> opened plants in Malaysia (2005) and Indonesia (2013) and it started to invest in a plant in Thailand in 2013.<sup>57</sup>

[107] In regard to the apparent Canadian market of carbon steel fasteners, imports statistics from the CBSA confirm that several of those countries, namely Malaysia, Thailand and Vietnam have a strong presence in Canada while confidential ERQ responses from importers show that unit import prices into Canada of carbon steel fasteners from Malaysia were lower than the unit import prices from Chinese Taipei during the POR.

[108] Moreover, in regard to the Canadian market, Honor Best indicated that its sales' volume of subject goods showed a declining trend due to the competition.<sup>58</sup> Two exporters in Chinese Taipei stated in their confidential ERQ response that their pricing in Canada was lower than in other export markets.

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<sup>53</sup> Exhibits 090(P.), 095(P.) and 144(P.), responses to the ERQ.

<sup>54</sup> Exhibit 147(N.C.) – Your Choice Fasteners & Tools Co., Ltd.

<sup>55</sup> Exhibit 107(N.C.), Sheh Fung Screws Co., Ltd., response to the ERQ.

<sup>56</sup> Linkwell is located in Chinese Taipei and it also has an associated company, Fastwell Industry Co., Ltd., located in China.

<sup>57</sup> Exhibit 147(N.C.) – Excerpt from Fastener Emerging Markets – Linkwell Industry Co., Ltd. – A Heart Given is a Heart Gained.

<sup>58</sup> Exhibit 063(N.C.), response to the ERQ.

[109] In examining the economic activity in Chinese Taipei, the evidence on the record shows that there has been a slowdown in the market for fastener products. Chun Yu, a Taiwanese pioneer in the fastener industry, indicated that Chinese Taipei was in a recession during the years 2012 and 2013. Chun Yu also indicated that the conditions were better in 2014 and that it could not predict 2015.<sup>59</sup>

[110] As per the country's economic condition and the export orientation of the fastener industry in Chinese Taipei, it is likely that exporters will have added pressure to make sales in foreign markets.

[111] As carbon steel fasteners are a commodity product sensitive to price fluctuations, given the increased competition from low-priced countries, it is reasonable to assume that the price of fasteners will continue to be increasingly competitive. As a result, the exporters in Chinese Taipei may not be able to compete in the Canadian marketplace at non-dumped prices.

[112] Another factor in assessing the likelihood of continued or resumed dumping of subject goods is the existence of anti-dumping actions against fastener exports from Chinese Taipei in jurisdictions other than Canada. Based on the information on the record, the EU levied anti-dumping duties on stainless steel fasteners from Chinese Taipei in January 2012 for a period of 5 years.<sup>60</sup> While this trade action is not specific to the subject goods pertaining to this expiry review investigation, as many producers in Chinese Taipei manufacture both carbon and stainless steel fasteners, it does indicate a propensity to dump by the exporters of fasteners in Chinese Taipei.

### **President's Determination - Chinese Taipei - Dumping**

[113] Based on information on the record in respect of: the fact that fasteners are a commodity product and are sold on the basis of price; the sustained interest in the Canadian market by the exporters from Chinese Taipei as evidenced by the value of exports to Canada during the POR; the continued dumping of subject goods into Canada while the order was in place; the excess production capacity of certain carbon steel fasteners in Chinese Taipei; the export dependency of exporters of carbon steel fasteners located in Chinese Taipei; and the presence in Canada of low-priced imports of carbon steel fasteners from other countries with which exporters from Chinese Taipei will likely have to compete with to secure sales, the President determined that the expiry of the order is likely to result in the continuation or resumption of dumping into Canada of certain carbon steel fasteners originating in or exported from Chinese Taipei.

### **PRESIDENT'S DETERMINATION – DUMPING**

[114] Based on the foregoing consideration of pertinent factors and analysis of information on the record, the President determined that the expiry of the order respecting certain carbon steel fasteners originating in or exported from the People's Republic of China and Chinese Taipei, in

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<sup>59</sup> Exhibit 079(N.C.), response to the ERQ.

<sup>60</sup> Exhibit 050(N.C.), Council Implementing Regulation, EU No. 2/2012, 4 January 2012, Official Journal of the European Union.

Expiry Review No. RR-2009-001, issued by the Tribunal on January 6, 2010, is likely to result in the continuation or resumption of dumping of the goods into Canada.

## **POSITION OF THE PARTIES - SUBSIDIZING**

### **Parties contending that continued or resumed subsidizing is likely**

#### **Canadian Producers**

[115] One Canadian producer, Leland, made representations concerning subsidizing in China.

[116] In its case brief, Leland submitted that the large size of the fastener industry in China, the heavy reliance of their producers on exports and their consistent history of subsidizing exports to Canada and other markets supports the conclusion that there is a certainty of resumed exports of subsidized goods from China if the current order expires.<sup>61</sup>

[117] In addition, Leland indicated that the most direct and compelling evidence of the likelihood of continued or resumed dumping and subsidizing of subject goods is the fact that even with an order in place, \$21,480,000 in SIMA duties were collected on imports from the Named Countries during the POR.

[118] Leland also remarked that producers in China have been found to be exporting subsidized steel products to Canada and other jurisdictions.<sup>62</sup>

### **Parties contending that continued or resumed subsidizing is unlikely**

[119] No case briefs or reply submissions were submitted contending that the subsidizing of certain carbon steel fasteners is not likely to continue or resume if the order is rescinded.

## **CONSIDERATION AND ANALYSIS - SUBSIDIZING**

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

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<sup>61</sup> Exhibits S158(N.C.), Case brief – Leland Industries Inc.

<sup>62</sup> Ibid.

## LIKELIHOOD OF CONTINUED OR RESUMED SUBSIDIZING

[121] Guided by the factors in the aforementioned subsection 37.2(1) of the SIMR and having considered the information on the administrative record, the ensuing list represents a summary of the CBSA's analysis conducted in this expiry review investigation with respect to subsidizing:

- continued availability of subsidy programs for exporters of carbon steel fasteners in China;
- the fact that subsidized goods were imported during the POR;
- the sustained interest in the Canadian market by exporters from China as evidenced by the values of subsidized goods exported during the POR;
- the GOC's provision of subsidies to its manufacturers within the steel sector; and
- the countervailing measures in Canada and in the USA against steel products from China.

[122] As noted above, only one exporter of certain carbon steel fasteners from China, Zhejiang Qifeng, provided a response to the ERQ, but did not file a case brief or reply submission. Further, no case briefs or reply submissions were received from any of the importers of subject goods during the POR. The GOC did not provide a response to the ERQ, nor did the GOC provide a case brief or reply submission.

[123] In light of the limited participation of exporters from China, importers of subject goods and the lack of participation by the GOC, the CBSA relied on other information on the record in assessing the likelihood of continued or resumed subsidizing should the Tribunal order be rescinded.

[124] Since the Tribunal's order on January 6, 2010, the CBSA has conducted one re-investigation to update amounts of subsidy. This re-investigation was initiated on October 21, 2013.

[125] The Request for Information (RFI) sent to exporters at that time included 174 potential subsidy programs which were identified at the original investigation, as well as those identified from any other investigation or new source that suggested the program may be applicable to the carbon steel fasteners sector.

[126] On March 14, 2014, the CBSA concluded the re-investigation to update amounts of subsidy.

[127] Six exporters from China participated fully in the last subsidy re-investigation. The GOC did not participate in the subsidy re-investigation. Consequently, the CBSA has limited information concerning the details of the subsidy programs that were determined to be countervailable.



[128] The six exporters who responded to the RFI were found to have benefitted from five of the potential subsidy programs and from two additional programs during the subsidy Period of Investigation (January 1, 2012 to September 30, 2013). The following is a list of the subsidy programs from which the exporters were found to have benefitted:

- *Grant - Water Pollution Control Special Fund for Taihu Lake*
- *International Market Fund for Small and Medium Sized Export Companies*
- *Refund from Government for Participating in Trade Fair*
- *Tax Preference Available to Companies that Operate at a Small Profit*
- *Exemption of Tariff and Import VAT for the Imported Technologies and Equipment*
- *Haiyan Power Generator Grant*
- *Fiscal Support for Economic Development in Wai Gao Qiao Bonded Zone*

[129] Company-specific amounts of subsidy were calculated for each of the exporters. The amount of subsidy for all other exporters was determined to be 1.25 Renminbi per kilogram, in accordance with a ministerial specification pursuant to subsection 30.4(2) of SIMA.<sup>63</sup>

[130] Detailed descriptions of the programs and explanations as to why they were regarded as countervailable subsidies are contained in the CBSA exporter ruling letters issued at the conclusion of the re-investigation.<sup>64</sup>

[131] The results of the conclusion of the subsidy re-investigation represent the best information available, which is that subsidy programs continue to be available to exporters of carbon steel fasteners in China.

[132] As noted earlier, the GOC did not provide a response to the ERQ for this expiry review investigation. As a result, the CBSA relied on the information on the record, including publicly available data.

[133] Producers in China have continued to maintain a strong presence in the Canadian market while the order was in place as evidenced in Table 1.

[134] Since the Tribunal continued, with amendment, its findings concerning certain carbon steel fasteners, subject goods have continued to be assessed countervailing duties, as evidenced in Table 2.

[135] As noted in the analysis of likelihood of continued or resumed dumping, information on the record indicates that there are many producers of fasteners in China<sup>65</sup> and that their production of fasteners had increased by 191% from 2007 to 2013.

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<sup>63</sup> Exhibit S041(N.C.), Notice of Conclusion of Re-investigation - Certain Carbon Steel Fasteners, March 14, 2014.

<sup>64</sup> Exhibit S042(P.) to Exhibit S047(P.), Exporter ruling letters.

<sup>65</sup> Exhibit 147(N.C.), Association Asks EU to Drop Anti-dumping Measures on Chinese Steel Fasteners.

[136] Also noted in the analysis of likelihood of continued or resumed dumping, documents on the record show that producers of fasteners in China rely heavily on export markets. The fact that in 2013 China exported 2.6 million tons of fasteners in comparison to the 2.2 million tons it produced in 2007 strongly demonstrates the export orientation of the fastener industry in China.

[137] In Canada, in addition to the order respecting certain carbon steel fasteners, there are other countervailing measures in place respecting steel products originating in or exported from China, namely:

- *Certain Seamless Carbon or Alloy Steel Oil and Gas Well Casing* (2008)
- *Certain Carbon Steel Welded Pipe* (2008)
- *Certain Oil Country Tubular Goods* (2010)
- *Certain Steel Grating* (2011)
- *Certain Pup Joints* (2012)
- *Certain Stainless Steel Sinks* (2012); and
- *Certain Steel Piling Pipe* (2012).

[138] The existence of these other countervailing measures is a further indication that the GOC continues to provide subsidies to producers of steel products and likely will continue to do so in the future.

[139] There are also numerous countervailing measures in force in the USA against steel products from China (such as, *Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe*, *Certain Steel Grating*, *Circular Welded Carbon Quality Steel Line Pipe*, *Drawn Stainless Steel Sinks*, *Drill Pipe*, *Light-Walled Rectangular Pipe and Tube* and *Oil Country Tubular Goods*)<sup>66</sup> that generally illustrate the continued propensity of producers in China to export subsidized steel products into foreign markets.

[140] The existence of these other countervailing measures is a further indication that the GOC continues to provide subsidies to its producers of steel products and likely will continue to do so in the future.

## **PRESIDENT'S DETERMINATION – SUBSIDIZING**

[141] Based on the information on the record in respect of: the continued availability of subsidy programs for exporters of carbon steel fasteners in China; the fact that subsidized goods were imported into Canada during the POR; the sustained interest in the Canadian market by exporters from China as evidenced by the value of subsidized goods exported during the POR; the GOC's provision of subsidies to its manufacturers within the steel sector, and the countervailing measures in Canada and in the USA against steel products from China, the President determined that the expiry of the order is likely to result in the continuation or resumption of subsidizing of certain carbon steel fasteners originating in or exported from China.

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<sup>66</sup> Exhibit S057(N.C.), US Semi-annual Report of Countervailing Duty, WTO, 10 March 2014.

## **CONCLUSION**

[142] For the purposes of making a determination in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors contained in subsection 37.2(1) of the SIMR. Based on the foregoing consideration of pertinent factors and analysis of the information on the record, the President determined that the expiry of the order made by the Tribunal on January 6, 2010, in Expiry Review No. RR-2009-001, continuing, with amendment, its findings made on January 7, 2005, in, Inquiry No. NQ-2004-005 in respect of the dumping of certain carbon steel fasteners originating in or exported from China and Chinese Taipei and the subsidizing of such goods originating in or exported from China is likely to result in:

- i. the continuation or resumption of dumping of the goods into Canada; and
- ii. the continuation or resumption of subsidizing of the goods exported to Canada.

## **FUTURE ACTION**

[143] On April 23, 2014, the Tribunal commenced its inquiry to determine whether the expiry of its order with respect to goods from China and Chinese Taipei is likely to result in injury or retardation to the domestic industry. The Tribunal has announced that it will make its decisions by January 5, 2015.

[144] If the Tribunal determines that the expiry of the order with respect to the goods from China and Chinese Taipei is likely to result in injury or retardation, the order will be continued in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping duties or countervailing duties on dumped or subsidized importations of certain carbon steel fasteners.

[145] If the Tribunal determines that the expiry of the order with respect to the goods from China and Chinese Taipei is unlikely to result in injury or retardation, the order in respect of those goods will be rescinded. Anti-dumping and countervailing duties would no longer be levied on importations of certain carbon steel fasteners beginning on the date the order is rescinded.

## INFORMATION

[146] For further information, please contact one of the officers listed below:

**Mail:** SIMA Registry and Disclosure Unit  
Trade and Anti-dumping Programs Directorate  
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Brent McRoberts  
Director General  
Trade and Anti-dumping Programs Directorate

Attachment  
Appendix – Product Definition

## APPENDIX - PRODUCT DEFINITION

The subject goods referred to as “certain carbon steel fasteners” are defined as:

Certain carbon steel fasteners originating in or exported from the People’s Republic of China and Chinese Taipei, excluding fasteners specifically designed for application in the automotive or aerospace industry.

All carbon steel screws that are *not within the parameters* of the following list are *excluded* from the Canadian International Trade Tribunal’s (Tribunal) order in Expiry Review No. RR-2009-001.

	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 Tribunal's order:

- 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

**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.

In order for imported goods to be excluded by the Canada Border Services Agency, as screws specifically designed for use in the automotive industry, the goods must qualify for and be imported under the tariff item No. 9958.00.00. To be imported duty-free, including anti-dumping and/or countervailing duties, as applicable, the goods must be accompanied by satisfactory evidence that the imported goods are used either:

- (a) in the manufacture of original equipment parts for passenger automobiles, trucks, or buses;  
or
- (b) as original equipment in the manufacture of such vehicles or chassis.

Goods for after-market applications and goods in the form of materials are not eligible for consideration under tariff item No. 9958.00.00, and will not be excluded from the Tribunal’s order.