

## **Report No. 177**

# **Investigation into the alleged dumping of biaxially oriented polypropylene (BOPP) film originating in or imported from Brazil: Preliminary determination**

The International Trade Administration Commission of South Africa herewith presents its  
**Report No. 177: INVESTIGATION INTO THE ALLEGED DUMPING OF BIAXIALLY  
ORIENTATED POLYPROPYLENE (BOPP) FILM ORIGINATING IN OR IMPORTED FROM  
BRAZIL: PRELIMINARY DETERMINATION**



**Ms N P Maimela**

**CHIEF COMMISSIONER**

**PRETORIA**

23/06/ 2006

# **1. APPLICATION AND PROCEDURE**

- 1.1 This investigation was conducted in accordance with the International Trade Administration Commission Act, 2002, (the ITA Act), the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement) and the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR).
- 1.2 The application was lodged by Treofan SA (Pty) Ltd (the Applicant), being the only manufacturer of the subject product in the SACU.
- 1.3 The application was accepted by the Commission as being properly documented, in accordance with Article 5.2 of the Anti-Dumping Agreement, on 20 October 2005. The trade representative of the country concerned was advised accordingly.
- 1.4 The Commission formally initiated an investigation into the alleged dumping of Biaxially Orientated Polypropylene (BOPP) film originating in or imported from Brazil pursuant to Notice No.1957 which was published in *Government Gazette* No. 28169 on 4 November 2005.
- 1.5 The investigation period for dumping was from 1 June 2004 to 31 May 2005. The injury investigation involved evaluation of data for the period 1 January 2002 to 31 May 2005.
- 1.6 The SACU industry consists of only one producer of the subject product, namely Treofan SA (Pty) Ltd, who submitted the information contained in this Report.
- 1.7 The following exporters from Brazil responded to the Commission's questionnaire:
  - Polo Indústria E Comércio LTDA;
  - Empresa Brasileira de Film Flexíveis LTDA (EBFF); and
  - Vitopel Do Brasil LTDA.

Araújo e Policastro Advogados were appointed by Abrafilme (the Brazilian Association for Flexible Film) to represent the three exporters (Polo, Vitopel and EBFF). Bowman Gilfillan (Bowman) was appointed by Araújo e Policastro Advogados to represent the three exporters. Bowman submitted the exporters' responses to the questionnaire on 17 January 2006. On 3 February 2006 deficiency letters were sent to Bowman on behalf of the exporters. Responses to the deficiency letters were received on 10 February 2006. On 20 February a letter was sent to Bowman indicating that the responses were still deficient and would therefore not be considered for purposes of the preliminary determination.

1.8 The following SACU importers responded to the Commission's questionnaire:

- Consol Flexibles;
- Nampak Flexible Natal; and
- Astraflex.

A response was received from Consol Flexibles (Consol) on 15 December 2005. They did not import the subject product during the period of investigation, but imported the product outside the period of investigation and wanted their comments to be taken into account.

Ernst and Young, on behalf of Astraflex (Pty) Ltd and Nampak Flexible KZN submitted their responses on 15 December 2005. On 3 January 2006, deficiency letters were sent to Ernst and Young. On 10 January 2006, Ernst and Young submitted their response to the deficiency letters, on behalf of the importers, electronically. On 12 January 2006, a letter was sent to Ernst and Young stating that not all the deficiencies were addressed and that the responses were regarded to be deficient and would not be taken into account for purposes of the preliminary determination

1.9 After considering all parties' comments, the Commission made a preliminary determination that the subject product originating in or imported from Brazil was being dumped into the SACU market; that the SACU industry suffered material injury but that

there were other factors than dumping that sufficiently detracted from the causal link between the dumping and the material injury. The Commission made a preliminary determination to terminate the investigation.

## **2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES**

### **2.1 IMPORTED PRODUCTS**

#### **2.1.1 Description**

The subject product is described as:

Plates, sheets, film, foil and strip of Biaxially Oriented Polymers of Propylene, non-cellular and not reinforced, laminated, supported or similarly combined with other materials of a thickness exceeding 0,012mm but not exceeding 0,06mm, not heat shrinkable, classifiable under tariff subheading 3920.20.90.

#### **2.1.2 Country of origin/export**

The subject product is exported from Brazil.

#### **2.1.3 Possible tariff loopholes**

The Applicant indicated that the import tariff headings are dependent on the thickness of the film. BOPP film between 12 and 60 micron, normally falling within heading 3920.20.90, which attracts 13.2 percent (EU) and 15 percent (General) duty, could be cleared by unscrupulous importers under 3920.20.20, which relates to BOPP film thinner than 12 micron or thicker than 60 micron and is free of duty. According to the applicant, the thickness of the film is difficult to determine by untrained customs officials.

#### **2.1.4 Other applicable duties and rebates**

The following rebate provisions exist in terms whereof the subject product can be imported with rebate of the duty:

**Table 2.1.4: Rebate and drawback items**

| <b>Rebate/<br/>Drawback item</b> | <b>Tariff<br/>heading</b> | <b>Description</b>  | <b>Extent of<br/>rebate</b> |
|----------------------------------|---------------------------|---|-----------------------------|
| 310.09                           | 3920.00                   | Other plates, sheets, film, foil and strip, of polymers of a thickness exceeding 0,012mm or more but not exceeding 0.06mm, not heat shrinkable, non-cellular and not reinforced, laminated, supported or similarly combined with other materials, for the manufacture of disposable napkins for babies. | Full duty                   |
| 307.01                           | 3920.20                   | Plates, sheets, film, foil and strip, of polymers propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10.   | Full duty                   |

### **2.1.5 Negligibility test**

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

**Table 2.1.5: Import volumes**

| <b>Kilogram</b>         | <b>Import volumes<br/>1 January 2002 to 31 May 2005 (POI)</b> | <b>Volume as a percentage of<br/>total import volume</b> |
|-------------------------|---|--|
| Alleged dumped imports: |   |  |
| Brazil                  | 6 292 635   | 14.10%   |
| Total imports           | 44 616 635  |  |

The alleged dumped imports amount to 14.10% of total imports of the subject product.

The Commission found that the imports from subject countries are above the negligibility level.

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The SACU product is described as:

Plates, sheets, film, foil and strip of biaxially oriented polymers of propylene, non-cellular and not reinforced, laminated, supported or similarly combined with other materials of a thickness exceeding 0,012mm but not exceeding 0,06mm, not heat shrinkable, classifiable under tariff subheading 3920.20.90.

## 2.3 LIKE PRODUCTS ANALYSIS

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

**Table 2.3: Like product determination**

|                        | Imported product   | SACU product   |
|------------------------|--|--|
| Raw materials          | The main raw materials/components/inputs used in the production of Bopp film are homopolymers, co- and ter- polymers, additives and masterbatch of polypropylene.  | The main raw materials/components/inputs used in the production of Bopp film are homopolymers, co- and ter- polymers, additives and masterbatch of polypropylene.  |
| Physical appearance    | The Bopp films imported are all 3, 4 or 5 layer co-extruded products. They are either clear or white and are in the thickness range 12 – 60 microns as covered by the customs tariff subheading 3920.20.90   | The Bopp films Treofan produce are all 3, 4 or 5 layer co-extruded products. They are either clear or white and are in the thickness range 12 – 60 micron as covered by the customs tariff subheading 3920.20.90. Over the next 12 months, Treofan will be expanding its range up to 80 micron as a result of the investments. |
| Tariff classification  | 3920.20.90   | 3920.20.90   |
| Production process     | Co-extrusion of polypropylene granules – homopolymers together with co- or ter- polymers, additives and masterbatches, casting of resultant melt, longitudinal and transverse stretching to produce a base film which is then slit into customer widths. | Co-extrusion of polypropylene granules – homopolymers together with co- or ter- polymers, additives and masterbatches, casting of resultant melt, longitudinal and transverse stretching to produce a base film which is then slit into customer widths.   |
| Application or end use | The imported subject product is used for the packaging of snack foods, confectionery such as sweets and biscuits, tobacco products, in mould and wrap around labels and a variety of other applications.   | Used for the packaging of snack foods, confectionery such as sweets and biscuits, tobacco products, in-mould and wrap around labels and a variety of other applications.   |
| Substitutability       | The SACU product can be substituted 100% by the imported product.  | The SACU product can be substituted 100% by the imported product.  |

After considering all the above factors and the comments received, the Commission was satisfied that the SACU product and the imported product were “like products” for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.



### **3. INDUSTRY STANDING**

The Applicant provided the following information with regard to the support and/or opposition to the application:

The information was obtained from Treofan SA (Pty) Ltd, the only manufacturer of the subject product in the SACU market. Treofan represents 100 percent of the SACU production.

The Commission made a preliminary determination that the application can be regarded as being made “by or on behalf of the domestic industry” under the provisions of the Anti-Dumping Agreement.

## **4. DUMPING**

### **4.1 METHODOLOGY IN THIS INVESTIGATION FOR BRAZIL**

#### **4.1.1 Normal Value**

##### **Type of economy**

Brazil is considered to be a country with a free market economy and therefore the definition of section 32 (2)(b)(i) of the ITA Act applies.

##### **Calculation of normal value**

Like products to those exported to the SACU were sold in the domestic market in Brazil in the ordinary course of trade.

The Applicant based the domestic selling prices in Brazil on the published delivered prices of PCI Films Consulting Limited. The Applicant indicated that this is a respectable consulting firm that obtains its information from various sources in good faith. The prices used fall within the period of investigation. The normal value is a delivered price and was determined to be US\$2.60 per kilogram.

##### ***Adjustments to the normal value***

The Applicant indicated that the adjustments were made based on its market knowledge of delivery costs in Brazil, which ranges from US\$0.05 to US\$0.20, as the factories are situated in close proximity to the customers.

An adjustment of US\$0.20 was therefore made to obtain the ex-factory price. The normal value was determined to be US\$2.40 after adjustments.

The exporters did not provide cost build-ups, it was therefore not possible to determine if their sales were made in the ordinary course of trade. The information

provided by the three exporters was therefore considered to be deficient and was not taken into account for purposes of the preliminary determination. For purposes of its preliminary determination, the Commission used best information available.

The exporters however, requested that the dumping margins be calculated for each of the three category products separately. To be able to do that, a normal value for each of the three exporters for each of the three products had to be calculated. Adjustments for taxes and freight were made. The exporters claimed other adjustments, but since this was unverified information, it could not be taken into account for purposes of the preliminary determination.

#### **4.1.2 Export price**

In calculating the export price, section 32(2)(a) of the ITA Act was applied as a basis.

The Applicant indicated that imports statistics could not be used to determine the normal values as other products fall under the same tariff sub-heading as the products under investigation.

The export price was based on information received from clients in the market and quotations with regard to a similar product. The prices fluctuated between US\$ 1.45 (CIF) and US\$ 1.78 (CFR). In order to make a fair comparison the Applicant used US\$ 1.65. These quotes were used to ensure that like is compared with like. The price was obtained on a CFR basis.

#### ***Adjustments to the export price***

The Applicant indicated that an adjustment was made to the export price in respect of rail at US\$0.20 and freight at US\$0.13.

An ex-factory export price of US\$1.32 was therefore calculated.

Using the Applicant's information for the three categories:

*Using the invoice provided by the Applicant an export price for the three categories are calculated as follows:*

| <b>US\$</b>             | <b>Clear</b> | <b>Metallised</b> | <b>Opaque</b> |
|-------------------------|--------------|-------------------|---------------|
| <i>CFR Durban</i>       | 1.65         | 1.90              | 2.00          |
| <i>-Rail adjustment</i> | 0.20         | 0.20              | 0.20          |
| <i>- Freight</i>        | 0.13         | 0.13              | 0.13          |
| <b>Export price</b>     | <b>1.32</b>  | <b>1.57</b>       | <b>1.67</b>   |

#### **4.1.3 Margin of dumping**

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

|                                     | <b>US\$ per kilogram</b> |
|-------------------------------------|--------------------------|
| Normal value selling price          | 2.40                     |
| Export price ex factory             | 1.32                     |
| Dumping margin                      | 0.75                     |
| Dumping margin as % of export price | 45%                      |

Based on the method to calculate a dumping margin for the three categories, a weighted dumping margin was calculated:

| <b>US\$</b>             | <b>Clear</b> | <b>Metallised</b> | <b>Opaque</b> |
|-------------------------|--------------|-------------------|---------------|
| DM as % of export price | 97.7%        | 107.0%            | 102.8%        |

A weighted average dumping margin of 99.6% is calculated.

The Commission made a preliminary determination to use the Applicant's information to calculate the dumping margin.

### **4.3 CONCLUSION - DUMPING**

The information provided by the three exporters was considered to be deficient and was not taken into account for purposes of the preliminary determination. The Commission therefore, decided to use best information available to calculate a dumping margin, which is the information provided by the Applicant.

All comments received were taken into account and is available on the public file. Based on the information supplied, the Commission made a preliminary decision that dumping of the subject product originating in or imported from Brazil is taking place. A dumping margin of 45 per cent was calculated.

## **5. MATERIAL INJURY**

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

The following injury analysis relates to Treofan SA (Pty) Ltd, the Applicant, which constitutes 100 per cent of the total domestic production of the like product.

The Commission made a preliminary determination that this constitutes “a major proportion” of the total domestic production, in accordance with Article 4.1 of the Anti-Dumping Agreement.

### **5.2 CUMULATIVE ASSESSMENT**

It was found in Section 4 of this submission that the margin of dumping from the country subject to this investigation is more than *de minimis*. It was further found in paragraph 2.1.5 of this submission that the volume of imports from this country is not negligible.

The subject product competes directly with other imported products and with the SACU manufactured product.

In light of the above, it is proposed that the Commission decides to cumulatively assess the effect of the subject products.

### 5.3 IMPORT VOLUMES AND EFFECT ON PRICES

#### Basic Data Set

| Year            | Unit | Subject Imports | Other Imports | Applicant's Production* | Inventories*      | Applicant's sales volumes* |
|-----------------|------|-----------------|---------------|-------------------------|-------------------|----------------------------|
| 2002            | Kg   | 164 020         | 9 715 000     | 100                     | 100               | 100                        |
| 2003            | Kg   | 144 615         | 10 068 000    | 101                     | 159               | 104                        |
| 2004            | Kg   | 1 849 000       | 9 320 000     | 93                      | 112               | 109                        |
| 2005 Annualized | Kg   | 4 135 000       | 9 221 000     | 40<br>(YTD05/05)        | 117<br>(YTD05/05) | 88                         |

\*The information in these columns was indexed due to confidentiality using 2002 as the base

#### Examination under Article 3.2

#### Growth of Subject Imports

| Variable                              | Unit of Measurement | Year |      |      | Change    |
|---------------------------------------|---------------------|------|------|------|-----------|
|                                       |                     | 2002 | 2003 | 2004 | 2002/2004 |
| Subjects imports/domestic production  | %                   | 100  | 112  | 132  | 32        |
| Subjects imports/domestic consumption | %                   | 100  | 104  | 122  | 22        |

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

#### Price Effects of Subject Imports

| Variable  | Unit of Measurement | Year |      |      |          |
|---|---------------------|------|------|------|----------|
|   |                     | 2002 | 2003 | 2004 | YTD 2005 |
| Average import price (fob)  | R/kg                | 100  | 47   | 49   | 49       |
| Average price of domestic product (ex-factory) (price depression) | R/kg                | 100  | 101  | 89   | 90       |
| Price undercutting  | R/kg                | 100  | 483  | 354  | 363      |
| Cost as % of selling price (Suppression)                          | R/kg                | 100  | 97   | 111  | 121      |

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

## 5.4

## CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

### Examination under Article 3.4

| Variable   | Unit of Measurement | Year |      |      |                 |                  |
|--|---------------------|------|------|------|-----------------|------------------|
|  |                     | 2002 | 2003 | 2004 | 2005 Annualized | Change 2002/2005 |
| SACU Sales:  |                     |      |      |      |                 |                  |
| In value terms                                       | Rand                | 100  | 109  | 100  | 88              | (12)             |
| Quantities   | Kilogram            | 100  | 104  | 109  | 88              | (12)             |
| Inventories (quantities)                             | Kilogram            | 100  | 159  | 112  | 117             | 17               |
| Output (quantities)                                  | Kilogram            | 100  | 101  | 93   | 96              | (4)              |
| Market share of Applicant                            | Percentage          | 100  | 95   | 93   | 85              | (15)             |
| Market share of other SACU producers (if applicable) | Percentage          | N/A  | N/A  | N/A  | N/A             |                  |
| Market share of alleged dumped imports               | Percentage          | 100  | 90   | 1067 | 2183            | 2 083            |
| Market share of other imports                        | Percentage          | 100  | 105  | 91   | 99              | (1)              |
| Capacity utilization                                 | Percentage          | 100  | 99   | 87   | 85              | (15)             |
| Employment (Production)                              | Number              | 100  | 97   | 92   | 90              | (10)             |
| Salaries: Production                                 | Rand                | 100  | 111  | 115  | 48              | (52)             |
| Productivity (output/worker)                         | Output per worker   | 100  | 105  | 101  | 109             | 9                |

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



| Variable  | Unit of Measurement | Year |      |      | Change    |
|---|---------------------|------|------|------|-----------|
|   |                     | 2002 | 2003 | 2004 | 2002/2004 |
| Profit  | Rand                | 100  | 102  | 25   | (75)      |
| Cash flow   | Rand                | 100  | 200  | 458  | 358       |
| Return on investment  | Percentage          | 100  | 83   | 20   | (80)      |
| Ability to raise capital (capital expenditure)                    | Rand                | 100  | 122  | 168  | 68        |
| Growth in SACU market   | Rand                | 100  | 99   | 106  | 6         |
| Growth of Applicant   | Percentage          | 100  | 10   | 52   | (48)      |
| Factors affecting domestic prices (cost of raw material per unit) | Rand/unit           | 100  | 90   | 86   | (14)      |
| Magnitude of the margin of dumping                                |                     | 45%  |      |      |           |

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

## 5.5 SUMMARY - MATERIAL INJURY

AI comments received on material injury were taken into account by the Commission, and are available on the public file.

The Commission made a preliminary determination that the Applicant, and therefore the SACU industry, is suffering material injury.

## **6. THREAT OF MATERIAL INJURY**

### **6.1 THREAT OF MATERIAL INJURY**

| <b>Indicator</b>   | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005<br/>Annualized</b> |
|--|-------------|-------------|-------------|----------------------------|
| <b>Alleged dumped imports (volumes)</b>                                | 164 020     | 144 615     | 1 849 000   | 1 723 000                  |
| <b>Alleged dumped imports (price per unit)</b>                         | 35.50       | 17.00       | 15.10       | 19.20                      |
| <b>Prices of Applicant (price depression)*</b>                         | 100         | 101         | 89          | (11)                       |
| <b>Cost as a % of selling price of Applicant (price suppression) *</b> | 100         | 97          | 111         | 11                         |

\*The information in these columns table was indexed due to confidentiality using 2002 as the base year

### **6.2 CONCLUSION – THREAT OF MATERIAL INJURY**

The Commission considered all the information and comments submitted by interested parties and made a preliminary determination that there was not sufficient evidence of a threat of material injury to the SACU industry. The comments by the interested parties are available on the public file.

## **7. CAUSAL LINK**

### **7.1 GENERAL**

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

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

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

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

**Table 7.2.1: Market share**

|                                  | <b>2002</b> | <b>2003</b> | <b>2004</b> |
|----------------------------------|-------------|-------------|-------------|
| Percentage market share held by: |             |             |             |
| Applicant                        | 100         | 95          | 93          |
| Other SACU producers             | 0           | 0           | 0           |
| Total SACU                       | 100         | 95          | 93          |
| Alleged dumped imports           | 100         | 90          | 1 067       |

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

The market share of the Applicant decreased over the period 2002 to 2004, while the alleged dumped imports increased over the same period.

The following table shows the volume of imports:

**Table 7.2.2: Import volumes**

| Kilogram                                       | 2002      | 2003       | 2004       | 2005 YTD  |
|--|-----------|------------|------------|-----------|
| Alleged dumped imports                         | 164 020   | 144 615    | 1 849 000  | 1 723 000 |
| Other imports                                  | 9 715 000 | 10 068 000 | 9 320 000  | 3 842 000 |
| Treofan's imports                              | 20 000    | 996 000    | 1 030 000  | 202 000   |
| Total imports                                  | 9 899 020 | 11 208 615 | 12 199 000 | 5 767 000 |
| Alleged dumped imports as a % of total imports | 1.7%      | 1.3%       | 15.2%      | 29.9%     |

The table indicates that there was an increase in the alleged dumped imports as a percentage of total imports. Other imports decreased from 2002 to 2004.

### 7.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

**Table 7.3.1: Price undercutting, price depression and price suppression**

| Rand/unit                            | 2002 | 2003 | 2004 | 2005 YTD |
|--------------------------------------|------|------|------|----------|
| Price undercutting                   | No   | Yes  | Yes  | Yes      |
| Applicant's ex-factory selling price | 100  | 101  | 89   | 90       |
| Price undercutting %                 | No   | Yes  | Yes  | Yes      |

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

The table above indicates that the Applicant experienced price undercutting from 2003.

## 7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

| Material injury indicator | Analysis (2002 – 2005) |
|---------------------------|------------------------|
| Sales volume              | Decrease               |
| Profit                    | Decrease               |
| Output                    | Decrease               |
| Market share              | Decrease               |
| Productivity              | Increase               |
| Return on investment      | Decrease               |
| Utilisation of capacity   | Decrease               |
| Cash flow                 | Decrease               |
| Inventories               | Increase               |
| Employment                | Decrease               |
| Wages                     | Increase               |
| Growth                    | Decrease               |
| Ability to raise capital  | Increase               |

## 7.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

### 7.5.1 Examination of causality under Article 3.5

| Variable   | Unit of Measurement   | Year      |            |            | Change    |
|--|---|-----------|------------|------------|-----------|
|  |   | 2002      | 2003       | 2004       | 2002/2004 |
| Prices of imports not sold at dumping prices (fob price) | R/kg  | 18.40     | 15.40      | 14.00      | 23.91     |
| Volume of imports not sold at dumping                    | Kg  | 9 735 000 | 11 064 000 | 10 350 000 | (6.32)    |
| Contraction in demand:                                   |   |           |            |            |           |
| • GDP growth rate  | Percentage  | 3.7       | 3.2        | 4.6        | 24.32     |
| • Growth rate for subject product industry*              |   | 100       | 94         | 20         | (80)      |
| Changes in the patterns of consumptions                  | The Applicant stated that there are no known factors that may affect patterns of consumption. |           |            |            |           |

|   |  |
|---|--|
| Trade-restrictive practices of foreign and domestic producers | There are no trade restrictive practices regarding trade of the product in SACU.   |
| Competition between foreign and domestic producers            | The Applicant stated that they welcome fair competition.   |
| Developments in technology                                    | The Applicant stated that they remain at the forefront of BOPP technology. This advantage stemming from continual upgrading and investment will not be sustainable as a result of the radical deterioration in the company's profitability as a result of the alleged dumping. |
| Export performance of the domestic industry                   | The Applicant indicated that Treofan's exports remained fairly stable for the period under review.   |
| Productivity of the domestic industry                         | The Applicant stated that the productivity of Treofan SA is in line with the Treofan Group as well as global benchmarked standards. Treofan believes that the Brazilian producers achieve comparable levels of productivity.   |

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

The Commission found that the following factors sufficiently detracted from the causal link:

The price disadvantage was very low when the applicant's unsuppressed selling price is compared with the landed price of the importer product, while the dumping margin is 45 per cent. This indicates that the alleged injury was not caused by the alleged dumping, but by other factors;

It was stated by Ernst and Young that the Applicant discontinued the supply of the 15 and 18 micron BOPP film;

It was stated by Abrafilme that the Applicant's plant is too old and that the Applicant is at least 10 years behind the current world standards for BOPP film; and

The size of the SACU market decreased, and some of the injury experienced could be attributed to this factor.

## **7.6 CONCLUSION ON CAUSAL LINK**

After considering all the information and the comments received, the Commission made a preliminary determination that factors other than dumping sufficiently detracted from the causal link.

## **8. SUMMARY OF FINDINGS**

### **8.1 Dumping**

There is sufficient evidence that the subject products originating in or imported from Brazil were imported at dumped prices into the SACU market.

The following dumping margins were calculated:

**Table 8.1**

| <b>Country</b> | <b>Dumping margin</b> |
|----------------|-----------------------|
| Brazil         | 45%                   |

### **8.2 Material injury**

There is sufficient evidence that the SACU industry suffered material injury in the form of:

- (a) Price undercutting
- (b) Price depression
- (b) Price suppression
- (c) Actual and potential decline in sales volumes
- (d) Actual and potential decline in revenue (sales value)
- (e) Actual and potential decline in profit
- (f) Actual and potential decline in output
- (g) Actual and potential decline in market share
- (h) Actual and potential decline in productivity
- (i) Actual and potential decline in return on investments

- (j) Actual and potential decline in capacity utilisation
- (k) Actual and potential decline in total and net cash flow
- (l) Actual and potential decline in growth
- (m) Decrease in inventories
- (n) Decrease in employment
- (o) Increase in wages

The Commission made a preliminary decision that material injury is taking place, but that a threat of material injury does not exist.

### **8.3 Causal link**

The Commission found that the following factors sufficiently detracted from the causal link:

Price undercutting;  
Price disadvantage;  
Market share;  
Inability to supply certain products;  
Technology; and  
Growth.

After considering all the comments received, the Commission made a preliminary determination that factors other than dumping sufficiently detracted from the causal link, between the dumping and the injury experienced.



## **9. DETERMINATION**

The Commission made a preliminary determination that

- The subject product originating in or imported from Brazil was being dumped into the SACU market;
- The SACU industry suffered material injury; and
- There were factors other than dumping that sufficiently detracted from the causal link.

The Commission therefore made a preliminary determination to terminate the investigation.