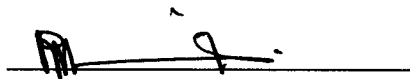


## **Report No. 152**

**Investigation into the alleged dumping of paper and paperboard with a mass of  $180 \text{ g/m}^2$  or more, but not exceeding  $550 \text{ g/m}^2$ , coated on one side with kaolin clay, commonly known as “white liner” or “grey back paperboard”, originating in or imported from the Republic of Korea:  
Preliminary determination**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 152: INVESTIGATION INTO THE ALLEGED DUMPING OF PAPER AND PAPERBOARD WITH A MASS OF 180G/M<sup>2</sup> OR MORE, BUT NOT EXCEEDING 550G/M<sup>2</sup>, COATED ON ONE SIDE WITH KAOLIN CLAY, COMMONLY KNOWN AS "WHITE LINER" OR "GREY BACK PAPERBOARD", ORIGINATING IN OR IMPORTED FROM THE REPUBLIC OF KOREA: PRELIMINARY DETERMINATION**



**Ms N.P. MAIMELA**  
**CHIEF COMMISSIONER**

**PRETORIA**

14/02 2006

# **INTERNATIONAL TRADE ADMINISTRATION COMMISSION**

## **INVESTIGATION INTO THE ALLEGED DUMPING OF PAPER AND PAPERBOARD WITH A MASS OF 180G/M<sup>2</sup> OR MORE, BUT NOT EXCEEDING 550G/M<sup>2</sup>, COATED ON ONE SIDE WITH KAOLIN CLAY, COMMONLY KNOWN AS "WHITE LINER" OR "GREY BACK PAPERBOARD", ORIGINATING IN OR IMPORTED FROM THE REPUBLIC OF KOREA**

### **SYNOPSIS**

On 5 August 2005, the International Trade Administration Commission of South Africa (the Commission) formally initiated an investigation into the alleged dumping of paper and paperboard with a mass of 180g/m<sup>2</sup> or more, but not exceeding 550g/m<sup>2</sup>, coated on one side with kaolin clay, commonly known as "white liner" or "grey back paperboard", originating in or imported from the Republic of Korea. Notice of the initiation of the investigation was published in Notice No.1356 of 2005 of *Government Gazette* No.27846 dated 5 August 2005.

The Application was lodged on behalf of the Southern African Customs Union (SACU) industry by Mondi Paper Packaging South Africa, being the sole manufacturer of the product under investigation in the SACU, which claimed that dumped imports were causing it material injury.

The investigation was initiated after the Commission considered that there was sufficient evidence to show that the subject product was being imported at dumped prices, causing material injury to the SACU industry.

Upon initiation of the investigation, known producers and exporters of the subject product in Korea were sent foreign manufacturers/ exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete. One exporter, Hansol Paper Manufacturing, and one importer, Nampak Cartons and

Labels, responded to the Commission's exporters and importers questionnaires, but their responses were regarded as deficient by the Commission and could not be taken into consideration for purposes of its preliminary determination. Another importer, Peters Papers, also responded to the Commission's importers questionnaire and its response was considered by the Commission for purposes of its preliminary determination.

The Commission made a preliminary decision that there was dumping, material injury and causal link. However, the Commission also made a preliminary decision not to implement provisional payments as it is of the opinion that the imposition of provisional payments before verification of the information submitted by the exporter would have a detrimental effect on the important downstream paper products industry.

## **1. APPLICATION AND PROCEDURE**

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### **1.1 APPLICANT**

The application was lodged by Mondi Paper Packaging South Africa, being the sole manufacturer of the product under investigation in the SACU.

### **1.2 DATE OF ACCEPTANCE OF APPLICATION**

The application was accepted by the Commission as being properly documented in accordance with Article 5.2 of the Anti-Dumping agreement on 27 July 2005. The trade representative of the country concerned was advised accordingly.

### **1.3 ALLEGATIONS BY THE APPLICANT**

The Applicant alleged that imports of the subject product, originating in or imported from the Republic of Korea were being dumped on the SACU market, thereby causing material injury to the SACU industry. The basis of the alleged dumping was that the goods were being exported to the SACU at prices less than the normal value in the country of origin.

The Applicant alleged that as a result of the dumping of the product from the Republic of Korea, the SACU industry was suffering material injury in the form of:

- price undercutting
- price suppression
- price depression
- decline in output
- decline in sales
- negative effect on wages and salaries

- decline in market share
- negative effect on employment

#### **1.4 INVESTIGATION PROCESS**

The Commission formally initiated an investigation into the alleged dumping of white liner or grey back paperboard originating in or imported from the Republic of Korea pursuant to Notice No. 1356 of 2005 which was published in *Government Gazette* No. 27846 on 5 August 2005.

Prior to the initiation of the investigation, the trade representative of the country concerned was notified of the Commission's intention to investigate, in terms of Article 5.5 of the Anti-Dumping Agreement. All known interested parties were informed and requested to respond to the questionnaires and the non-confidential version of the application.

The information submitted by Nampak Cartons and Labels was verified on 28 October 2005. The information submitted by Peters Papers was verified on 27 October 2005.

The Commission made a preliminary determination that white lined paperboard originating in or imported from the Republic of Korea was being dumped on the SACU market, causing material injury to the domestic industry. However, the Commission made a preliminary determination that no provisional payments be imposed as it is of the opinion that the imposition of provisional payments before verification of the information submitted by the exporter will have a detrimental effect on the downstream paper products industry.

#### **1.5 INVESTIGATION PERIOD**

The investigation period for dumping is from 1 January 2004 to 31 March 2005. The injury investigation involved evaluation of data for the period 1

January 2002 to 31 March 2005.

**1.6 PARTIES CONCERNED**

**1.6.1 SACU industry**

The SACU industry consists of the following producer:

- (a) Mondi Packaging South Africa (Pty) Ltd

Information was submitted by the Applicant, which was verified by the investigating officers prior to the initiation of the investigation.

**1.6.2 Exporters/Foreign Manufacturers**

The following exporters of the subject product were identified:

- (a) Hansol Paper Manufacturing Co Ltd
- (b) Daehan Pulp

Daehan Pulp did not respond to the Commission's exporters questionnaire.

**1.6.3 Importers**

The following SACU importers responded to the Commission's questionnaires:

- (a) Peters Papers
- (b) Nampak Cartons and Labels

The following importers did not respond to the Commission's importers questionnaires:

- (a) Green Tissues Co Ltd
- (b) Pro print Pty Ltd

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

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### **2.1 IMPORTED PRODUCTS**

#### **2.1.1 Description**

The imported product is described as paper and paperboard with a mass of 180g/m<sup>2</sup> or more, but not exceeding 550g/m<sup>2</sup>, coated on one side with kaolin clay, commonly known as “white liner” or “grey back paperboard”.

#### **2.1.2 Tariff classification**

The subject product is classifiable as follows:

**Table 2.1.2:**

Tariff subheading	Description	Rate of customs duty		
		Gen	EU	SADC
48.10	Paper and paperboard, coated on one or both sides with kaolin (china clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface coloured, surface decorated, or printed, in rolls or rectangular (including square) sheets of any sizes			
.92	=multi-ply			
.90	-other	5%	5%	Free

#### **2.1.3 Other applicable duties and rebates**

The product can be imported under rebate of duty in terms of rebate provision 310.05/4810.01/01.05

#### **2.1.4 Import Statistics**

The import statistics indicated that the volume of alleged dumped imports from the Republic of Korea accounted for more than 80 per cent of the total imports of the like product during the period of investigation for dumping.

#### **2.1.5 Country of origin/export**

The subject product originates in and is imported from the Republic of Korea.

#### **2.1.6 Application/end use**

The imported product is used for packaging, including food packaging. Typical uses are in the packaging of dry groceries, tea, detergents, cereals, motor vehicle accessories/parts, personal care products, confectionery, etc.

#### **2.1.7 Production process**

The stock preparation process is divided into four systems – the top liner system, the under liner system, and back liner system. The stock preparation cleans, screens and thickens the inputs (stock) prior to being fed into the production machine approach flow. The components of the product are fed into the “wet” end of the machine, where the layers are combined. The combined product then passes through a pressing and then a drying process. The uncoated product then passes through a process comprising pre-coating and back coating, after which it passes through a gloss calendar and a cooling section. The final process is to reel the board, after which the mill rolls of board are slit and delivered to the consumer in reel form or further processed into sheet prior to dispatch to users.

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The imported product is described as paper and paperboard with a mass of 180g/m<sup>2</sup> or more, but not exceeding 550g/m<sup>2</sup>, coated on one side with kaolin clay, commonly known as “white liner” or “grey back paperboard”.

### **2.2.2 Application/end use**

The SACU subject is used for packaging, including food packaging. Typical uses are in the packaging of dry groceries, tea, detergents, cereals, motor vehicle accessories/parts, personal care products, confectionery, etc.

### **2.2.3 Tariff classification**

The SACU product is classified under tariff sub-heading 4810.90.

### **2.2.4 Production process**

The stock preparation process is divided into four systems – the top liner system, the under liner system, and back liner system. The stock preparation cleans, screens and thickens the inputs (stock) prior to being fed into the production machine approach flow. The components of the product are fed into the “wet” end of the machine, where the layers are combined. The combined product then passes through a pressing and then a drying process. The uncoated product then passes through a process comprising pre-coating and back coating, after which it passes through a gloss calendar and a cooling section. The final process is to reel the board, after which the mill rolls of board are slit and delivered to the consumer in reel form or further processed into sheet prior to dispatch to users.

## **2.3 LIKE PRODUCTS**

### **2.3.1 General**

In order to establish the existence and extent of injury to the SACU industry, it is necessary to determine at the outset whether the products produced by the SACU industry are like products to those originating in or imported from The Republic of Korea.

### **2.3.2 Analysis**

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

- (1) raw materials and other inputs used in producing the products;
- (2) production process;
- (3) physical characteristics and appearance of the product;
- (4) end use of the product;
- (5) substitutability of the product with the product under investigation;
- (6) tariff classification; and/ or
- (7) any other factor proven to the satisfaction of the Commission to be relevant

#### **(1) Raw materials**

The main raw materials used in the production of coated white lined (greyback) board are recycled fibre, virgin pulp, coatings and chemicals.

The Commission found that the raw materials for the imported and the SACU products are comparable.

#### **(2) Production process**

Both the imported and the SACU domestic products are manufactured using the same production process.

The Commission found that the imported and the SACU products are manufactured using the same method.

**(3) Physical appearance and characteristics**

Both the imported and the SACU products have the same physical appearance and characteristics.

**(4) Product end use**

The Commission found that the imported and the SACU products are used for the same purpose.

**(5) Substitutability**

The Commission found that both the imported and the SACU products are fully substitutable.

**(6) Tariff classification**

The Commission found that both the imported and the SACU products are classifiable under the same six digit tariff sub heading.

**(7) Any other factor proven to the satisfaction of the Commission to be relevant**

This information was not provided.

Based on the above, the Commission found that both the SACU and the imported products are “like products”, for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.

### 3. SACU INDUSTRY

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#### 3.1 INDUSTRY STANDING

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

**Table 3.1: Industry standing**

Industry standing: Coated White Lined (Greyback) Board			
Producer	Production volume- Support application	Production volume- Oppose application	Production volume- Neutral
Applicant	100%	0%	0%
Other producers	None	None	None
Total SACU	100%	0%	0%

Based on this information, the application was supported by 100 per cent of the SACU industry. It is evident that the application was supported by domestic producers whose collective output constitutes more than 25 per cent of the total production of the like products produced by the domestic industry and more than 50 per cent of the total production of the like products produced by those expressing an opinion on the application.

Based on the above, the Commission made a merit determination that the application can be regarded as being made by or on behalf of the domestic industry.

## **4. DUMPING**

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### **4.1 METHODOLOGY IN THIS INVESTIGATION FOR THE REPUBLIC OF KOREA**

The information submitted by the exporter, Hansol Paper Manufacturing, and one importer, Nampak Cartons and Labels, were found to be deficient in terms of section 31.1 of the International Trade Administration Commission Anti-Dumping Regulations (ADR 31.1) and could therefore not be considered by the Commission for purposes of its preliminary determination. Only the information submitted by one importer, Peters Papers, was considered by the Commission for purposes of its preliminary determination. No other party responded to the Commission's importers and exporters questionnaires.

#### **4.1.1 Normal Value**

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

The Republic of Korea is considered by the Commission to be a country with a free market economy and therefore the definition of Section 32(2) (b) of the ITA Act applies.

The like product to that exported to the SACU is sold in the domestic market in the Republic of Korea in the ordinary course of trade.

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

For purposes of initiation of the investigation, the normal value was obtained from a Korean publication: Paperloop PPI Asia News. Since the information submitted by the exporter of the subject product was regarded as deficient in terms of ADR 31.1, and could therefore not be verified, the Commission used this normal value for purposes of its preliminary determination.

The following table indicates how the normal value for the subject product was derived:

**Table 4.1.1 Normal value**

White Liner Paperboard	Domestic price Won/tonne	US\$/tonne US\$1=Won 1 146	Rand/tonne US\$1=R 6,433
Delivered price net after discounts*	696 800	608,02	3 911,44

\*Source: Paperloop PPI Asia News–Price Watch 2004:Korea See Annexure D1.1 for copy of data source.

#### **4.1.2 Export prices**

For initiation purposes, the export price was derived from the import Statistics obtained from the South African Revenue Service. The export price was determined to be R 2 687 per ton. Since the information provided by the exporter was regarded as deficient in terms of ADR 31.1, and could therefore not be verified, the Commission applied this export price for purposes of its dumping margin calculation.

The following table indicates the export price for the product under investigation:

**Table 4.1.2 Export Price**

White Liner Paperboard	Price Won/tonne	US\$/tonne US\$1=Won 1 146	Rand/tonne US\$1=R 6,433
F.o.b. export price 2004	503 969	439,76	2 829

#### **4.1.3 CONCLUSION - DUMPING**

For purposes of its preliminary determination, the Commission found that the subject product originating in or imported from the Republic of Korea was being dumped into the SACU market with the following margins :

**Table 4.1.3: Margin of dumping**

<b>KOREAN COATED WHITE LINED (GREYBACK) BOARD</b>	<b>WON/TONNE</b>	<b>US\$/TONNE US\$1=WON 1146</b>	<b>RAND/TONNE US\$1=R 6,433</b>
Net ex factory normal value	696 800	608.02	3911.44
Net ex factory export price 2004	503 969	439.76	2 829
Margin of dumping	192 831	168.260	1 082.44
Margin of dumping expressed as a percentage of the export price	38%	38%	38%

## 5. MATERIAL INJURY

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### 5.1 IMPORT VOLUMES AND EFFECT ON PRICES

#### 5.1.1 Import volumes

In any dumping investigation, the Commission normally uses audited import statistics from SARS to determine the volume of the subject product entering the SACU from the countries under investigation and other countries. It considers these statistics to be the most reliable.

The following table shows the volume of all the imports under tariff subheading 48.10.90 as obtained from SARS:

**Table 5.1.1: Import volumes**

<b>Volume*: Tonnes</b>	<b>2002</b>	<b>2002 %</b>	<b>2003</b>	<b>2003%</b>	<b>2004</b>	<b>2004%</b>	<b>2005 Jan- Feb</b>	<b>2005 Jan- Feb %</b>
Republic of Korea	381	9	13 369	75	24 066	84	2 858	81
Other countries	3 806	91	4 496	25	4 612	16	678	19
<b>Total</b>	<b>4 187</b>	<b>100</b>	<b>17 865</b>	<b>100</b>	<b>28 678</b>	<b>100</b>	<b>3536</b>	<b>100</b>

\*The tariff heading includes various products. Based on the Applicant's knowledge of the market the statistics for Korea are for the subject product. Those for other countries are mainly a variety of other products that fall within the tariff heading and it is not possible to disaggregate the statistics with an acceptable degree of accuracy.

The information in the table above shows that the alleged dumped imports as percentage of total imports increased from 9 per cent in 2001 to 84 per cent in 2004.

#### 5.1.2 Effect on Domestic Prices

##### **Price undercutting**

Price undercutting is the extent to which the price of the imported product is lower than the price of the SACU product.

The following table compares the SACU industry's ex-factory prices with the landed cost of the imported product:

**Table 5.1.2: Price undercutting**

<b>Rand/Tonne</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005 Jan-March</b>
Mondi Packaging net ex factory	100	104	84	79
Landed cost of the alleged dumped imports *	100	74	64	62
Price undercutting/ ton	100	1 815	1 223	1 078

**This table was indexed due to confidentiality using 2002 as the base year.**

The information in the table above indicates that the Applicant experienced price undercutting from 2002 to 2005.

### **Price depression**

Price depression occurs when the domestic industry experiences a decrease in its selling prices over time.

The table below shows the SACU industry's domestic selling prices:

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Jan-Mrch 05</b>
Ex factory price/ton	100	104	84	79

**This table was indexed due to confidentiality using 2002 as the base year.**

The table above indicates that a price depression occurred from 2003 until March 2005.

### **Price suppression**

Price suppression is the extent to which increases in the cost of production of the product concerned, cannot be recovered in selling prices. To determine price suppression, a comparison is made of the percentage increase in cost with the percentage increase in selling price (if any), and whether or not the selling prices have increased by at least the same margin as that at which the cost of production increased.

The following table shows the Applicant's average costs of production and its actual selling prices of the subject product:

<b>Rand/tonne</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Jan-Mrch 05</b>
Ex-factory price	100	108	92	87
Unit cost of production	100	121	122	116
Unit cost (Total)	100	120	124	117
Gross profit per unit	100	75	17	14
Net profit per unit	100	70	-8	-9

This table was indexed due to confidentiality using 2002 as the base year.

The table above indicates that the selling prices did not increase by at least the same margin as the cost and therefore, the SACU industry experienced price suppression.

## **5.2 Consequent Impact of The Dumped Imports on The Industry**

### **5.2.1 Actual and potential decline in sales**

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

**Table 5.2.1: Sales Volume**

<b>Tonnes</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Jan-Mrch 05</b>
Sales volume	100	87	69	57
				Annualised

This table was indexed due to confidentiality using 2002 as the base year.

The information in the table above indicates that the Applicant experienced a decrease in its sales volumes.

### 5.2.2 Profit

The following table shows the Applicant's net profit for the subject product:

**Table 5..2.2: Profit**

	2002	2003	2004	2005 Jan-Mar
Gross profit per unit	100	75	17	14
Units sold	100	96	91	65 (annualised)
Gross profit R millions	100	69	12	7
Net profit R millions	100	65	-8	-10

This table was indexed due to confidentiality using 2002 as base year

In the period 2002 to the first three months of 2005 the net profit declined into a loss situation.

### 5.2.3 Output

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

Kg	2002	2003	2004	Jan-Mrch 05
Total production	100	106	87	76 Annualised

This table was indexed due to confidentiality using 2002 as base year

The table above shows that the Applicant's output declined by 30 index points from 2003 to March 2005.

### 5.2.4 Market share

The Applicant's market share declined by 32% between 2002 to 2004. This can be attributed to the growth in the market share of the alleged dumped imports which grew from 0,5 per cent in 2002 to 31,9 per cent in 2004.

### 5.2.5 Productivity

The following table outlines the Applicant industry's productivity

**Table 5.2.5: Productivity**

Description	2002	2003	2004	Jan-Mrch 05
Applicant's total production volume: Tonnes	100	106	87	76 annualised
Number of employees (manufacturing only)	100	111	100	100
Units per employee	100	96	86	76
Total capital employed	100	131	158	166
Production value: capital ratio	100	90	65	58

This table was indexed due to confidentiality using 2002 as base year.

Among others, the table above indicates that units per employee decreased at a fairly constant rate from 2002 to March 2005.

The Applicant stated that this can be attributed to a decline in domestic sales, which resulted in a slowdown of production.

### 5.2.6 Return on investment

Return on investment is regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets.

The following table provides the Applicant's return on total net assets:

**Table: 5.2.6: Return on investment**

Return on net assets (product)	2002	2003	2004	Jan-Mrch 05
Return on net assets %	100	49	-4	-3

This table was indexed due to confidentiality using 2002 as base year.

The table above indicates that the return on net assets, both for the subject product and for all products decreased from 2002 to March 2005.

### **5.2.7 Utilisation of production capacity**

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

**Table 5.2.7: Utilisation of production capacity**

<b>Tons</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Jan-Mrch 05 annualised</b>
Applicants capacity (units)	100	100	100	100
Actual production	100	106	87	76
Capacity utilisation %	100	106	87	76

**This table was indexed due to confidentiality using 2002 as base year.**

The table above indicates that the Applicant's capacity utilisation increased slightly from 2002 to 2003 and decreased again from 2003 to March 2005.

The Applicant stated that various products are produced with the available machinery. It stated that the reduction in the production of the subject product cannot be substituted by other products as market demand is limited. The Applicant stated that as a result, the reduced output of coated white lined or grey back paperboard also affects other products produced on the same lines negatively reducing the viability of the plant and business as a whole.

### **5.2.8 Factors affecting domestic prices**

There are no other known factors that could affect the domestic prices negatively.

### **5.2.9 The magnitude of the margin of dumping**

The following dumping margin was calculated:

**Table 5.2.9: Margin of dumping**

Product	Margin of dumping
White liner or grey back paperboard	38%

**5.2.10 Actual and potential negative effects on cash flow**

The following table reflects the SACU industry's cash flow situation:

**Table 5.2.10: Cash Flow**

Net cash flow	2002	2003	2004	Jan-Mrch 05
Product specific				
Cash flow: incoming	100	120	80	69
Cash flow: outgoing	100	103	61	49
Net cash flow	Negative	100	224	263
Debtors (value)	100	114	80	73
Debtors: average days outstanding	100	120	124	122

This table was indexed due to confidentiality using 2002 as the base year except in the case of net cash flow where 2003 was used as base year.

The table above indicates a positive trend in cash flow.

**5.2.11 Inventories**

The following table provides the SACU industry's inventories for the subject product:

**Table 5.2.11: Inventories**

Volume/Value	2002	2003	2004	Jan-Mrch 05
Volume /ton	100	331	235	298
Value (Rand)	100	444	275	299

This table was indexed due to confidentiality using 2002 as the base year.

The table above indicates that the volume of the subject product decreased by 33 index points from 2003 to March 2005.

The Applicant stated that there is some seasonal variation with inventories being planned to make provision for the SACU summer holidays and

production/distribution disruption that may arise owing to a concentration of public holidays in March/ April/ May. Such variations are regarded as normal.

### 5.2.12 Employment

The following table provides the SACU industry's total production units employed:

**Table 5.2.12: Employment**

Number of employees	2002	2003	2004	Jan-Mrch 05
Direct labour units: production	100	108	106	106
Indirect labour units: production	100	115	92	92
Total labour units: production	100	111	101	101
Labour units: Selling and Administrative	100	100	100	100

This table was indexed due to confidentiality using 2002 as base year.

The table above indicates that employment remained constant over the period.

### 5.2.13 Wages

The following table provides the SACU industry's wages:

**Table 5.2.13: Wages**

	2002	2003	2004	Jan-Mrch 05 (Annualised)
Total wages: Production: R 000's	100	120	117	92
Wage/time period: Production *: R 000's	52 Weeks 100	52 Weeks 118	52 Weeks 113	52 Weeks 93
Total wages/salaries: Selling, general and administration (SGA): R 000's	100	108	117	92

This table was indexed due to confidentiality using 2002 as the base year.

The average annual wages per employee grew by 16.9 per cent in the period 2002 to 2004. As shown in the table, nominal wages have fallen significantly in the early part of 2005 owing to cancelled shifts to reduce output of the subject product.

#### 5.2.14 Growth

The Applicant provided the following information with regard to the growth of the market:

**Table 5.2.14: Growth**

Tonnes	2002	2003	2004	Jan-Mrch 05
Mondi Packaging growth % from previous year	100	87	69	57
Alleged dumped imports:tonnes	381	13 369	24 066	Insufficient information
Alleged dumped imports growth % from previous year	100	3 509	180	Insufficient information
Other imports: Estimate	200	1 000	500	300

This table was indexed due to confidentiality using 2002 as the base year.

The growth in the market was taken up by alleged dumped imports. The SACU market for the subject product has remained relatively static.

#### 5.2.15 Ability to raise capital or investments

The Applicant provided the following information with regard to the SACU industry's ability to raise capital or investments:

**Table 5.2.15: Ability to raise capital or investments**

Rand	2002	2003	2004	Jan-Mrch 05
Total capital/investment in subject product	100	112	123	114
Capital expenditure during year on subject product	100	53	23	41

This table was indexed due to confidentiality using 2002 as the base year.

The Applicant stated that it has no difficulty in raising funds within the Anglo American Group for viable projects.

### 5.3 CONCLUSION - MATERIAL INJURY

After considering all relevant factors, the Commission found that the Applicant was suffering material injury in that:

- the dumped imports had increased significantly;
- there was price undercutting;
- it experienced price suppression;
- its output declined;
- its sales declined;
- its market share declined;
- its utilisation of production capacity declined;
- there was a negative effect on its cash flow;
- its employment declined; and
- its inventories increased.

## **6. CAUSAL LINK**

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### **6.1 GENERAL**

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

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

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

The Applicant's market share declined by 32% between 2002 to 2004. The Applicant stated that growth can be attributed to the growth in the market share of the alleged dumped imports which grew from 0,5 per cent in 2002 to 31,9 per cent in 2004.

### **6.3 EFFECT OF DUMPED IMPORTS ON PRICES**

The Applicant stated that the strengthening of the Rand against most major currencies has made many imports cheaper to some degree.

The Applicant's information showed price undercutting, price depression and price suppression (see paragraph 5.1.2).

### **6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS**

The information submitted by the Applicant indicated that there was price undercutting, price suppression and price depression.

## 6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

### 6.5.1 The volume and price of imports not sold at dumping prices

The following table shows the volume and price of alleged dumped imports and imports from other countries:

**Table 6.5.1: Import volume**

<b>Volume*: Tonnes</b>	<b>2002</b>	<b>%</b>	<b>2003</b>	<b>%</b>	<b>2004</b>	<b>%</b>	<b>2005 Jan- Feb</b>	<b>2005 Jan- Feb %</b>
Republic of Korea	381	9	13 369	75	24 066	84	2 858	81
Other countries	3 806	91	4 496	25	4 612	16	678	19
Total	4 187	100	17 865	100	28 678	100	3536	100

\*The tariff heading includes various products. Based on Mondi's knowledge of the market the statistics for Korea are for the subject product. Those for other countries are mainly a variety of other products that fall within the tariff heading and it is not possible to disaggregate the statistics with an acceptable degree of accuracy.

The table above indicates that the alleged dumped imports increased from 9 percent in 2002 to 81 percent in February 2005.

The average price per ton of the alleged dumped imports is substantially lower than the average price per ton of the imports from other countries for the same period.

#### **6.5.2 Competition between domestic producers**

The Applicant is the sole manufacturer of the subject product in the SACU.

#### **6.5.3 Developments in technology**

The Applicant stated that it manufactures the subject product with recycled fiber, having the same strength and performance characteristics as those produced by other manufacturers from virgin fiber. It stated that the product from recycled/recovered fiber has been developed through product development initiatives. The Applicant stated that this keeps thousands of people in SACU self-employed by collecting paper and paperboard.

#### **6.5.4 Contraction in demand or changes in the patterns of consumption**

The Applicant stated that there are no known changes specific to the subject product. The Applicant stated that the SACU market has grown very slowly, and that the industry should not, be regarded as a sunset industry. The Applicant stated that the reason for the slow growth is attributed to the very low per capita paper consumption in SACU.

#### **6.5.5 Export performance**

The table below indicates the Applicant's export performance:

**Table 6.5.5: Export performance**

Years	2001	2003	2004	2005Jan-Mar
Tons	100	253	601	(25)

This table was indexed due to confidentiality using 2001 as the base year.

The Applicant stated that additional product has been diverted to the international market in an effort to keep plant running at acceptable capacity since the alleged dumping commenced from the Republic of Korea.

#### **6.5.6 Competition between foreign and domestic producers**

The Applicant stated that its plant is considered to be fully internationally competitive as is evidenced by the low import duty applicable on imports of the subject product into the SACU.

#### **6.5.7 Exchange rate effects**

The Applicant stated that the Rand has strengthened against most major currencies in the period 2002 to 2004, reducing the landed cost of imports. It stated that under normal circumstances, these effects would have been countered by strict control of costs by the Applicant, and by keeping selling prices competitive.

#### **6.5.9 Other factors affecting the SACU industry**

The Applicant stated that given the fairly healthy state of the South African economy, and relatively low inflation in recent years, it could have been expected that domestic prices for the subject product would be relatively stable, increasing in line with consumer/production price indices and that sales volumes would have grown to some degree. The Applicant stated that the drop in the price of coated white lined (greyback) board to non-viable levels is the result of market disruption by dumped product from Korea, as is the precipitous decrease in its sales volumes/values.

### **6.6 CONCLUSION ON CAUSAL LINK**

After considering all relevant factors and representations by interested parties, the Commission found that there was a causal link between the dumped products and the material injury suffered by the Applicant. In coming to this conclusion the Commission considered relevant factors other than dumping that could be causing material injury and decided that these did not detract from the causal link.

## **7. SUMMARY OF FINDINGS**

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### **7.1 Dumping**

Based on the information submitted by the Applicant, there is sufficient evidence that the subject product originating in or imported from the Republic of Korea was imported at dumped prices into the SACU market.

The following dumping margin was calculated:

Country: Korea	Dumping margin
White liner or grey back paperboard	38%

### **7.2 Material injury**

There is sufficient evidence to indicate that the Applicant suffered material injury in the form of:

- price undercutting
- price suppression
- price depression
- decline in sales
- decline in output
- negative effect on employment
- negative effect on wages and salaries

### **7.3 Causal link**

The Commission found that there was a causal link between the dumping and the material injury experienced by the SACU industry.

## **8. PROVISIONAL PAYMENTS**

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### **8.1 Price disadvantage**

The price disadvantage is the extent to which the price of the imported product (landed cost) is lower than the unsuppressed and undepressed ex-factory selling price of the SACU product. It is the Commission's policy that the price disadvantage is only applied when both the Exporter and the Importer responded in the investigation

### **8.2 Amount of duty:**

Thus, the anti-dumping duty of 38 per cent calculated was the amount of duty determined.

## **9. DETERMINATION**

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The Commission made a preliminary determination that:

1. The subject product originating in or imported from the Republic of Korea was being dumped into the SACU market;
2. The SACU industry suffered material injury; and
3. There was a causal link between the dumping of the subject product and the material injury.

However, the Commission made a preliminary determination that no provisional payments be imposed as it is of the opinion that the imposition of provisional payments before verification of the information submitted by the exporter would have a detrimental effect on the downstream paper products industry.

Interested parties will be invited to submit comments on the preliminary determination within the specified time periods, which the Commission will consider prior to making its final determination and recommendation to the Minister of Trade and Industry.