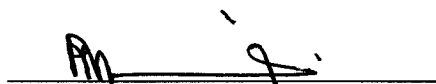


Report No. 87

Investigation into the alleged dumping of fibre glass chopped strand mats originating in or exported from the People's Republic of China (PRC) and Chinese Taipei: Preliminary determination

The International Trade Administration Commission of South Africa herewith presents its **Report No. 87: INVESTIGATION INTO THE ALLEGED DUMPING OF FIBRE GLASS CHOPPED STRAND MATS ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC) AND CHINESE TAIPEI: PRELIMINARY DETERMINATION.**

A handwritten signature in black ink, appearing to be 'N.P. Maimela', is written over a horizontal line.

Ms N.P. MAIMELA
CHIEF COMMISSIONER: INTERNATIONAL TRADE ADMINISTRATION
COMMISSION OF SOUTH AFRICA

PRETORIA

19 / 01 / 2005

INVESTIGATION INTO THE ALLEGED DUMPING OF FIBRE GLASS CHOPPED STRAND MATS ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC) AND CHINESE TAIPEI

SYNOPSIS

On 5 November 2003 the Commission, formally initiated an investigation into the alleged dumping of fibre glass chopped strand mats and rovings originating in or exported from the People's Republic of China (PRC) and Chinese Taipei. The application was lodged on behalf of the Southern African Customs Union (SACU) industry by Owens Corning Limited, which claimed that the alleged dumped imports were causing it material injury. Notice of the initiation of the investigation was published in Notice No. 3285 of *Government Gazette* No. 25690 dated 14 November 2003.

On 23 February 2004, ITAC was informed that the Applicant decided to close the furnace that produces fibre glass rovings and therefore requested the termination of the investigation on rovings, but that the investigation on fibre glass chopped strand mats should be continued. Notice of the termination of the investigation on fibre glass rovings originating in or imported from the PRC and Chinese Taipei was published in Notice No. 830 of *Government Gazette* No. 26344 dated 21 May 2004.

On initiation of the investigation, known producers and exporters of the subject product in the PRC and Chinese Taipei were sent foreign manufacturers/exporters questionnaires to complete. Importers of the subject product were also sent questionnaires to complete.

After considering all parties' comments and representations, the Commission made a preliminary determination that the subject product originating in or imported from the PRC and Chinese Taipei was being dumped into the SACU market, causing material injury to the SACU industry.

As the Commission considers that the SACU industry will continue to suffer material injury during the course of the investigation if provisional payments are not imposed, it decided to request the Commissioner for the South African Revenue Service to impose provisional payments for a period of twenty-six weeks, to the extent of the amounts listed below:

<u>The PRC:</u>	Rate of provisional Payment
Manufactured by Jushi Group Co., Ltd and exported to SACU by Great Winexpress Machinery Hong Kong (Pty) Ltd.	31,81%
All other exporters	59,34%

<u>Chinese Taipei:</u>	Rate of provisional Payment
All exporters	141,66%

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 71 of 2002, (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 Anti-Dumping Regulations (ADR).

The International Trade Administration Commission (the Commission) was established on 1 June 2003 in terms of the ITA Act, which replaced the Board on Tariffs and Trade Act 1986 (Act 107 of 1986) (the Board Act). As regards anti-dumping matters the Commission superseded the Board on Tariffs and Trade (the Board) in all respects. For sake of simplicity all references in this report are to the Commission. All references in this report referring to the Commission, and which relate to the period prior to 1 June 2003, should be understood to be a reference to the Board, and all references to the ITA Act, which relates to the period prior to 1 June 2003, should be understood to be a reference to the BTT Act.

1.2 APPLICANT

The application was lodged by Owens Corning SA (Pty) Ltd, being the only producer of the subject product in the SACU.

1.3 DATE OF ACCEPTANCE OF THE APPLICATION

The application was accepted by the Commission as being properly documented in accordance with Article 5.2 of the Anti-Dumping Agreement in September 2003. The trade representatives of the countries concerned were advised accordingly.

1.4 ALLEGATIONS BY THE APPLICANT

The Applicant alleged that imports of the subject product, originating in or imported from the PRC and Chinese Taipei 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 are being exported to 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 products from PRC and Chinese Taipei, the SACU industry was suffering material injury in the form of:

- price undercutting
- price depression
- price suppression
- decline in output
- decline in sales
- decline in market
- decrease in profits
- decline in utilization of production capacity
- decline in wages per employee
- inability to show growth
- inability to raise capital

1.5 INVESTIGATION PROCESS

The Commission formally initiated an investigation into the alleged dumping of fibre glass chopped strand mats originating in or exported from the PRC and Chinese Taipei pursuant to Notice No 25690, which was published in Government Gazette No. 3285 on 14 November 2003.

Prior to the initiation of the investigation, the trade representatives of the

countries concerned were 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 questionnaire and the non-confidential summary of the application.

The information submitted by the Applicant was verified on the 2 and 8 October 2003

The investigation on glass fibre rovings was terminated on 21 May 2004. On 6 August 2004, Chongqing Polycomp International Corporation informed ITAC that they did not export fibre glass chopped strand mats during the investigation period and therefore withdrew its response.

The information of the Importers and the Exporters who submitted properly completed responses to the questionnaire, was also verified.

1.6 INVESTIGATION PERIOD

The investigation period for dumping is from 1 September 2002 to 31 August 2003. The investigation period for injury is from 1 January 2000 to 31 August 2003.

1.7 PARTIES CONCERNED

1.7.1 SACU industry

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

(a) Owens Corning South Africa (Pty) Ltd

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

1.7.2 Exporters/Foreign Manufacturers

The following exporters/manufacturers were identified as interested parties:

Taiwan Glass International (Chineses Taipei)
Chongqing Polycomp International Corporation (Chinese Taipei)
Jushi Group Co (PRC)
Great Winexpress (Hong Kong)

Complete responses were received from Jushi Group Co, Great Winexpress and Chongqing Polycomp International Corporation.

The investigation on glass fibre rovings was terminated on 21 May 2004. On 6 August 2004, Chongqing Polycomp International Corporation informed ITAC that they did not export fibre glass chopped strand mats during the investigation period and therefore withdrew its response.

Information submitted by Jushi Group Co and Great Winexpress was verified.

1.7.3 Importers

Complete responses were received from NCS Resins (Pty) Ltd, Amaintit South Africa, Plastrate (Pty) Ltd and Sinasia Utama Machinery & Chemical (Pty) Ltd.

Information submitted by these importers was verified.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as glass fibre chopped strand mats (CSM)

2.1.2 Tariff classification

The subject product is currently classifiable as follows:

Tariff Subheading	Description	General	EU	SADC
70.19	Glass fibres (including glass wool) and Articles thereof (For example Yarn, Woven fabrics)			
7019.12.90	Other	Free	Free	Free
7019.31	Mats	15%	15%	free

2.1.3 Other applicable duties and rebates

No rebate provisions exist in terms whereof the subject product can be imported with rebate of the duty.

2.1.4 Import Statistics

Article 5.8 of the Anti-Dumping Agreement provides as follows:

“There shall be immediate termination in cases where the authorities determine that the volume of dumped imports, actual or potential, is negligible. The volume of

dumped imports shall normally be regarded as negligible if the volume of dumped imports from a particular country is found to account for less than 3 per cent of imports of the like product in the importing Member, unless countries which individually account for less than 3 per cent of the imports of the like product in the importing Member collectively account for more than 7 per cent of imports of the like product in the importing Member.”

The import statistics, as contained in paragraph 5.3 of this report, indicated that the volume of dumped imports for fibre glass chopped strand mats from the PRC account for 72% while the volume of imports from Chinese Taipei account for 11% 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 is exported from the PRC and Chinese Taipei.

2.1.6 Application/end use

The imported subject product is suitable for the manufacturing of marine, consumer, recreational, corrosion, construction and transportation products.

2.1.7 Production process

Fibre glass chopped strand mats are manufactured from E-glass, which is highly soluble in styrene, which results in very fast wet-out times, good drape properties, improved productivity and lower resin. The mats are bonded together with a small amount of a highly soluble powdered polyester binder and are designed to be randomly orientated and multi-resin compatible.

2.2 SACU PRODUCT

2.2.1 Description

The subject products are described as fibre glass chopped strand mats.

2.2.2 Application/end use

Fibre glass chopped strand mats are suitable for the manufacturing of marine, consumer, recreational, corrosion, construction and transportation products.

2.2.3 Tariff classification

The SACU product is currently classifiable under tariff subheading 7019. 31

2.2.4 Production process

Fibre glass chopped strand mats are manufactured from E-glass which is highly soluble in styrene, which results in very fast wet-out times, good drape properties, improved productivity and lower resin. The mats are bonded together with a small amount of highly soluble powdered polyester binder and are designed to be randomly orientated and multi-resin compatible.

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 PRC and Chinese Taipei.

Footnote 9 to Article 3 of the Anti-Dumping Agreement provides as follows:

"Under this Agreement the term "injury" shall, unless otherwise specified, be taken to mean material injury to a domestic industry, threat of material injury to a domestic industry or material retardation of the establishment of such an industry and shall be interpreted in accordance with the provisions of this Article."[own underlining].

Article 4.1 of the Anti-Dumping Agreement provides as follows:

"For the purposes of this Agreement, the term "domestic industry" shall be interpreted as referring to the domestic producers as a whole of the like products..."[own underlining].

Article 2.6 of the Anti-Dumping Agreement provide as follows:

"Throughout this Agreement the term 'like product' ('produit similaire') shall be interpreted to mean a product which is identical, i.e. alike in all respects to the product under consideration, or in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the product under consideration."[own underlining].

2.3.2 Analysis

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

- (1) raw material used;
- (2) physical appearance and characteristics;
- (3) tariff classification;
- (4) method of manufacturing; and
- (5) customer demand and end use.

(a) Raw material

The raw materials used in both the imported and domestic products are the same.

(b) Physical appearance and characteristics

The physical appearance and characteristics of both the imported and domestic products are the same.

(c) Tariff classification

The tariff classification of the imported and domestic products is the same.

(d) Method of manufacturing

Production process applied is universally similar, with little exception.

(e) Customer demand and end-use

The customer demand and end use of both the imported and domestic products are the same.

Taking the above into consideration, the Commission found that the SACU product 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

3.1 INDUSTRY STANDING

Article 5.4 of the Anti-Dumping Agreement provides as follows:

"An investigation shall not be initiated pursuant to paragraph 1 unless the authorities have determined, on the basis of an examination of the degree of support for, or opposition to the application expressed by domestic producers of the like product, that the application has been made by or on behalf of the domestic industry. The application shall be considered to have been made "by or on behalf of the domestic industry" if it is supported by those domestic producers whose collective output constitutes more than 50 per cent of the total production of the like product produced by that portion of the domestic industry expressing either support for or opposition to the application. However, no investigation shall be initiated when domestic producers expressly supporting the application account for less than 25 per cent of total production of the like product produced by the domestic industry."

ADR 7.3 provides as follows:

"An application shall be regarded as brought by or on behalf of the SACU industry if-

- (a) at least 25 per cent of the SACU producers by domestic production volume support the application; and
- (b) of those producers that express an opinion on the application, at least 50 per cent by domestic production volume support such application."

Based on the information supplied by the Applicant, the application was supported by 100 per cent of the SACU industry. It was 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 product produced by the domestic industry and more than 50 per cent of the total production of the like product produced by those expressing an opinion on the application.

The Commission confirmed that the application can be regarded as being made by or on behalf of the domestic industry, in terms of the relevant provisions of the Anti-Dumping Agreement.

4. DUMPING

4.1 DUMPING

Section 1 of the ITA Act, provides a definition of the term “dumping”. The Act provides as follows:

“‘dumping’ means the introduction of goods into the commerce of the Republic or the common customs area at an export price contemplated in section 32(2)(a) that is less than the normal value, as defined in section 32(2), of the goods.”.

4.2 NORMAL VALUE

Normal values are determined in accordance with section 32(2)(b) of the ITA Act. This section provides as follows:

“‘normal value’ means -

- (i) the comparable price actually paid or payable in the ordinary course of trade for like goods intended for consumption in the exporting country or country of origin; or
- (ii) in the absence of information on a price contemplated in subparagraph (i), either -
 - (aa) the constructed cost of production of the goods in the country of origin when destined for domestic consumption, plus a reasonable addition for selling, general and administrative costs and for profit; or
 - (bb) the highest comparable price of the like product when exported to an appropriate third or surrogate country, as long as that price is representative;

Section 32(4) of the ITA Act further provides as follows:

- (a) “If the Commission, when evaluating an application concerning dumping, concludes that normal value of the goods in question is, as a result of government intervention in the exporting country or country of origin, not determined according to free market principles, the Commission may apply to those goods a normal value of the goods, established in respect of a third or surrogate country.”

4.3 EXPORT PRICE

Export prices are determined in accordance with section 32(2)(a) of the ITA Act, which provides as follows:

“‘export price’ , subject to subsections (3) and (5), means the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to that sale ”.

Sections 32(5) and 32(6) of the ITA Act further provides as follows:

- (5) The Commission must, despite the definition of “export price” set out in subsection (2), when evaluating an application concerning dumping that meets the criteria set out in subsection (6), determine the export price for the goods in question on the basis of the price at which the imported goods are first resold to an independent buyer, if applicable, or on any reasonable basis.
- (6) Subsections (5) applies to any investigation of dumping if, in respect of the goods concerned-
 - (a) it is found that there is no export price as contemplated in the definition of “dumping”; or
 - (b) It appears that in respect of the export price there is an association or a
 - (c) compensatory arrangement between the exporter concerned and the importer or the third party concerned; or
 - (d) it is found that for any other reason the export price actually paid or payable for the goods sold is unreliable;

4.4 ADJUSTMENTS

Article 2.4 of the Anti-Dumping Agreement provides as follows:

“A fair comparison shall be made between the export price and the normal value. This comparison shall be made at the same level of trade, normally at the ex-factory level, and in respect of sales made at as nearly as possible the same time. Due allowance shall be made in each case, on its merits, for differences which affect price comparability, including differences in conditions and terms of sale, taxation, levels of trade, quantities, physical characteristics, and any other differences which are also demonstrated to affect price comparability. In the cases referred to in paragraph 3, allowances for costs, including duties and taxes, incurred between importation and resale, and for profits accruing, should also be made. If in these cases price comparability has been affected, the authorities shall establish the normal value at a level of trade equivalent to the level of trade of the constructed export price, or shall make due allowance as warranted under this paragraph. The authorities shall indicate to the parties in question what information is necessary to ensure a fair comparison and shall not impose an unreasonable burden of proof on those parties.”

Both the *Anti-Dumping Agreement* the ITA Act and the ADR provide that due allowance shall be made in each case for differences in conditions and terms of sale, in taxation and for differences affecting price comparability. The Commission considers that for an adjustment to be allowed, quantifiable and verified evidence has to be submitted, and it must further be demonstrated that these differences actually affected price comparability at the time of setting the prices.

4.5 COMPARISON OF EXPORT PRICE WITH NORMAL VALUE

The margin of dumping is calculated by subtracting the export price from the normal value of the product (after all adjustments have been made). The margin is then expressed as a percentage of the export price. If the margin is less than 2%, it is regarded as *de minimis* in terms of the ADR 12.3 and no anti-dumping duty will be imposed.

The Commission found that the normal value supplied by the Applicant was sufficient to reach a reasonable conclusion that there was a *prima facie* case of dumping and, therefore, that it was sufficient for the initiation of the investigation.

4.6 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC AND CHINESE TAIPEI.

4.6.1 Normal Value

Type of economy

PRC

The PRC is considered to be a country with a history of government intervention and therefore Section 32(4) of the ITA Act applies.

The Commission agreed with the nomination of the Applicant to use Chinese Taipei as a surrogate for the PRC. The Commission found that the products exported from Chinese Taipei to SACU are exactly the same products that the PRC exports to SACU.

The Commission found that Chinese Taipei is geographically very close to the PRC and its level of economic development with regard to the subject product is very similar. The exporters opposed the selection of Chinese Taipei but did not request an alternative surrogate to be used.

Taking the above into account, the normal value was determined based on a quote from a distributor in Chinese Taipei as supplied by the Applicant.

Adjustments to normal value

No adjustments were made to the normal value.

4.6.2 Export price

Export price is defined in section 32(2) (a) of the ITA Act as the price actually paid or payable for goods sold for export, net of all taxes, discounts and rebates actually granted and directly related to that sale.

To enable a proper comparison between the export price and the normal value, both should be at the ex-factory level.

Jushi Group

The export price was the actual price verified at Jushi Group in the PRC.

Adjustments to export price

The Commission made following the adjustments, that were verified, to the export price.

(i) Inland freight and handling costs

Total freight during the POI was determined and allocated to every shipment. The handling costs and other customs expenses were included in the freight amount.

(ii) Commission

Total commission during the POI was determined and deducted from export selling prices.

(iii) Payment terms

Payments are done by letter of credit 30 days from bill of lading date.

Ex-factory export prices

Taking the above adjustments into consideration, the average ex-factory export price was calculated.

Margin of dumping

Using Chinese Taipei as a surrogate for the PRC, for the purposes of the normal value and the actual verified export price from the PRC, resulted in a dumping margin of 31,81 per cent.

Residual for PRC

Since there are other manufacturers of the subject product in the PRC, a residual dumping margin was calculated.

Margin of dumping

Using Chinese Taipei as a surrogate for the PRC, for the purposes of the normal value, and the export price based on actual exports to SACU from the PRC, resulted in a dumping margin of 59,34 per cent.

Residual for Chinese Taipei

Since there are manufacturers of the subject product in the Chinese Taipei that did not respond, a residual dumping margin was calculated.

Margin of dumping

To determine the normal value, information provided by the Applicant was used, and the export price was based on actual exports to SACU from Chinese Taipei. This resulted in a dumping margin of 141,66 per cent.

4.7 CONCLUSION - DUMPING

The Commission found that the subject product originating in or imported from the PRC and Chinese Taipei was being dumped on the SACU market with the following margins:

Fibre glass chopped strand mats US\$/kg	Chinese Taipei	Jushi Group China	China Other Producers
Margin of dumping	141,66%	31,81%	59,34%

5 MATERIAL INJURY

5.1 DOMESTIC INDUSTRY FOR THE PURPOSE OF DETERMINATION OF INJURY

Article 3 of the Anti-Dumping Agreement is entitled "Determination of injury". Footnote 9 of Article 3 of the Anti-Dumping Agreement to the word "injury" provides as follows:

"Under this agreement the term "injury" shall, unless otherwise specified, be taken to mean material injury to a domestic industry, threat of material injury to a domestic industry or material retardation of the establishment of such an industry and shall be interpreted in accordance with the provisions of this Article."

5.2 GENERAL

Article 3.1 of the Anti-Dumping Agreement provides as follows:

"A determination of injury for purposes of Article VI of GATT 1994 shall be based on positive evidence and involve an objective examination of both.

- (a) the volume of the dumped imports and the effects of the dumped imports on the prices in the domestic market for the like products, and
- (b) the consequent impact of these imports on domestic producers of such products".

Article 4.1 of the Anti-Dumping Agreement further provides as follows:

"For purposes of this Agreement, the term "domestic industry" shall be interpreted as referring to the domestic industry as a whole of the like products or to those of them whose collective output of the products constitutes a major proportion of the total domestic production of those products,..."

The following injury analysis relates to Owens Corning SA (Pty) Ltd, the

Applicant, which constitutes 100% of the total domestic production of the subject product. This constitutes “a major proportion” of the total domestic production, in accordance with Article 4.1 of the Anti-Dumping Agreement.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

5.3.1 Import volumes

Article 3.2 of the Anti-Dumping Agreement provides as follows:

“With regard to the volume of the dumped imports, the investigating authorities shall consider whether there has been a significant increase in dumped imports, either in absolute terms or relative to production or consumption in the importing Member.”.

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.

Since there is no manufacturing facility in Hong Kong, exports are reflected in export figures from the PRC.

The table below shows the imports of fibre glass chopped strand mats for the period 2000 to 2003:

Table 5.3.1

	2000		2001		2002		2002 1Jan- 31Aug		2003- 1Jan- 31Aug	
Fibre glass chopped strand mats /kg	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
Alleged Dumped imports										
China	193080	35	293854	16	776365	65	502072	74	564757	72
Taiwan	142068	25	26578	4	212827	18	37200	5	83400	11
Sub total	335148	60	320432	20	989192	83	539272	79	648157	83
Imports from other countries	221477	40	281786	80	210533	17	141639	21	141256	17
Total imports	556625		602218		1199725		680911		789413	

The alleged dumped imports of fibre glass chopped strand mats increased from 335 148kg in 2000 to 989 129kg in 2002, an increase of 195%. During the period 1 January 2003 to 31 August 2003 compared to the same period in 2002 the dumped imports increased by 20.2%.

5.3.2 Effect on Domestic Prices

Article 3.2 of the Anti-Dumping Agreement further provides as follows:

“With regard to the effect of the dumped imports on the prices, the investigating authorities shall consider whether there has been a significant price undercutting by the dumped imports as compared with the price of a like product of the importing Member, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant degree. No one or several of these factors can necessarily give decisive guidance.”.

5.3.2.1 Price undercutting

Price undercutting is the extent to which the landed cost of the imported product is lower than the ex-factory selling price of the SACU product.

The following table compares the applicants ex factory selling price with the imported landed cost of fibre glass chopped strand mats for the two countries concerned:

Table 5.3.2.1

	2000	2001	2002	2003
Fibre glass chopped strand mats / Kg Chinese Taipei				
Applicant's ex-factory selling price/ kg	100	124	146	123
Price undercutting as % of Applicant's price	26.2%	4.3%	60.9%	64.5%
Fibre glass chopped strand mats /kg China				
Applicant's ex-factory selling price/ kg	100	124	146	123
Price undercutting as % of Applicant's price	24.1%	10.0%	21.2%	28.9%

This table was indexed due to confidentiality using 2000 as base year.

From the table above the imported product landed cost prices from both countries are undercutting the applicants ex factory selling prices by the stated margins.

5.3.2.2 Price depression

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

The table below shows the average prices, after discounts for fibre glass chopped strand mats:

Table 5.3.2.2

Fibre glass chopped strand mats/kg	2000	2001	2002	2003
Price per R/kg	100	124	146	123

This table was indexed due to confidentiality using 2000 as base year.

From the table above it is evident that the price of fibre glass chopped strand mats per kg increased from 2000 to 2002 but decreased from 2002 to 2003.

5.3.2.3 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 at which the cost of production increased.

The table below shows the Applicant's cost of production as a percentage of the selling price after discounts for fibre glass chopped strand mats :

Table 5.3.2.3

Fibre glass chopped strand mats	2000	2001	2002	2003
Cost of production as % selling price	96%	90%	84%	93%

The information in the table above shows that the Applicant's ability to recover its cost in the selling price has deteriorated from 2001 to 2003.

5.3.3 Consequent Impact of The Dumped Imports on The Industry

With reference to Article 3.1(b), Article 3.4 of the Anti-Dumping Agreement provides the following:

"The examination of the impact of the dumped imports on the domestic industry concerned shall include an evaluation of all relevant economic factors and indices having a bearing on the state of the industry, including actual and potential decline in sales, profits, output, market share, productivity, return on investments, or utilization of capacity; factors affecting domestic prices; the magnitude of the margin of dumping; actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital or investments. This list is not exhaustive, nor can one or several of these factors necessarily give decisive guidance."

5.3.3.1 Actual and potential decline in sales

The table below shows the sales volume of fibre glass chopped strand mats:

Table 5.3.3.1

Period	2000	2001	2002	2002 Jan- Aug	2003 Jan- Aug
Fibre glass chopped strand mats /ton					
Volume (tons)	100	87	86	64	52

This table was indexed due to confidentiality using 2000 as base year.

From 2000 to 2002 the sales of fibre glass chopped strand mats have been declining. In the period January to August 2003 compared to the same period in 2002 the decline was 12 index points.

5.3.3.2 Profit

The table shows the Applicant's total profit before interest and tax for fibre glass chopped strand mats:

Table 5.3.3.2

Period	2000	2001	2002	2002 Jan- Aug	2003 Jan- Aug
Pre tax profit/loss	100	2 323	6 382	5 453	(714)

This table was indexed due to confidentiality using 2000 as base year.

The Applicant's profit declined from pre tax profit of 6382 index points in 2002 to a loss of 714 index points in the period January to August 2003.

5.3.3.3 Output

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

Table 5.3.3.3

<i>Period</i>	2000	2001	2002	2002 Jan – Aug	2003 Jan – Aug
Volume (tons)	100	94	106	63	31

This table was indexed due to confidentiality using 2000 as base year.

Although the output increased from 100 index points in 2000 to 106 index points in 2002, a year-on-year comparison shows a decline of 32 index points from 2002 to 2003.

5.3.3.4 Market share

The table below indicates the SACU market share of fibre glass chopped strand mats for the period 2000 to August 2003:

Table 5.3.3.4

	2000	2001	2002	2002 1Jan- 31Aug	2003 1Jan- 31Aug
Fibre glass chopped strand mats Volume tons					
Alleged Dumped imports: Chinese Taipei China	100 100	19 152	150 402	26 260	58 432
Imports from other countries	100	128	95	64	63
Domestic sales: Applicant	100	87	86	83	52
% share held by:					
- domestic sales	90.7	90.1	66.4	74.1	65.1
- allegedly dumped imports	9.3	9.9	27.7	25.9	34.9

This table was indexed due to confidentiality using 2000 as base year.

The alleged dumped imports increased from 9.3 % in 2000 to 34.9% in 2003, whereas the Applicant's share of the market declined from 90.7% to 65.1% in the same period.

5.3.3.5 Productivity

Using the production and employment figures sourced from the Applicant, its productivity in respect of the subject product is as follows:

Table 5.3.3.5

	2000	2001	2002	2003 Jan - Aug
Tons/employee	100	76	86	46

This table was indexed due to confidentiality using 2000 as base year.

The productivity measured on the output per ton, per employee declined from 2000 to 2001 from 100 index points per employee to 46 index points per employee. However from 2001 to 2002 it increased to 86 index points per employee.

5.3.3.6 Return on investment

Return on investment is normally 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 for the composite manufacturing plant:

Table 5.3.3.6

%	2000	2001	2002	2003 1Jan- 31Aug
Return on total net assets	100	3153	8421	(947)

This table was indexed due to confidentiality using 2000 as base year.

The Applicant's return on investment improved in 2001 and 2002 compared

to the 2000 financial year, but in the period from January to August 2003 return on total assets shows a loss of 947 index points.

5.3.3.7 Utilisation of production capacity

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

Table 5.3.3.7

Tons	1999	2000	2001	2002	2003 1Jan- 31Aug
Capacity	100	100	100	100	67
Production	100	105	91	103	67
Utilisation %	91	96	84	94	91

This table was indexed due to confidentiality using 1999 as base year.

The Applicant's production capacity was constant at the same level since 1999 while its actual production decreased for the financial year 2001 to 84 index points. The utilisation of the production capacity stayed on the same level during the years to 2003.

5.3.3.8 Factors affecting domestic prices

The total market for the product under investigation increased during the investigation period, but the prices were depressed due to low priced imports.

5.3.3.9 The magnitude of the margin of dumping

It was found that the subject products were imported at dumped prices into the SACU during the investigation period at the following margins:

Table 5.3.3.9

Fibre glass chopped strand mats US\$/kg	Chinese Taipei	Jushi Group	China
Margin of dumping	141,66%	31,81%	59,34%

5.3.3.10 Actual and potential negative effects on cash flow

The net internal cash flow for the composite division declined over the period of investigation.

5.3.3.11 Inventories

The Applicant provided its inventory level since 2001. These figures are listed in the table below:

Table 5.3.3.11

	2001	2002	2003
Inventory value	100	185	258
Inventory volume	100	185	288

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

The inventory levels show an increasing trend due to a decrease in sales.

5.3.3.12 Employment

The following table shows the Applicant's employment level:

Table 5.3.3.12

	2000	2001	2002	2003 Jan to Aug
Employees	100	114	114	117

This table was indexed due to confidentiality using 2000 as base year.

The above mentioned figures of the permanent labour force. The table shows that the employees increased from 100 index points in 2000 to 117 index points in 2003.

5.3.3.13 Wages

The following table provides the Applicant's wages per employee:

Table 5.3.3.13

<i>Per annum</i>	2000	2001	2002	2003
Gross wage/ Employee	100	94	116	116

This table was indexed due to confidentiality using 2000 as base year.

The information provided by the Applicant indicated that its wages per employee decreased between 2000 compared to 2001, but has since increased.

5.3.3.14 Growth

The decrease in local sales was mainly due to the increase of imports of the subject product. The market for fibre glass chopped strand mats has been growing.

5.3.3.15 Ability to raise capital or investments

The Applicant stated that capital expenditure is mainly financed through internally generated cash flow which is currently under pressure due to the effects of increased imports. The Applicant stated that the furnace had to be re-build in two years, but during March 2004 it was decided to close the

furnace, earlier than was anticipated.

5.4 CONCLUSION - MATERIAL INJURY

After considering all relevant factors, the Commission found that the SACU industry was suffering material injury, particularly with regard to:

- price undercutting
- price depression
- price suppression
- decline in output
- decline in sales
- decline in market
- decrease in profits
- decline in utilization of production capacity
- decline in wages per employee
- inability to show growth
- inability to raise capital

6. CAUSAL LINK

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.

Article 3.5 of the Anti-Dumping Agreement provides the following:

"It must be demonstrated that the dumped imports are, through the effects of dumping, causing injury within the meaning of this Agreement. The demonstration of a causal relationship between the dumped imports and the injury to the domestic industry shall be based on an examination of all relevant evidence before the authorities."

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 allegedly dumped product.

The market share table in paragraph 5.3.3.4 of this report, shows the market share for the subject product since 2000.

The information with regard to the volume of imports shows an increase in the volume of the allegedly dumped imports as a percentage of total imports from 9,3% in 2000 to 34,9% in 2003. The volume of imports from other countries decreased from 90,7 % in 2000 to 65,1% in 2003.

6.3 EFFECT OF DUMPED IMPORTS ON PRICES

It has already been shown that there was price undercutting, price suppression and price depression. There was price undercutting in 2000, 2001 and 2002. The Applicant experienced price suppression since its 2000 financial year.

The Commission found that these injury indicators are causally linked to the dumping.

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

The Commission found the following material injury indicators that were indicative of material injury to be causally linked to the dumping.

- decline in output
- decline in sales
- decline in market
- decrease in profits
- decline in utilization of production capacity
- decline in wages per employee
- inability to show growth
- inability to raise capital

6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

Article 3.5 of the Anti-Dumping Agreement provides the following:

"The authorities shall also examine any known factors other than the dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these other factors must not be attributed to the dumped imports. Factors which may be relevant in this respect include, *inter alia*, the volume and prices of imports not sold at dumping prices, contraction in demand or changes in the patterns of consumption, trade restrictive practices of and competition between the foreign and domestic

producers, developments in technology and the export performance and productivity of the domestic industry".

There were no other factors that were the cause of material injury.

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

The following table shows the volume and price of imports from other countries of fibre glass chopped strand mats:

Table 6.5.1

	2000		2001		2002		2003*	
	Volume/ ton	Price R/kg	Volume tonne	Price R/kg	Volume tonne	Price R/kg	Volume tonne *	Price R/kg
Alleged Dumped imports								
China	100	100	165	137	308	166	171	124
Chinese Taipei	0	0	100	100	1 045	71	581	53
Imports from other countries	100		72		79		18	

This table was indexed due to confidentiality using 2000 and 2001 as base years.

* annualised

The volume of imports from other countries decreased through the years since 2000. The volume of imports from China and Chinese Taipei increased from 2000 to 2002.

6.5.2 Competition between domestic producers

The Applicant did not submit any information on this issue.

6.5.3 Developments in technology

Owens Corning SA is part of a global group with benchmarking in place as a

measure of its performance. Owens Corning SA stated that they are totally in line with the latest technology developments in the industry.

6.5.4 Contraction in demand or changes in the patterns of consumption

No information in this regard was submitted.

6.5.5 Export performance

Exports of the subject product from SACU to other countries increased by 234 per cent between 2000 and 2003. The Applicant stated that the importation of the subject product from Chinese Taipei and the PRC contributed largely towards the shift between the Applicant's local and export sales.

6.5.6 Competition between foreign and domestic producers

The Applicant did not submit any information on this issue.

6.5.7 Trade restrictive practices

The Applicant stated that there are no trade restrictive practices that they are aware of.

6.5.8 Productivity of the domestic industry

The Applicant's products achieved productivity improvement in nearly every area of operations. All compressible costs were reduced through focused efforts and retrenchments.

6.6 CONCLUSION ON CAUSAL LINK

After considering all relevant factors and comments, the Commission found

that there was a causal link between the alleged dumped products and the material injury experienced by the SACU industry. The Commission also considered known factors, other than dumped imports (6.5 above) and found they did not detract from the causal link.

7. SUMMARY OF FINDINGS

7.1 Dumping

The Commission found that the subject products originating in or imported from the PRC and Chinese Taipei were dumped into the SACU market with the following margins:

Table 7.1.1

Country: PRC	Dumping Margin %
Jushi Group Co., Ltd	31,81
Other Manufacturers	59,34

Table 7.1.2

Country: Chinese Taipei	Dumping Margin %
All Manufacturers	141,66

7.2 Injury

The Commission found that the SACU industry suffered material injury.

7.3 Causal link

After considering all relevant factors and comments, the Commission found that there was a causal link between the dumped products and the material injury experienced by the SACU industry. The Commission also considered known factors, other than dumped imports and found they did not detract from the causal link.

8. PROVISIONAL PAYMENTS

8.1 General

Article 9.1 of the Anti-Dumping Agreement provides as follows:

“The decision whether or not to impose an anti-dumping duty in cases where all requirements for the imposition have been fulfilled, and the decision whether the amount of anti-dumping duty to be imposed shall be the full margin of dumping or less, are decisions to be made by the authorities of the importing member. It is desirable that the imposition be permissive in the territory of all Members, and that the duty be less than the margin if such lesser duty would be adequate to remove the injury to the domestic industry.”

8.2 Calculation of duty

ADR 17 provides as follows:

“The Commission shall consider applying the lesser duty rule if both the corresponding importer and exporter have cooperated fully.”

In accordance with Article 9.1 of the Anti-Dumping Agreement, the provisional payment should be less than the dumping margin if such lesser duty would be adequate to remove the injury to the domestic industry. The provisional payment should therefore not be more than the amount of the price disadvantage experienced by the SACU industry. If this is lower than the dumping margin it can be considered to be the amount of duty required to prevent further injury to the SACU industry during the investigation as a result of the further importation of the subject product at the dumping margins that were found by the Commission.

8.3 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. The exporter from The PRC and the importer from the SACU industry responded in the investigation.

The unsuppressed and undepressed selling prices were obtained from figures provided by the Applicant.

In order to compare the price disadvantage and margin of dumping a comparison is made in South African Rand. The disadvantage for the Applicant was calculated to be 168 per cent

8.4 Amount of provisional payment:

The amount of provisional payment was concluded to be the following, being the lesser of the price disadvantage or the dumping margin:

Table 8.4.2

<u>The PRC:</u>	Rate of provisional payment
Manufactured by Jushi Group Co., Ltd and exported to SACU by Great Winexpress Machinery Hong Kong (Pty) Ltd.	31,81%
All other exporters	59,34%

<u>Chinese Taipei:</u>	Rate of provisional payment
All other exporters	141,66%

9. DETERMINATION

The Commission made a preliminary determination that:

- (1) The subject product originating in or imported from the PRC and Chinese Taipei is being dumped into the SACU market;
- (2) The SACU industry is suffering injury;
- (3) There is a causal link between the dumping of the subject products and the injury;

In terms of ADR 33.2, the Commission decided to request the Commissioner for the South African Revenue Service to impose the following provisional payments for a period of twenty six weeks:

Table 9.1

<u>The PRC:</u>	Rate of Provisional payments
Manufactured by Jushi Group Co., Ltd and exported to SACU by Great Winexpress Machinery Hong Kong (Pty) Ltd.	31,81%
All other exporters	59,34%

<u>Chinese Taipei:</u>	Rate of Provisional payments
All other exporters	141,66%

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