

**Report No. 607**

**INVESTIGATION INTO THE ALLEGED DUMPING OF POLYETHYLENE  
TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM THE  
PEOPLE'S REPUBLIC OF CHINA: PRELIMINARY DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 607 : INVESTIGATION INTO THE ALLEGED DUMPING OF POLYETHYLENE TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA: PRELIMINARY DETERMINATION**



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**Meluleki Nzimande**  
**CHIEF COMMISSIONER**

**PRETORIA**  
**..18/07/2019**

# **INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

## **INVESTIGATION INTO THE ALLEGED DUMPING OF POLYETHYLENE TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA: PRELIMINARY DETERMINATION**

### **SYNOPSIS**

On 23 November 2018, the Commission initiated an investigation into the alleged dumping of polyethylene terephthalate (PET), originating in or imported from The People's Republic of China (PRC) through Notice No. 727 of 2018 of Government Gazette No. 42053.

Safripol, a division of Kap Diversified Industrial Ltd., the major producer of the subject product in the SACU lodged the application, supported by Extrupet (Pty) Ltd; Plastics SA; and Petco.

The investigation was initiated after the Commission considered that there was *prima facie* evidence to show that the subject product was being imported into the Southern African Customs Union (SACU) at dumped prices, causing material injury and threatening to cause more material injury to the SACU industry.

Upon initiation of the investigation, the diplomatic representatives and all known producers/exporters of the subject product in the PRC were sent a non-confidential copy of the application, initiation notice and foreign manufacturer's/exporter's questionnaires to complete. Importers of the subject product in the SACU were also sent a non-confidential copy of the application, initiation notice and the importer's questionnaires to complete.

After considering responses and comments received from interested parties, the Commission made a preliminary determination that polyethylene terephthalate originating in or imported from the PRC was being dumped, causing material injury and threatening to cause material injury to the SACU domestic industry. The Commission further decided to request the Commissioner of the South African Revenue Service (SARS) to impose provisional payments for a period of six months in order to protect the domestic industry while the investigation continues.

# **1 APPLICATION AND PROCEDURE**

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## **1.1 LEGAL FRAMEWORK**

This investigation is conducted in accordance with the International Trade Administration Act, 2002, the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR) having due regard to the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement).

## **1.2 APPLICANT**

The application was lodged by Safripol, a division of Kap Diversified Industrial (formerly known as Hosaf, a division of Kap Diversified Industrial), the sole producer of virgin polyethylene terephthalate (PET) in the SACU. Extrupet (Pty) Ltd expressed its support for this application, together with Petco and Plastics SA.

## **1.3 DATE OF ACCEPTANCE OF APPLICATION**

The application was accepted by the Commission as being properly documented in accordance with section 21 of the ADR on 29 October 2018. The trade representatives in the PRC 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 were being dumped into the SACU market, thereby causing material injury and threatening to cause material injury to the SACU industry. The basis of the alleged dumping was that the goods were 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 subject product from the PRC the SACU industry was suffering material injury in the form of:

- Price depression/suppression;
- Decline in SACU sales volume;
- Decline in profitability;

- Decline in production;
- Loss in market share;
- Decline in capital and investment;
- Increase in inventories;
- Negative return on investment;
- Capacity underutilisation;
- Negative cash flow;
- Price undercutting;
- price disadvantage; and
- Decline in employment.

## **1.5 INVESTIGATION PROCESS**

The application was submitted by the applicant on 10 July 2018. The information submitted by the applicant was verified on 23 and 24 August 2018.

The trade representatives of the countries concerned were notified of the Commission's receipt of a properly documented application, in terms of Section 27.1 of the ADR.

The Commission initiated an investigation into the alleged dumping of polyethylene terephthalate (PET) originating in or imported from the PRC through Notice No.727 which was published in Government Gazette No. 42053 on 23 November 2018.

## **1.6 Investigation periods**

The investigation period for dumping is 01 July 2017 to 30 June 2018. The investigation period for material injury is 01 July 2015 to 30 June 2018.

## **1.7 PARTIES CONCERNED**

### **1.7.1 SACU Industry**

The SACU industry consists of virgin PET producers as well as PET recyclers. Safripol being the only virgin PET producer in the SACU lodged the application. Letters of support were received from Plastics SA, Petco, Extrupet and other downstream users and producers.

### **1.7.2 Foreign Manufacturers/Exporters**

Responses to the Commission's exporter questionnaire were received from the following foreign manufacturers/exporters:

- Zhejiang Wankai New Materials Co., Ltd. (Wankai);
- Far Eastern Industries (Shanghai) Ltd. – China (Far Eastern Industries);
- Jiangyin Xingyu New Material Co.,Ltd. (Xingyu);
- Jiangyin Xingtai New Material Co., Ltd. (Xingtai);
- Jiangsu Xingye Plastic Co., Ltd.(Xingye); and
- Guangdong IVL PET Polymer Co., Ltd. (IVL PET Polymer).

**1.7.3** Initial responses from the manufacturers/exporters were found to be deficient. The exporters were advised accordingly and were each given seven days to rectify the identified deficiencies. The responses from exporters were still considered deficient.

Wankai submitted its response with a sworn statement for the non-confidential response. Its information was verified at their premises from 10 -12 April 2019. It was since established that their response is deficient as the sworn statement provided is not valid. Concerns were raised on numerous occasions regarding this.

The Commission made a preliminary determination not to take Wankai and all other exporters' information into account for purposes of its preliminary determination. The Commission further decided to use the best information available, which is the information submitted by the applicant for the calculation of the dumping margin for all Chinese producers/exporters.

The manufacturers/exporters were advised that should their responses be rectified within the deadline date for comments on the preliminary determination, their information would be considered for the Commission's final determination.

#### **1.7.4 Importers**

Responses to the Commission's importer questionnaire were received from Astrapak Manufacturing Holdings, Kinsley Beverages (Pty) Ltd, Nampak (Pty) Ltd, Polyoak Packaging (Pty) Ltd, Zibo Containers (Pty) Ltd and Coca Cola Beverages South Africa (CCBSA).

Initial responses from the importers were found to be deficient. The importers were advised accordingly and were each given seven days to rectify the identified deficiencies. Updated responses from the respective importers were received. The importers rectified their deficiencies with the exception of Kinsley Beverages (Pty) Ltd., and Zibo Containers (Pty) Ltd.

CCBSA's questionnaire response was received after the deadline date for submission of the initial responses and no prior extension was granted to them. CCBSA indicated that they submitted a request for an extension, however, it was found that they requested an extension related to the tariff application on PET, which was granted, and CCBSA implied that this also applied to this anti-dumping application.

Astrapak Manufacturing Holdings' response to the deficiency letter was received after the deadline date.

The Commission made a preliminary determination not to consider the information submitted by importers for the purposes of its preliminary determination.

#### **1.7.5 Other Interested parties**

Comments were received from Niroo Plastics (Pty) Ltd, Pioneer Foods, Mpact, PETCO, the China Petroleum and Chemical Industry Federation (CPCIF), and Alpla Trading SA (Pty) Ltd.

### **1.8 PRELIMINARY DETERMINATION**

The Commission made a preliminary determination at its Commission meeting of 11 June 2019.

After considering all responses and comments by interested parties, the Commission made a preliminary determination that the subject product originating in or imported from the PRC was being imported into the SACU market at dumped prices, thereby causing material injury and threatening to cause material injury to the SACU industry.

The Commission also considered that the SACU industry would continue to suffer material injury during the course of the investigation if provisional measures were not imposed. The Commission therefore decided to request the Commissioner for the South African Revenue Service (SARS) to impose provisional measures of 22.90% on imports of polyethylene terephthalate classifiable under tariff sub-heading 3907.6 originating in or imported from the People's Republic of China for a period of six months.

- 1.9** Comments submitted by interested parties (within a specified time period) on the preliminary determination will be considered by the Commission prior to making its final determination and recommendation to the Minister of Trade and Industry.

All submissions made by interested parties are contained in the Commission's public file for this investigation and are available for perusal. It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some of the salient comments received from interested parties and the Commission's consideration of these comments are specifically included in this report.



## 2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

### 2.1 IMPORTED PRODUCTS

#### 2.1.1 Description

The subject product is described as follows:

Scientific Name	Trade Name
Polyethylene Terephthalate	PET

#### 2.1.2 Country of origin/export

The subject product originates in or is imported from the People's Republic of China.

#### 2.1.3 Tariff Classification

The following table is the ordinary customs duty table for the subject product:

**Table 2.1.3 (a): Ordinary Customs Duty**

Heading / Subheading	Description	Unit	General	EU	EFTA	SADC	MERCOSUR
<b>3907.6</b>	<b>- Poly(ethylene terephthalate)</b>						
<b>3907.61</b>	<b>-- Having a viscosity number of 78 ml/g or higher:</b>						
3907.61.10	--- Liquids and pastes	kg	free	free	free	free	free
3907.61.90	--- Other	kg	10%	free	free	free	10%
<b>3907.69</b>	<b>-- Other</b>						
3907.69.10	--- Liquids and pastes	kg	free	free	free	free	free
3907.69.90	--- Other	kg	10%	free	free	free	10%

Source: SARS

**Table 2.1.3 (b): Rebate Provisions**

Rebate Item	Tariff Heading	Rebate Code	Description	Extent of Rebate
N/A	N/A	N/A	N/A	N/A

Source: SARS

The table above shows that the subject product is imported under tariff sub-heading 3907.6.

#### **2.1.4 Production process**

Ethylene glycol and terephthalic acid are combined under high temperatures and low vacuum pressure to form long chains of the polymer. As the mixture thickens, the chains grow longer. Once the appropriate chain length is achieved, the reaction is stopped. The resulting spaghetti-like strands of PET are then extruded or squeezed, quickly cooled, and cut into small resin pellets. These resin pellets are then heated to a molten liquid that can easily be extruded or moulded into items of practically any shape. When the resin pellets are reheated to a molten liquid stage, the polymer chains can be stretched in one direction (for fibres used in clothing) or in two directions (for bottles and films in the packaging industry). If the polymer is cooled quickly while it is stretched, the chains are frozen with their orientation intact. Once set in stretched form, the material is extremely tough.

If PET is held in the stretched form at elevated temperatures, it slowly crystallizes and starts to become opaque, more rigid and less flexible. This crystalline form PET is often used for take-home and prepared food containers and trays that can be reheated in the oven or microwave.

#### **2.1.5 Raw Material used**

The two main raw materials used in the production of PET are methylene glycol and terephthalic acid.

#### **2.1.6 Application or end use**

PET is an excellent water and moisture barrier material. Plastic bottles made from PET are widely used for mineral water and carbonated soft drinks. Its high mechanical strength makes PET films ideal for use in tape applications.

Non-oriented PET sheet can be thermoformed to make packaging trays. Its chemical inertness, together with other physical properties has made it

particularly suitable for food packaging applications. Other packaging applications include rigid cosmetic jars, microwave containers, transparent films.

**Commission’s consideration**

The Commission considered that the subject product has been imported under various different tariff sub-headings during the POI. The tariff sub-heading above is the final tariff sub-heading under which the subject product is imported.

The Commission accepted the applicant’s assertion that PET cannot be transported in a liquid form or paste and that there is no such a thing as liquid or paste PET. Furthermore during the on-site verification of the applicant it was confirmed that PET cannot be liquid, the chemical components do not allow it to be liquid or paste PET.

**2.1.7 Other applicable duties and rebates**

There are currently no other applicable duties and rebates on PET originating from the PRC, besides those listed in Table 2.1.3(a).

**2.1.8 Negligibility test**

The volume of dumped imports into the SACU shall be considered negligible if it accounts for less than 3 percent of total imports of the subject product during the period of investigation (POI) for dumping. The following table shows the alleged dumped imports as a percentage of the total imports:

**Table 2.1.8: Negligibility test**

<b>Alleged dumped imports</b>	<b>Import volumes in kg 1 July 2017 -30 June 2018</b>	<b>Volume as a percentage of total import volume</b>
<b>PRC</b>	136 536 137	91.67%
<b>Other Imports</b>	12 413 758	8.33%
<b>Total Imports</b>	148 949 895	100%

The table above indicates that over 90 percent of the subject product was imported from the PRC. The Commission made a preliminary determination that imports from the PRC were above the negligibility level.

## **2.2 SACU PRODUCT**

### **2.2.1 Description**

The SACU like product is described as polyethylene terephthalate (PET).

### **2.2.2 Production process**

Ethylene glycol and terephthalic acid are combined under high temperatures and low vacuum pressure to form long chains of the polymer. As the mixture thickens, the chains grow longer. Once the appropriate chain length is achieved, the reaction is stopped. The resulting spaghetti-like strands of PET are then extruded or squeezed, quickly cooled, and cut into small resin pellets. These resin pellets are then heated to a molten liquid that can easily be extruded or moulded into items of practically any shape. When the resin pellets are reheated to a molten liquid stage, the polymer chains can be stretched in one direction (for fibres used in clothing) or in two directions (for bottles and films in the packaging industry). If the polymer is cooled quickly while it is stretched, the chains are frozen with their orientation intact. Once set in stretched form, the material is extremely tough.

If PET is held in the stretched form at elevated temperatures, it slowly crystallizes and starts to become opaque, more rigid and less flexible. This crystalline form PET is often used for take-home and prepared food containers and trays that can be reheated in the oven or microwave.

### **2.2.3 Raw Material used**

The two main raw materials used in the production of PET are methylene glycol and terephthalic acid.

### **2.2.4 Application or end use**

PET is an excellent water and moisture barrier material. Plastic bottles made from PET are widely used for mineral water and carbonated soft drinks. Its high mechanical strength makes PET films ideal for use in tape applications.

Non-oriented PET sheet can be thermoformed to make packaging trays. Its chemical inertness, together with other physical properties has made it particularly suitable for food packaging applications. Other packaging

applications include rigid cosmetic jars, microwave containers, transparent films.

## 2.2.5 LIKE PRODUCTS ANALYSIS

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

**Table 2.3: Like product determination**

	<b>Imported product</b>	<b>SACU product</b>
<b>Raw materials</b>	Ethylene glycol and terephthalic acid.	Ethylene glycol and terephthalic acid.
<b>Physical characteristics and appearance</b>	PET is a general-purpose thermoplastic polymer known for their excellent combination of properties such as mechanical, thermal, chemical resistance as well as dimensional stability.	PET is a general-purpose thermoplastic polymer known for their excellent combination of properties such as mechanical, thermal, chemical resistance as well as dimensional stability.
<b>Tariff classification</b>	3907.6	3907.6
<b>Production process</b>	Ethylene glycol and terephthalic acid are combined under high temperatures, then extruded or squeezed, quickly cooled, and cut into small resin pellets, moulded into any shape and packaged.	Ethylene glycol and terephthalic acid are combined under high temperatures, then extruded or squeezed, quickly cooled, and cut into small resin pellets, moulded into any shape and packaged.
<b>Application or end use</b>	PET is an excellent water and moisture barrier material. Used for plastic bottles, rigid cosmetic jars, microwave containers, transparent films.	PET is an excellent water and moisture barrier material. Used for plastic bottles, rigid cosmetic jars, microwave containers, transparent films.
<b>Substitutability</b>	The SACU like product and the imported product are identical and completely substitutable.	The SACU like product and the imported product are identical and completely substitutable.

After taking the above into consideration, the Commission made a preliminary determination that the SACU product and the imported product are “like products”, for purposes of comparison, in terms of the definition of “like product” in Regulation 1 of the Anti-Dumping Regulations.

### **3. INDUSTRY STANDING**

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The applicant is Safripol, constituting more than 50 percent of the SACU industry by production volumes. Letters of support were received from Plastics SA; Petco; and Extrupet.

The Commission made a preliminary determination that the application can be regarded as being made "by or on behalf of the SACU industry" in terms of Regulation 7 of the Anti-Dumping Regulations.

#### **Comments from Interested parties**

Recycled PET (RPET) is not a substitute for virgin PET in all instances. The applicant has understated its market share (and thus overstated its vulnerability) by referring to RPET suppliers as competitors. The total amount of recycled PET reflected in the Table is 72,000 tons, although this would include various products of no relevance to the applicant's offering (such as recycled PET flakes and polyester fibre) with RPET comprising only some 20 000 - 25 000 tons.

#### **Comments by the Applicant**

Virgin PET and recycled PET are like products with similar uses and chemical properties and the demand for virgin PET has been on the increase both locally and internationally. The decrease in Safripol's market share is a direct result of increased dumped imports and not increases in recycled PET.

#### **Commission's consideration**

The Commission considered that the PET industry comprises of recyclers that recycle plastic bottles into PET, and virgin PET producers. The Commission also considered that the PET recyclers supported the application and the industry standing provided by the applicant.

The Commission made a preliminary determination that the application can be regarded as being made "by or on behalf of the SACU industry" in terms of Regulation 7 of the Anti-Dumping Regulations.

## **4. DUMPING**

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

### **4.1 Exporters' Responses**

Deficient responses were received from 6 exporters. The nature of deficiencies from the various producers/exporters is as follows:

#### **(a) Far Eastern Industries**

- A full description or flow of the listed production processes is not provided.
- A detailed explanation of "operating revenue-others" and "Internal transfer" indicated in annexure D1.1.2 is not provided.
- Clarity is required on certain information provided.
- The basis (sales or production) of the cost and price build-up is not provided, and how costs were determined and allocated is not explained.
- The accounting policies are not provided.
- Reasons for the capacity decrease from 2016 to 2017 are sought.
- The sworn statement provided is legally invalid.

#### **(b) Xingyu; (c) Xingye; and (d) Xingtai**

- Updated, corrected confidential and non-confidential questionnaire responses in electronic and hardcopy format are not provided. The previously deficient responses are merely re-submitted. Corrections are not done in the questionnaire responses.
- The company group structure provided is for the affiliated companies producing the SACU exported product, and not the entire company.
- The percentage off-take for each distribution/marketing channel is not provided.
- Attachments which are said to be attached are not attached.
- The production process and the application and end-use of the product are not provided on the questionnaire response.

- Incorrect labelling of annexures.
- Some questions are not answered on the questionnaire response.
- Clarity is required on information contained in certain annexures.
- The basis (sales or production) of the cost and price build-up is not provided and how costs were determined and allocated is not explained.
- The currency used in some annexures, the number of employees for the period of investigation for dumping, the level of trade at which the product is sold (domestic & exports), and accounting policies are not provided in the questionnaire response.
- Items deemed to be confidential and not summarised are not in the sworn statement/ affidavit and other items are claimed to be confidential with no reasons for such claim provided.
- The sworn statement provided is legally invalid.

**(e) IVL PET Polymer**

- Confidential & non-confidential responses provided for some questions differ.
- A full description or flow of the listed production process is not provided.
- The users of the subject product are not indicated in the non-confidential hardcopy and electronic responses.
- Some errors previously picked up in the first deficiency letter are not corrected in the confidential electronic and hard copy responses.
- Some annexures which are indicated to be attached are not attached.
- Some questions are not responded to.
- The inventory provided includes overall inventory of finished goods, inventory for the subject product is not provided.
- The hard copy of the application was received after deadline date for submissions.
- The sworn statement provided is legally invalid.

**(f) Wankai**

Wankai was the only exporter verified at their premises from 10 -12 April 2019. However, they submitted a response with a legally invalid sworn statement. Concerns were raised on numerous occasions regarding this.



The Commission made a preliminary determination not to take Wankai and all other exporters' information into account for purposes of its preliminary determination. The Commission further determined that Wankai will be granted an opportunity to rectify this prior to the deadline for comments to the Commission's preliminary report, and have their information considered for the purposes of the Commission's final determination.

The Commission decided to use the best information available, this is the information provided by the applicant for the calculation of the dumping margin for all Chinese producers/exporters.

## **4.2 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC**

### **4.2.1 Normal Value**

For purposes of the normal value determination for the PRC weekly price reports from PCI Wood Mackenzie, said to be a leading provider of commercial intelligence in upstream and refining of chemicals, polymers and fibres, were used. These reports include a high and low indication of the ex-factory domestic prices of PET in China in Chinese Yuan Renminbi (¥) per ton.

Based on the weekly price reports from PCI Wood Mackenzie for the period of investigation (dumping POI) 1 July 2017 to 30 June 2018, the ex-factory domestic selling price per ton for the subject product in the PRC is determined to be ¥8 825/ton.

### **4.2.2 Export price**

For the purposes of determining the export price, imports statistics obtained from SARS for dumping POI were used. The FOB price was found to be R14.06/kg or R14 060/ton. To convert the price to Chinese Yuan Renminbi (¥), an average exchange rate for the dumping POI obtained from Oanda was used. Therefore the FOB export price was determined to be ¥7 224/ton.

An adjustment for inland transport costs made based on a quote for transport cost obtained from Brightway Company Limited, a shipping company. The quoted price was a price per container, which was then converted to tons. The inland transport costs were found to be \$180 per container and approximately

\$8.18/ton. Inland transport costs were converted to Chinese Yuan Renminbi (¥) using an exchange rate for the dumping POI obtained from Oanda. These costs amounted to ¥53/ton. The ex-factory export price was determined to be ¥7 171/ton.

#### **4.2.3 Margin of dumping**

Based on the above information, the dumping margin for all exporters in the PRC was found to be ¥1 654 and when expressed as a percentage of ex-factory export price it was found to be 23.06%

#### **Comments from interested parties**

Interested parties indicated that in addition to the ordinary customs duty, an anti-dumping duty would have adverse effects to downstream users, also considering the fact that the applicant is at times unable to supply the SACU market. The Commission must undertake to rebate the PET anti-dumping should Safripol not be able to supply the SACU market.

#### **Commission's consideration**

The anti-dumping duty is meant to address an unfair trade practice and should not be compared to the ordinary customs duty.

#### **4.2.4 Summary - Dumping**

For purposes of its preliminary determination, the Commission considered information from the interested parties and the applicant and found that the subject product originating in or imported from The People's Republic of China was being dumped into the SACU market.

The Commission made a preliminary decision that dumping of the subject product originating in or imported from The People's Republic of China is taking place.

## 5. MATERIAL INJURY

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### 5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to information submitted by Safripol, representing more than 50 percent of SACU production volumes.

The Commission made a preliminary determination that this constitutes “a major proportion” of the total domestic production, in accordance with Regulation 7 of the ADR.

### 5.2 MATERIAL INJURY ANALYSIS

The injury information presented below relates to the verified information of Safripol for the period 01 July 2015 to 30 June 2018.

### 5.3 IMPORT VOLUMES AND EFFECT ON PRICES

#### 5.3.1 Import Volumes

The following table shows the volumes of the allegedly dumped imports of the subject product from 01 July 2015 to 30 June 2018, as sourced from SARS.

**Table 5.3.1: Import volumes**

kg	2015/2016	2016/2017	2017/2018
Alleged dumped imports	59 436 908	55 493 717	136 536 137
Other Imports (kg)	21 963 429	28 756 532	12 413 758
<b>Total Imports (kg)</b>	<b>81 400 337</b>	<b>84 250 248</b>	<b>148 949 895</b>
Alleged dumped imports as a % of total imports:	73.02%	65.87%	91.67%
Other imports as a % of total imports	26.98%	34.13%	8.33%

The information above indicates that the alleged dumped import volumes for PET decreased from 59 436 908kg in 2015/2016 to 55 493 717kg in 2016/2017, a decrease of 6.63%. The alleged dumped import volumes for PET were reported at 136 536 137kg in 2017/2018, an increase of 146.04% when compared to the previous year. During the POI, the alleged dumped imports increased by 129.7%.

The alleged dumped import volumes as a percentage of total import volumes for PET decreased from 73.02% in 2015/2016 to 65.87% in 2016/2017, a decrease of 7.15 percentage points. The alleged dumped import volumes as a percentage of total import volumes for PET was 91.67% in 2017/2018. During the POI, the alleged dumped import volumes as a percentage of total import volumes increased by 18.65 percentage points.

#### **Comments from interested parties**

It is noted that import volumes from China increased as more downstream users imported the subject product; this is not as a result of low prices but a result of other factors, such as the inability of Safripol to supply and the planned shutdown of the plant. There were also various delays, increased demand, and port delays resulted in supply constraints

#### **Applicant's response**

Imports increased from a low base in 2016 and Safripol imports from all countries decreased from 2017 to 2018. The majority of significant dumped imports entered the market when Safripol was in a position to supply.

#### **Commission's consideration**

The Commission noted that imports from PRC increased significantly in 2017/2018.

The Commission also considered that the applicant had a planned shutdown, for which contingencies were arranged which included building up stock and importing the subject product. However, imports have continued even after the plant became operational with its increased capacity. The Commission notes that in a few instances the applicant could not supply the SACU market.

#### **5.3.2 Growth of the subject imports**

The following table shows the effects of the alleged dumped imports on consumption and production:

**Table 5.3.2: Growth of Subject Imports:**

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
Subject imports/domestic production:%	100	97.74	276.27
Subject imports/domestic consumption:%	100	99.37	429.27

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that imports of the subject product from the PRC relative to domestic production decreased by 2.26 index points from 2015/2016 to 2016/2017 and thereafter increased by 178.53 index points from 2016/2017 to 2017/2018, over the POI, it shows an increase of 176.27 index points. The information also indicates that imports of the subject product from the PRC relative to domestic consumption decreased by 0.63 index points from 2015/2016 to 2016/2017 and thereafter increased significantly by 329.90 index points from 2016/2017 to 2017/2018, over the POI, it shows an increase of 329.27 index points.

### **5.3.3 Effect on Domestic Prices**

#### **5.3.3.1 Price undercutting**

Price undercutting is the extent to which the price of the imported product is lower than the price of the like product produced by the SACU industry. The price undercutting for the period of investigation was calculated based on the applicant's ex-factory price and a landed cost. The following table shows price undercutting for the POI.

**Table 5.3.3.1: Price undercutting**

<b>(R/kg)</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
Dumped Imports Landed Cost (R/kg)	100	97.71	107.46
SACU Sales Ex-Factory Price (R/kg)	100	99.87	99.87
Price Undercutting (R/kg)	100	180.95	-176.19
Safripol Price Undercutting Margin (%)	100	181.72	-175.0

The table was indexed due to confidentiality using 2015/2016 as a base year.

The table above indicates that the applicant experienced price undercutting during 2015/2016 and 2016/2017. There was no price undercutting in 2017/2018.

### 5.3.3.2 Price depression

Price depression takes place where the SACU industry's ex-factory selling price decreases during the investigation period.

**Table 5.3.3.2: Price depression**

R/kg	2015/2016	2016/2017	2017/2018
Applicant's ex-factory price	100	99.87	99.87

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the applicant's selling prices decreased by 0.13 index points during the period 2015/2016 to 2016/2017 and remained constant during the period 2016/2017 to 2017/2018.

### 5.3.3.3 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.

**Table 5.3.3.3: Price suppression**

R/kg	2015/2016	2016/2017	2017/2018
App's ex-factory selling price	100	99.87	99.87
Production cost	100	96.58	116.82
Gross profit per unit	100	122.61	-17.09
Cost as a % of selling price	100	96.68	116.91

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the applicant experienced price suppression during the POI, as the cost-to-price-ratio increased. On a year-on-year basis, the cost-to-price-ratio of PET decreased from 100 index points in 2015/2016 to 96.68 index points in 2016/2017, a decline of 3.32 index points. During 2017/2018 there was a drastic increase in the cost-to-price-ratio to 116.91 index points from 96.68 index points in 2016/2017, an increase of 20.23 index points.

### **Comments from Interested parties**

The increase in the applicant's unit cost was mainly due to the investment in increased capacity, decrease in capacity utilisation and its lower sales and production volumes due to delays in the construction, start-up and commissioning of the new plant. Raw material prices were steady, especially PTA, with MEG having slight price increases.

### **Applicant's response**

The expansion costs are capital expenditure and would hence not affect the production cost or total cost per unit. There is no reason why lower capacity utilisation and sales would result in higher costs and total cost per unit.

### **Commission's consideration**

The Commission considered that the applicant is experiencing price suppression as the costs of production have significantly increased, while selling prices have marginally decreased. Therefore the applicant is unable to recover costs at current selling prices.

## **5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY**

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

The following table shows the SACU sales volumes and values of the subject product for the period of investigation:

**Table 5.4.1: Sales**

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
Applicant's sales volume (kg)	100	93.97	53.52
Applicant's sale value(R)	100	93.87	53.46

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the applicant's SACU sales volumes of the subject product declined by 46.48 index points during the POI. On a year-on-year basis, the applicant's sales volumes decreased from 100 index points in 2015/2016 to 93.97 index points in 2016/2017, a decline of 6.03 index points. During 2017/2018 there was a drastic decrease to 53.52 index points from 93.97 index points in 2016/2017, a decline of 40.45 index points.

The information above also indicates that the applicant's SACU sales value of the subject product declined by 46.54 index points during the POI. On a year-on-year basis, the applicant's sales volumes decreased from 100 index points in 2015/2016 to 93.87 index points in 2016/2017, a decline of 6.13 index points. During 2017/2018 there was a drastic decrease to 53.46 index points from 93.87 index points in 2016/2017, a decline of 40.41 index points.

#### 5.4.2 Profit

The following table shows the applicant's profit situation:

**Table 5.4.2: Profit**

	2015/2016	2016/2017	2017/2018
Gross profit (R)	100	115.66	-9.13
Net Profit (R)	100	112.95	-19.80
Gross Profit Margin	100	123.25	-17.06
Net profit margin	100	120.43	-37.03

The information above indicates that the applicant's gross profit increased from the base to 115.66 index points in 2016/2017, and in 2017/2018 it came to be negative.

The net profit margin for PET increased from the base to 120.43 index points in 2016/2017, and in 2017/2018 it came to be negative 37.03 index points.

The table above shows that the net profit margin and gross profit margin have significantly declined from a profit situation to loss making situation during the POI.

#### 5.4.3 Output

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

**Table 5.4.3: Output**

Kg	2015/2016	2016/2017	2017/2018
Applicant's production volumes	100	95.52	83.15

The table was indexed due to confidentiality using 2015/2016 as a base year.



The information above indicates that the applicant's production volume for PET decreased from 100 index points in 2015/2016 to 95.52 index points in 2016/2017, a decrease of 4.48 index points, it further declined to 83.15 index points in 2017/2018, a decrease of 12.37 index points from the previous year. During the POI, production volumes decreased by 16.85 index points.

#### 5.4.4 Market share

The following table shows the market share for the subject product based on sales volumes and import volumes expressed as a percentage of total SACU market volumes:

**Table 5.4.4: Market share**

	2015/2016	2016/2017	2017/2018
Applicant's market share %	100	95.09	50.52
*Alleged dumped imports market share %	100	94.50	216.87
Other SACU market share %	100	103.98	103.83
Non-dumped imports %	100	132.54	53.32
Total SACU market %	100	98.82	105.95

\* Alleged dumped imports & non-dumped imports include applicant's own imports.

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The above information indicates that the total SACU market of the subject product decreased from the base to 98.82 index points in 2016/2017 (a decrease of 1.18 index points from 2015/2016) before increasing to 105.95 index points in 2017/2018 (an increase of 7.13 index points from 2016/2017), overall during the POI the SACU market increased by 5.95 index points.

The applicant's market share for PET decreased from the base to 95.09 index points in 2016/2017 and in 2017/2018 it decreased further to 50.52 index points (a decrease of 44.57 index points from 2016/2017), overall during the POI it declined by 49.48 index points.

The alleged dumped imports market share for PET also decreased from the base to 94.50 index points in 2016/2017, and in 2017/2018 the market share of the alleged dumped imports significantly increased to 216.87 index points

(an increase of 122.37 index points from 2016/2017), overall during the POI the increase of alleged dumped imports was 116.87 index points.

The other SACU producer's market share for PET increased from the base to 103.98 index points in 2016/2017, and in 2017/2018 the market share slightly declined to 103.82 index points, and the overall increase during the POI was 3.82 index points.

The applicant's market share has declined throughout the period under consideration, most drastically in 2017/2018. The decline in the share of the SACU market held by the SACU industry in 2017/2018 coincided with a significant increase in dumped imports' market share.

#### 5.4.5 Productivity

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

**Table 5.6.5: Productivity**

	2015/2016	2016/2017	2017/2018
Applicant's total production (kg)	100	95.52	83.15
No. of employees	100	102.27	102.27
Productivity	100	93.40	81.31

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The production per direct factory worker decreased from the base to 93.40 index points in 2016/2017, a decrease of 6.6 index points, and further decreased to 81.31 index points per employee in 2017/2018, a decrease of 12.09 index points from 2016/2017. During the POI, productivity declined by 18.69 index points.

The Commission noted the applicant's assertion that the number of employees per shift had slightly increased from 2015/2016 to 2017/2018. The applicant indicated that it has also increased their total number of direct factory workers and will be hiring additional direct factory workers in 2019/2020 in order to utilise the new capacity.

The Commission has accepted the applicant's assertion that it has experienced significant material injury in the form of reduced employment productivity as a result of dumped imports of the subject product.

#### **Commission's consideration**

The Commission considered that productivity declined as a result of reduced output, while employment levels have been maintained or slightly increased over the POI.

#### **5.4.6 Return on Investment**

The following table shows the applicant's return on investment (ROI):

**Table 5.4.6: Return on Investment**

<b>(R)</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
Applicant's net profit	100	112.95	-19.80
Applicant's total net assets	100	203.19	189.74
Return on net asset	100	55.60	-10.43

\*The table was Indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that during the POI, the applicant's ROI declined from a positive base to a negative in 2017/2018.

On a yearly basis, ROI decreased from the base to 55.60 index points in 2016/2017, a decline of 44.40 index points. In 2017/2018 ROI declined further to -10.43 index points.

The Commission noted the negative return followed a significant investment of over one billion Rand made to expand production capacity.

#### **5.4.7 Utilisation of production capacity**

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

**Table 5.4.7: Utilisation of production capacity**

kg	2015/2016	2016/2017	2017/2018
Capacity	100	100	101.60
Actual production	100	95.52	83.15
Capacity utilisation %	100	95.52	81.85

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The table above indicates that the applicant's capacity utilisation during the POI decreased from the base to 81.85 index points in 2017/2018, representing a decline of 18.15 index points over the POI.

On a yearly basis, capacity utilisation decreased from the base to 95.52 index points in 2016/2017, a decrease of 4.48 index points. Capacity utilization decreased even further to 81.85 index points in 2017/2018, a decrease of 13.67 index points when compared to the previous year.

The Commission noted that the applicant may not be able to achieve the benefits of the expanded capacity if dumped imports are not curbed and will have a detrimental effect on capacity utilisation.

#### **5.4.8 Factors affecting domestic prices**

The applicant is experiencing price depression.

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

The following margins of dumping were calculated:

**Table 5.4.9: Margin of dumping**

Country of origin	Dumping margin as a % of ex-factory export price
PRC	23.06%

#### **5.4.10 Actual and potential negative effects on cash flow**

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

**Table 5.4.10: Cash flow situation**

(R)	2015/2016	2016/2017	2017/2018
Applicant's Cash flow: Incoming	100	92.93	77.24
Applicant's Cash flow: outgoing	(100)	(122.98)	(122.43)
Applicants Net cash flow	100	(251.88)	(390.86)

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The table above indicates the applicant had a negative net cash flow during the period of investigation. Net cash flow for PET decreased from a positive base to a negative 251.88 index points in 2016/2017. Net cash flow for PET was reported at negative 390.86 index points for 2017/2018.

#### 5.4.11 Inventories

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

	2015/2016	2016/2017	2017/2018
Inventories volume (kg)	100	121.82	109.27
Inventory value (R)	100	122.47	113.83

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The average inventory volume for PET increased from the base to 121.82 index points in 2016/2017. Average inventory volume decreased to 109.27 in 2017/2018. Inventory volumes over the POI increased from base to 109.27 in 2017/2018 (an increase of 9.27 index points).

The average inventory value for PET increased from the base to 122.47 index points in 2016/2017, an increase of 22.47 index points. In 2017/2018 the inventory value was at 113.83 index points. Inventory value over the POI increased from the base to 113.83 123 in 2017/2018 (an increase of 13.83 index points).

The Commission noted that despite the decrease in the applicant's prices, inventory volumes hit their highest levels in April 2018.

#### 5.4.12 Employment

The following table provides the SACU industry's production employment figures:

**Table 5.4.12: Employment**

	2015/2016	2016/2017	2017/2018
Number of direct factory workers	100	102.27	102.27

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The total number of factory workers for PET increased from the base to 102.27 index points in 2016/2017 representing an increase of 2.27 index points. The employment figures between 2017/2018 and 2016/2017 years remained constant. Employees increased by 2.27 index points over the POI.

#### 5.4.13 Wages and Salaries

The following table provides the SACU industry's wages:

**Table 5.4.13: Wages and Salaries**

(R)	2015/2016	2016/2017	2017/2018
Applicant's wages and salaries	100	117.57	155.75
Wages and salaries per employee	100	114.95	152.29

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the total annual remuneration per factory worker for PET increased from the base to 114.95 index points in 2016/2017, representing an increase of 14.95 index points. In 2017/2018 it increased to 152.29 index points, an increase of 37.34 index points when compared to 2016/2017. The rate of increase over the POI was 52.29 index points.

#### 5.4.14 Growth

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

**Table 5.4.14: Growth**

	2015/2016	2016/2017	2017/2018
Applicant's market share	100.00	93.97	53.52
Alleged dumped imports market share	100.00	93.37	229.72
Other SACU market share	100.00	102.74	114.38
Non-dumped imports	100.00	130.93	56.52
Size of the SACU market	100	98.82	105.95

\* Alleged dumped imports & non-dumped imports include applicant's own imports.

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The total SACU market by volume for PET decreased from the base to 98.82 index points in 2016/2017, a decline of 1.18 index points. It increased by 7.13 basis points between 2016/2017 and 2017/2018 when it grew to 105.95 in 2017/2018.

#### 5.4.15 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 5.4.15: Ability to raise capital or investments**

(R)	2015/2016	2016/2017	2017/2018
Capital investment in subject product	100.00	203.19	189.74
Capital expenditure in subject product	100.00	451.74	408.29

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The capital investment for PET increased from the base to 203.19 index points in 2016/2017, an increase of 103.19 index points, and in 2017/2018 it declined to 189.74 index points when compared to 2016/2017, a decline of 13.45 index points, and over the POI capital investments increased by 89.74 index points.

The capital expenditure for PET increased from the base to 451.74 index points in 2016/2017, an increase of 351.74 index points. Capital expenditure was at 408.29 index points in 2016/2017, showing a decrease of 43.45 index points from the previous year, and over the POI capital expenditure increased by 308.29 index points.

## **5.5 Summary - Material Injury**

The examination of the impact of the dumped imports on the domestic industry shall include import volumes, price effects, the relevant economic factors and any other relevant information brought before the Commission that would have a bearing on the state of the industry.

The applicant suffered injury with regard to the following:

- Price suppression
- Price depression
- Decline in SACU sales volume
- Decline in profitability
- Decline in output
- Decline in productivity
- Decline in capacity utilisation
- Loss in market share
- Negative growth
- Increase in inventories.
- Negative return on investment
- Negative cash flow

The Commission considered that while each injury indicator is analysed, the determination of material injury is based on an overall assessment of all the injury indicators and it made a preliminary determination that the SACU industry is suffering material injury.



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

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The applicant provided the following information in its substantiation of threat of material injury:

### **Freely Disposable Capacity**

The applicant provided the following information regarding freely disposable capacity:

- China is the leading global producer of PET with a 27% market share. Production in China enjoys the advantage of relatively low operating costs and, as a result, there have been huge PET capacity additions in the country. Investment in PET capacity continues ahead of demand growth, with new assets adding around 1 500 000 ton of effective capacity in 2017 with a further 3 500 000 ton expected to come on-stream in 2018. Together with existing capacity, this additional capacity means that Chinese PET producers will be operating at between 50% and 70% capacity utilisation in 2018 and 2019. All of this surplus capacity increases the available volume of PET to be dumped into the SACU market and increases the likelihood of a decrease in the price of dumped imports. This increases the pressure on it (applicant) to lower its ex-factory price to maintain its sales volumes.
- As a result of bankruptcy, Mossi & Ghisolfi Group ("M&G"), a leading global PET producer, has shut down its 560 000 ton per year Altamira PET plant and its 250 000 ton per year plant in West Virginia. M&G has stopped construction of its 1 100 000 ton per year PET plant in Texas. This has resulted in a significant temporary reduction in the global supply of PET, which has increased the demand for PET from China. M&G has completed the sale of its project in Texas. When online, this plant is expected to be the largest PET resin facility in the world and will more than offset the temporary decrease in global PET supply. M&G is also in the process of selling its remaining plants and it is expected that these will resume production shortly. Once these plants are in operation, this will reduce the demand for PET from China and result in excess production capacity in China. Safripol therefore forecasts a significant increase in freely disposable capacity in China in the near future as a result of additional capacity being installed in China

and a decline in demand for Chinese PET following the return to operation of several plants in Latin America and the United States. This additional capacity increases the available volume of PET to be dumped into the SACU market and increases the likelihood of a decrease in the price of dumped imports. This increases the pressure on the applicant to lower its ex-factory price to maintain its sales volumes.

### **Significant increase of alleged dumped imports**

The applicant provided the following information regarding significant increase of alleged dumped imports:

- China has increased their production in recent years and as a result the export of PET resin has grown by approximately 60% in the past five years. South Africa has become a key focus for Chinese PET exporters, particularly following the closure of the Japanese market with the imposition of anti-dumping duties on Chinese PET in 2017 and South Africa was the main outlet for Chinese exports of PET in January 2018 and February 2018. Chinese exporters are therefore expected to attempt to increase their sales of dumped imports into the SACU market.

### **Prices of imports which will have a significant depressing or suppressing effect on domestic prices**

The applicant provided the following information regarding pricing effects:

- As has been explained above, in order to make sales in the SACU market, the applicant must lower their prices to match or undercut the price of dumped imports. If it does not lower prices, downstream users will simply import dumped PET from China. This has already resulted in the applicant experiencing price depression, price suppression, decline in profitability, decline in return on investment and decline in cash flow.

### **Export inventories**

The applicant provided the following information regarding export inventories:

- The high levels of overcapacity in China and the ease with which they increased their exports to SACU suggest that they have significant inventories of PET which they will be able to export opportunistically.

#### **Commission's consideration**

According to plasticsinsight.com, the global production capacity of PET was 30.3 million tons in 2017, with China accounting for 30.8% (9.3 million tons), followed by the Asian region (excluding China) accounting for 21%, North America's share was 16.9% with the United States being the leading producing country and European region accounted for 14.7% of the total PET production capacity. It was also found that Africa was last with 2.3% of the global capacity.

Furthermore it was also found that PET's global consumption was only 23.5 million tons in 2017. Therefore taking this into account it is clear that there is significant capacity globally, and it is expected that China being a leading producer of PET would also produce for the export market.

The applicant has also increased its production capacity and will be able to run on full capacity in 2018/2019, therefore this influx of imports are threatening to further reduce the applicant's capacity utilisation, return on investments and profits should the alleged dumped imports persist at current levels.

#### **Summary – Threat of material Injury**

The Commission made a preliminary determination that a threat of material injury to the SACU Industry exists.

## 7. CAUSAL LINK

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### 7.1 GENERAL

In order for the Commission to impose provisional measures, 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 product.

### 7.2 VOLUME OF IMPORTS AND MARKET SHARE

The following table shows the volume of imports:

**Table 7.2 (a): Import volumes**

kg	2015/2016	2016/2017	2017/2018
Alleged dumped imports	59 436 908	55 493 717	136 536 137
Other Imports (kg)	21 963 429	28 756 532	12 413 758
Total Imports (kg)	81 400 337	84 250 248	148 949 895
Alleged dumped net imports as a % of total imports:	73.02%	65.87%	91.67%
Other imports as a % of total imports	26.98%	34.13%	8.33%

\* Alleged dumped imports & other imports include applicant's own imports.

The alleged dumped import volumes for PET decreased from 59 436 908kg in 2015/2016 to 55 493 717kg in 2016/2017, and in 2017/2018 they increased significantly to 136 536 137kg. The alleged dumped volumes as a percentage of total import volumes for PET increased from 73.02% in 2015/2016 to 91.67% in 2017/2018.

#### **Comments from Interested parties**

The decline in production is not indicative of a material injury caused by alleged dumped imports, but rather indicative of the lengthy period for which the shutdown endured and thereafter the process of rebuilding trust in the market.

#### **Commission's consideration**

The applicant embarked on measures to build stock during the shutdown, and

also imported the subject product to for its customers during the POI. The importers continue to import the alleged dumped products even after the plant was operational.

**Table 7.2 (b): Market share**

	2015/2016	2016/2017	2017/2018
Applicant's market share	100	95.08	50.51
Alleged dumped imports market share	100	94.49	216.87
Other SACU market share	100	103.97	107.95
Non-dumped imports	100	132.54	53.31
Total market share	100	98.82	105.95

\*The table was indexed due to confidentiality using 2015/2016 as a base year.

The applicant's market share by volume for PET during the POI decreased from the base to 50.51 index points in 2017/2018.

The alleged dumped imports market share by volume for PET during the POI increased from the base to 216.87 index points in 2017/2018.

The Commission considered that the decline in share of the SACU market held by the SACU industry in 2017/2018 coincided with a significant increase in dumped imports market share by volume.

#### **Commission's consideration**

The Commission also took into account that in order to prepare for the plant upgrade the applicant had to build up stock and import the subject product from the PRC and other countries. It was found that the imports from the PRC were insignificant in 2015/2016 and 2016/2017. Imports slightly increased in 2017/2018, and were below 10 percent of total imports from the PRC.

The Commission also considered that applicant exported the subject product to other markets during the POI. Exports increased during the POI, as the applicant was forced to export because of the intense competition from the dumped imports.

The Commission took into account that the slight decrease in the dumped imports market share in 2016/2017 is in line with the decline of the overall SACU market in the same period and is far outweighed by the increase in market share of dumped imports the following year. The overall increase in market share is also evident even when the applicant's own imports from the PRC are not taken into account, and treated as dumped imports.

#### **Comments from Interested parties**

Safripol points to a drastic decrease in their market share as indication of the impact that alleged dumped imports has had on their business. However, this is simply not the case as Safripol produced no volumes for a lengthy period of time, and their customers had no choice but to turn to alternative means of supply.

#### **Applicant's comments**

The market share of Safripol by both volume and value decreased while the corresponding statistics for dumped imports increased, Safripol submits that there is a direct link.

#### **Commission's consideration**

The Commission considered that the closure of Safripol for its plant upgrade had an impact on the loss of market share, the closure on its own is not to blame as the alleged dumped imports continued to flow into SACU even after the plant became operational.

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

It has already been shown in section 5 of this report that the applicant did not experience price undercutting, but experienced price depression and price suppression.

## 7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

**Table 7.4: Material Injury Indicators**

	<b>Analysis (2016 – 2018)</b>
Price depression	Negative
Price suppression	increased
Sales volume and values	Decreased
Profits (R)	Decreased
Output (kg)	Decreased
Capacity utilisation	Decreased
Market share (applicant)	Decreased
Productivity (kg)	Decreased
Return on Investment	Decreased
Utilisation of capacity	Decreased
Applicant's Growth	Decreased
Inventories (R)	Increased

## 7.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

**Table 7.5: Examination of causality under Article 3.5**

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>% Change 2016-2018</b>
<b>FOB prices of imports not sold at dumping prices (R/kg)</b>	13.74	12.91	13.90	1%
<b>Volume of imports not sold at dumping prices (kg)</b>	21 963 429	28 756 532	12 413 758	-43%
<b>Changes In demand or patterns of consumption</b>	The Commission noted that demand of the subject product increased during the POI, however the demand of the applicants product declined, while imports significantly increased.			
<b>Trade-restrictive practices of foreign and domestic producers</b>	The Commission is not aware of any trade restrictive practices.			
<b>Developments In technology</b>	There are no recent technological advances regarding the PET, known to the Commission.			

	2015/2016	2016/2017	2017/2018	% Change 2016-2018
<b>Export performance of the domestic Industry</b>	The Commission noted that the applicant exported the subject product to other markets during the POI, it noted that exports increased while SACU sales declined. Given the low world prices, particularly as a result of dumped imports, it is difficult for the applicant to compete in the global market for PET. However, to the extent that the applicant is or will be unable to sell its production on the SACU market at a profit or at all it is or will be forced to sell on the international market.			
<b>Productivity of the domestic Industry</b>	The applicant stated that it believes that it is equally as productive as producers in exporting countries.			
<b>Indicate any other factors affecting the SACU prices</b>	The applicant highlighted that the main equipment and technology supplier responsible for its expansion project went into bankruptcy before the expanded facility could be commissioned. This led to a decrease in production between August 2017 and November 2017. However, due to high inventory levels and imports of PET the applicant was able to meet customer demand and maintain sales volumes in all the other months except August and November 2017.			

#### **Comments from interested parties**

- The main causes of the decline in profit and return on investment as indicated in Safripol's holding company KAP unaudited results are: high proportion of off-spec material, supply constraints due to the expansion of Safripol, longer dated payments for exports, low capacity utilisation and resale of imports at lower margins. The declines cannot be attributed to the alleged dumped imports. Safripol increased its exports, proving that exports are a strategic goal for the company.
- The table on capacity shows that the capacity of the applicant increased during the period, and the capacity utilisation decreased, whereby the decrease is rather attributable to the shutdown.
- Safripol increased its capital expenditure four fold during the investigation period, while the total assets increased by 237% in the same period (or by 90% for the product only). This is no sign of injury.

#### **Applicant's response**

- The information that is relied upon by interested parties is for the whole KAP group, consisting of three divisions Woodchem, Hosaf and Safripol,



and these divisions were consolidated into one known as Safripol after 2018.

Furthermore there were some products which were off-spec (usually expected when commissioning a new plant) however there were significant on-spec volumes which were sold at discounted prices in order to compete with the dumped imports. Safripol was also forced to export the subject product because of low priced dumped imports and it must be noted that the SACU market is a more profitable market than the export market.

### **Commission's consideration**

- The Commission considered that the decline in profits is attributable to low sales volumes and values caused by the increased dumped imports from the PRC. The Commission further noted that KAP financial statements upon which interested parties rely are for the whole group and not Safripol, and therefore they cannot be relied upon due to them including other divisions, besides the PET division of Safripol.
- The Commission considered that there was a slight increase in the applicant's installed capacity as the upgraded plant came into line in the middle 2017/2018. Imports still hindered capacity utilisation as it decreased during the POI, and more importantly in 2017/2018 when the upgraded plant was fully operational. The Commission took into account that while the decrease in capacity utilisation may be attributable to the shutdown, the impact of the dumped imports competition contributed significantly, resulting in the applicant producing lower than expected.
- Capital expenditure increased as the upgrading of their plant also required them to improve certain parts or components of their old plant.

The Commission made a preliminary determination that there is a causal link between the alleged dumping of the subject product and the material injury suffered by the SACU industry and that there were no other factors detracting from the causal link.

## **8. SUMMARY OF FINDINGS**

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### **8.1 Dumping**

The Commission found that the subject product originating in or imported from the PRC was being dumped in the SACU market with the dumping margin of 23.06%.

### **8.2 Material Injury**

The Commission found that the applicant was suffering material injury in the form of:

- Price depression/suppression.
- Decline in SACU sales volume
- Decline in profitability
- Decline in production
- Decline in productivity
- Decline in capacity utilisation
- Loss in market share
- Negative growth
- Increase in inventories.
- Negative return on investment
- Negative cash flow

### **8.3 Threat of Material Injury**

The Commission made a preliminary determination that a threat of material injury to the SACU industry exists.

### **8.4 Causal Link**

The Commission found that a causal link between the alleged dumped imports of the subject product originating in or imported from the PRC and the material injury suffered by the SACU industry exists, and that there were no other factors detracting from the causal link.

## **9. PROVISIONAL PAYMENTS**

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**9.1** The Commission found that all requirements for the imposition of a provisional duty have been fulfilled.

### **9.2 The Lesser duty rule**

The lesser duty means that the provisional payment or anti-dumping duty is imposed at a lesser of the margin of dumping or the margin of injury, which is deemed sufficient to remove the injury caused by the dumping.

Regulation 17 of the ADR provides that the Commissions shall consider applying the lesser duty rule if both the cooperating exporter responds fully with its related importer. The Commission made a preliminary determination not to apply the lesser duty rule.

### **9.3 Amount of provisional payments**

The amounts of provisional payments were determined as follows:

**Table 9.3: Provisional measures**

<b>Tariff Sub-heading</b>	<b>Product description</b>	<b>Country</b>	<b>Amount of provisional payments</b>
3907.6	Polyethylene Terephthalate	The People's Republic of China	22.90%

## **10. DETERMINATION**

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The Commission made a preliminary determination that:

- dumping of the subject product imported from the PRC is taking place, the SACU industry is thereby experiencing material injury/and or a threat of material injury;
- A causal link between the alleged dumped imports and the material injury and a threat of material injury suffered by the SACU industry exists; and
- provisional measures be imposed as per table 9.3 of this report, pending the finalisation of the investigation.

Interested parties will be invited to submit comments and make representations on the preliminary determinations 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.