

REPORT NO. 318

**INVESTIGATION INTO THE ALLEGED DUMPING OF STAPLE POLYESTER
FIBRE 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. 318: INVESTIGATION INTO THE ALLEGED DUMPING OF STAPLE
POLYESTER FIBRE ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC
OF CHINA: PRELIMINARY DETERMINATION**



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CHIEF COMMISSIONER

PRETORIA
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1. APPLICATION AND PROCEDURE

- 1.1 This investigation was conducted in accordance with the International Trade Administration Commission Act, 2002, (the ITA Act), the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement) and the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR).
- 1.2 The application was lodged by International Trade Services (ITS) on behalf of Hosaf (the Applicant), being the only manufacturer of the subject product in the SACU.
- 1.3 The application was accepted by the Commission as being properly documented, in accordance with Article 5.2 of the Anti-Dumping Agreement, on 09 December 2008. The trade representative of the country concerned was advised accordingly.
- 1.4 The Commission formally initiated an investigation into the alleged dumping of staple polyester fibre originating in or imported from the People's Republic of China (PRC) pursuant to Notice No.67 which was published in *Government Gazette* No. 31798 on 23 January 2009.
- 1.5 The investigation period for dumping was from 01 July 2007 to 30 June 2008. The injury investigation involved evaluation of data for the period 01 January 2005 to 30 June 2008. An analysis is also done for 6 months (January – June) from 2006 to 2008.
- 1.6 The SACU industry consists of only one producer of the subject product, namely Hosaf, who submitted the information contained in this Report.
- 1.7 The following exporters from the PRC responded to the Commission's questionnaire:
 - (a) Cixi Jiangnan Chemical Fibre Co., Ltd – represented by a PRC law firm, AllBright
 - (b) Nantong Sanjia Chemical Fibre Co., Ltd – represented by PRC lawyers

Gaopeng & Partners

- (c) Ningbo Dafa Chemical Fiber Co., Ltd
- (d) Zhe Jiang Waysun Chemical Fiber Co., Ltd – represented by Xikhovha Advisory (Pty) Ltd

Deficient responses were received from the following exporters:

- (i) Huvis Sichuan Corporation (“Huvis Sichuan”) submitted a complete response only after the deadline had expired. Their information was not taken into account for purposes of this preliminary investigation.
- (ii) Jiangyin Hailun represented by Xikhovha Advisory (Pty) Ltd did not export to the SACU during the POI, but only afterwards.

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

- (a) Classique Quilters CC - represented by Xikhovha Advisory (Pty) Ltd
- (b) Polybond – represented by Xikhovha Advisory (Pty) Ltd

The following SACU importers’ responses were deficient:

- (i) Branson Marketing
Also represented by Xikhovha Advisory (Pty) Ltd, it imported from a PRC exporter Jiangyin Hailun, which did not export to the SACU during the POI, but only afterwards.
- (ii) Freudenberg
It did not import the subject products during the POI and they also did not import from the PRC.
- (iii) LR Foam
It did not complete the questionnaire in the required format and submitted information and invoices outside the POI on imports of the subject product sourced from a trader in the United Kingdom who sourced the subject products from the PRC. No supporting evidence was supplied by LR Foam with regard to clearing and handling costs claimed by their trader.
- (iv) Peter Blond
Requested to be excluded from the investigation as they were garment and

neither yarn nor fabric manufacturers.

(v) Shreyus S.A (Pty) Ltd

Acting as an indent agent for Huvis Sichuan, it submitted a deficient response.

- 1.9 After considering all parties' comments, the Commission made a preliminary determination that the subject product originating in or imported from the PRC was being dumped into the SACU market, that the SACU industry suffered material injury and threat of material injury and that there is a causal link between the alleged dumping of the subject product and the material injury and threat of material injury suffered by the SACU industry. The Commission made a preliminary determination to impose provisional measures.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as staple polyester fibre.

2.1.2 Country of origin/export

The subject product is exported from the PRC.

2.1.3 Possible tariff loopholes

The Applicant stated that it is not aware of any tariff loopholes that may exist but added that it believed that the product is also imported under tariff subheading 5506.20 and that exporters from the PRC were under-invoicing the product.

2.1.4 Negligibility test

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

Table 2.1.4: Import volumes

Imports	Import volumes 1 July 2007 to 30 June 2008 (POI)	Volume as a percentage of total import volume
PRC	4 477 701	30.3%
Other imports	10 307 691	69.7%
Total Imports	14 785 392	100%

The alleged dumped imports amount to 30.3% of total imports of the subject product.

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

2.2 SACU PRODUCT

2.2.1 Description

The subject product is described as poly/cottons, or sheeting or shirting. However, the Applicant indicated every factory has its own “trade name”. The SACU product is sometimes known as “Sungleam”.

2.3 LIKE PRODUCTS ANALYSIS

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

Table 2.3: Like product determination

	Imported product	SACU product
Raw materials	<p>The main raw materials/components used in the manufacture of the product depend on the type of the subject product the exporter manufacturers and on customer requests. The following exporters that were verified used the following materials in their production process:</p> <p><u>(i) Cixi Jiangnan</u></p> <ul style="list-style-type: none"> * Main raw material – recycled plastic bottle pieces/flakes which make up 85% of the total raw materials. * PET – which make up 15% of the total raw materials. * Components – silicone oil, fibre oil, and bleach. <p><u>(ii) Nanton Sanjia</u></p> <ul style="list-style-type: none"> * Main raw material - PET recycled bottle flakes * Components - silicon oil, oil, whitening agent and blue powder. <p><u>(iii) Ningbo Dafa</u></p> <ul style="list-style-type: none"> * Main raw material - PET recycled bottles or flakes. * Components - silicon oil, fiber oil, bleacher and alkali flakes. <p><u>(iv) Zhe Jiang Waysun</u></p> <ul style="list-style-type: none"> * Raw materials – recycled PET bottle flakes * Component - silicon oil (in the case of siliconised fibre) 	<p>The main raw materials/components used are polyester staple fibres and cotton fibres.</p> <p>The basic building bricks for polyester are Ethylene glycol (monoethylene glycol – MEG) and Terephthalic acid (PTA). 86kg of PTA is combined with 35kg of MEG to give 100kg of polyester with by-product water. There are small additions of titanium dioxide, a delustrant and spin finish on the fibre surface.</p> <p>A kg of basic fibre is in effect 70,7% PTA and 28,75% MEG. Titanium dioxide is approximately 0.3% and spin finish 0.25%. The latter two are small components but important.</p>

Physical appearance	<p><u>(i) Cixi Jiangnang</u></p> <p>* The subject product is soft, elastic (rebound) curly because of the different stretching structures.</p> <p>* The description of the product depending on the customer order may be hollow and non-hollow (solid)</p> <p><u>(ii) Nantong Sanjia and Ningbo Dafa</u></p> <p>* The subject products from both Nantong Sanjia and Ningbo Dafa are curly because of the exposure to the 3 different levels of temperatures also resulting from the different stretching structures. Hence the description of the product is 3 dimensional, hollow, more elastic and of high quality and used for high value products.</p> <p>* Ningbo Dafa's products are either white, green or brown. Their loft is conjugate and non-conjugate. Their finish is silicone and non-silicone.</p> <p><u>(iii) Zhe Jiang Waysun</u></p> <p>* Crimped yarn with 1.5D – 15D in diameter, 32 – 152 in length and can either be white, grey or green in colour.</p>	The SACU product is curly and may either be white, grey, green or brown in colour.
Tariff classification	5503.20	5503.20
Production process	<p><u>(i) Cixi Jiangnang</u></p> <p>The production process observed was as follows: Raw materials processing, washing, drying, melting and spinning, rolling, clustering, drawing, crimping, heating, cutting and packaging (baling).</p> <p><u>(ii) Nantong Sanjia and Ningbo Dafa</u></p> <p>* <u>Washing</u></p> <p>The bottle flakes are washed and put under a high flame for melting.</p> <p>* <u>Draining</u></p> <p>Water is drained from the raw material (if there is no drainage the product will be distorted),</p> <p>* <u>Crushing and melting</u></p> <p>Flakes are crushed at a high temperature. A machine was shown to the investigators on how the sizes of the customers' specific orders are determined, ranging from 4D to 15D (for Nantong Sanjia) and from 1D to 25D (for Ningbo Dafa) making the product to be hollow.</p>	<p>The production process is world-wide the same and is described as follows:</p> <p>Cotton fibres and polyester staple fibres are the raw materials which the fabrics are produced of and the inherent characteristics of the fibres have the single largest effect on the nature of the finished fabrics, e.g. cotton fibres are single elongated cells that have a flat, twisted and ribbon like structure. The colour varies from cream to light brown and the lengths vary from 13 mm to 50 mm. In order to produce fabrics, the fibres must be converted into yarns. The type of yarn chosen for a fabric will affect its appearance, durability, handle and draping</p>

	<p><u>* Drying and stretching</u></p> <p>The product goes through this process where it is also stretched.</p> <ul style="list-style-type: none"> - For Ningbo Dafa, it is at this stage where the order determination is either a 2 dimensional or 3 dimensional product as per the customer order. - The drying process of the 3 dimensional products involves the following 3 temperature levels: <ul style="list-style-type: none"> (i) extremely hot which elongates the product on one side; (ii) very cold and shortens the product on the other side ; and (iii) the 2 temperatures (hot and cold) neutralize in the middle of the stretched product. The drying of the 2 dimensional products involves only 2 temperature levels which are not so very strong as the one of the 3 dimensional products. The cold temperature on one side making the crimp small and the very hot on the other side making the crimp longer. When rolled into one, the cold side will be on the inside and the hot side will be on the outside. <p><u>* Curling</u></p> <p>At the end of the production process when the subject product comes out of the dryer it is curly because of the exposure to the 3 different levels of temperatures also resulting from the different stretching structures. Hence the description of the product is 3 dimensional, hollow, more elastic and of high quality.</p> <p><u>* Waste</u></p> <p>The waste from the production process is resold to other companies.</p> <p>(iii) <u>Zhe Jiang Waysun</u></p> <p>Washing, filature, drawing, crimping and baling.</p>	<p>characteristics. Polyester fibres (being man-made) have the same characteristics as cotton and are therefore mainly mixed with cotton to form a polyester/cotton product. Dependent on the origin of the fibre and the length of the fibre, the fibre will go through various processes that will transform it from a fibre into a yarn (spinning process).</p> <p>The spinning process is comprised of the opening of the bales, the combing and drawing of the fibres into roving and then the spinning. The more processes involved, the more expensive the resultant yarn. It is at this stage that the blend or mixture of the fabrics is determined.</p> <p>Blends are produced when two or more fibres are mixed prior to the spinning, in this case different bales of cotton fibres. Mixtures refer to a fabric, e.g. 90% cotton usually refers to either a blend or a mixture if it is a woven fabric. The blends are being determined in the spinning process and not in the weaving process.</p> <p><u>Weaving:</u> where the fabric is created by interlacing two sets of yarns at right angles. The warp yarns are those that lie in the longitudinal direction of the fabrics whilst it is being woven. The weft (or filling) yarns are those which, during weaving, are introduced between the warp yarns, in the width direction of the fabric. Woven fabrics are manufactured using a loom. The nature of the fabric depends on the way in which the warp and weft yarns are</p>
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		<p>interlaced. There are four main categories of weave, each of which may be varied to create a multiple or different surface effect.</p> <p><u>Plain weave</u>: The weft passes over one warp, under the next warp, over the third warp, etc. from selvedge to selvedge. It gives the maximum number of interlaces and is therefore the most closely woven fabric. It is the simplest to produce, therefore inexpensive. The surface of the fabric is receptive to design and finishes and is durable and easy to clean. This fabric has less elasticity than other weaves, shows creases easily and has a dull appearance. The closeness or looseness of the weave is measured by the count of the cloth, i.e. the number of warp and weft yarns. There are high and low count fabrics.</p> <p>The term "fabric finishing" refers to those treatments that cloth undergoes after it is fabricated, in preparation for use by manufacturers or directly by the consumers. Practically all types of fabrics are given some type of finishing treatment. Fabrics may undergo more than one finishing process. The nature of the finish will depend on the fibre constituting the yarn, the method of fabric construction (weave) and the intended end use of the fabric.</p> <p><u>Unbleached</u> (greige/gray/grey/loomstate): these terms refer to the state of the fabric before the finish. The "grey" (unbleached)</p>
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		<p>fabric has no appeal, is often soiled, contains foreign matter and may be flawed. The reason for finishing fabrics is to remedy defects, enhance the aesthetic qualities and improve service qualities.</p> <p>The finishing processes are preparation, bleaching, colouring and finishing.</p> <p>“Preparation” means getting the fabrics ready for dyeing and printing. Any processing aids (eg spinning oils, waxes, sizes, etc) which may have been applied during spinning and weaving must be removed. Any natural or adventitious contaminations must also be removed. Preparation processes are eg. desizing, singeing and scouring.</p> <p><u>Bleaching</u>: It is the destruction of natural colouring and improving the whiteness of the fabric to prepare it for dyeing (the washing of fabrics in special solutions).</p> <p><u>Dyeing</u>: Textile materials are dyed in aqueous solutions of dispersions of dyestuffs, together with dye bath additives such as salt, alkali and acids. The dissolved or dispersed dyestuff must first be absorbed into the fibre surface and then diffused into its interior where it finally must be fixed.</p> <p><u>Printing</u>: This is the controlled placing of defined areas of colour onto a substrate. The colorant must first be brought to the fibre surface usually in the form of printing</p>
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		<p>paste. The colorant must then be fixed in place, and finally, excess unfixed colour has to be washed out. Printing methods: direct printing/overprinting, discharge printing, resist printing, pigment printing, transfer printing, flock printing, lacquer printing, hand printing, screen printing (flat screen or rotary printing).</p> <p><u>Colour woven</u> ("of yarns of different colours): The yarns are dyed before the weaving process starts. Different colour yarns are used as weft and warp yarns. The weft passes over one warp, under the next warp, over the third warp, etc. from selvedge to selvedge. It gives the maximum number of interlaces and is therefore the most closely woven fabric. It is the simplest to produce, therefore inexpensive. The surface of the fabric is receptive to design and finishes and is durable and easy to clean. This fabric has less elasticity than other weaves, shows creases easily and has a dull appearance. The closeness or looseness of the weave is measured by the count of the cloth, i.e. the number of warp and weft yarns.</p> <p>The more cotton fibre content, the more expensive the fabric because currently cotton fibres are more expensive than polyester fibres. The production cost and price of the fabric will depend on the fibre mix, the fibre count and the finish.</p>
Application or end use	<p>* Cixi's products are used to maintain warmth and comfort and is used as a filling for furniture and bed articles.</p> <p>* Nantong Sanjia's products is used as padding</p>	The product is used in the manufacture of sheets and other bed linen, shirts and other clothing

	<p>and filling material for quilt, upholstery, pillows, toys sofas, etc.</p> <p>* Ningbo Dafa's products are used by companies specializing in and manufacturing house ware, textiles, craftwork, toys, and fabric products.</p> <p>* Zhe Jiang Waysun product is non-woven and used for filling.</p>	
Substitutability	<p>Ningbo Dafa indicated that the 2 dimensional product can be substituted for a 3 dimensional product, but the 3 dimensional product cannot be substituted for a 2 dimensional product.</p> <p>The exporter indicated that if it is conjugate, it means that it is 3 dimensional product and if it is non-conjugate, then it is a 2 dimensional product.</p>	The Applicant did not submit any information with regard to this issue.
Specifications	<p>There are no standards or specifications to the subject products concerned prescribed by law or otherwise for the verified exporters.</p> <p>The products for these exporters are also not subject to import control or other import restrictions.</p> <p>Ningbo Dafa indicated that some of its customers' machines are specifically made for the specifications requested, e.g. the 32mm is used for manufacturing pillows but it does not need to be blown to separate the crimp and the 64mm is blown by the end users to make the pillows softer.</p>	The Applicant did not submit any information with regard to this issue.

The following comments were received from Gaopeng & Partners and the Economic and Commercial Counsellor's Office of the Embassy of the PRC in SA on behalf of Nantong Sanjia: Nantong Sanjia indicated that it exported the three dimension crimp hollow ethylene short fiber to the SACU which is under the tariff sub-heading 5503.20 and that they think that the product should be excluded from the investigation because of the many differences between it and the SACU product. The differences are:

- In terms of the raw materials, their products are made on a higher level in the size of granules and clean degree, while the SACU product is on a lower grade in size, neatness and also viscosity;
- The production process of its products is more complicated and advanced, and the producing line and equipments are different from those of SACU, and its product has higher requirements for the raw materials, machinery, and the capacity is lower;
- In terms of physical characteristics and usage, the diameter of the SACU subject product is from 1.2D to 3D which is used for the semi-processed products fibre, is solid and used for spinning. The diameter for Nantong Sanjia' is from 4D to 15D, which is only used as a padding and filling material for quilt, pillow, toy, sofa, etc and it is also hollow instead of solid. It stated that the two products have totally different physical characteristics and usage, and they therefore have no relationship at all;
- Due to the subject differences of the subject products, they can not be substituted for each other and that also the price of one could not affect the price of another as they are in two different areas and there is neither production nor usage relationship between the two products;
- Nantong Sanjia stated that in terms of the WTO ADA, the term "like product" ("product similaire") was 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; and
- In their opinion, the two products are different in many aspects and their export products can be excluded as not being "like products."

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

3. INDUSTRY STANDING

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

The information was obtained from Hosaf, the only manufacturer of the subject product in the SACU market. Hosaf represents 100 percent of the SACU production.

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

4. DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC

4.1.1 Normal Value

In terms of the Record of Understanding between ITAC and Bureau of Fair Trade for Import and Export (BOFT) of the Ministry of Commerce of the PRC, after initiation of an anti-dumping investigation, Chinese exporters will be given the opportunity to provide information on domestic selling prices and cost of production of the subject product. The Commission will then verify the information to establish whether sales made were in the ordinary course of trade. During verification, the investigators looked at the following factors in determining whether sales were made in the ordinary course of trade:

(a) Ownership

- Cixi Jiangnan Chemical Fibre Co. Ltd is a limited liability company. Mr. Sun Zukang is the Executive Director of the company and the father of the other two shareholders.
- Nantong Sanjia Chemical Fibre Co., Ltd is a joint venture company established by two enterprise legal entities shareholders. The shareholders are Nantong Development Zone Sanjia Ironware Factory and United States U-TEM Co., Ltd.
- Ningbo Dafa Chemical Fibre Co., Ltd is a Sino-Foreign Joint Venture.
- Zhe Jiang Waysun was established in 2004 and is a limited liability company. The shareholders of the company are Mr. Hongyifeng and Mr. Shi Jianping who is the General Manager.

(b) Suppliers of raw material and other components for production

The companies provided suppliers' invoices of their raw material and component suppliers. Purchases of the verified companies were made from more than one supplier at competitive prices and it was found that none of the companies sourced their raw materials and components from state-owned enterprises, but from privately owned enterprises. The sourcing of the raw materials is based on cost, quality and lead

times. The companies indicated that the suppliers used are stable and if there are major price changes in the market, quotations from other countries will be used.

(c) Competition, advertising and marketing

The companies verified are located in an industrial development zone in individual provinces, they are the only producers of the subject product. Therefore no competition exists. They advertise their products on the internet and market their products to the end-users who are textile, furniture and toy manufacturers located in the same area. Production is based on order and according to specifications requirements of the customers. There is also a long standing supplier and buyer relationship which is based on mutual trust.

(d) Human Resources

The companies verified, indicated that in the PRC workers are contracted from 1 – 3 years. For recruitment, the companies advise the labour market which is operated by the government. Unemployed people contact the labour market for available positions. Since the companies are located in the industrial zone, the exporters verified indicated that most workers live there and therefore their contract period is extended when it expires.

(e) Production costs

During the verification, it was found that the companies sold the subject products at prices which enabled them to recover their costs.

(f) Accounting principles and practice

As far as could be ascertained, the verified companies complied with generally accepted accounting principles (GAAP).

(g) Foreign currency transactions

All transactions were concluded in RMB.

(h) Financial statements

No audited financials could be provided as the companies are not required to have an

audited annual report. However, balance sheets and income statements for the POI were provided.

The Commission made a preliminary determination that the domestic sales of the verified companies were made in the ordinary course of trade in the PRC and the definition of section 32(2)(b)(i) of the ITA Act applied in the calculation of the normal values.

Calculation of dumping margins

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

(a) Cixi Jiangnan

Normal value

The exporter sold many different product ranges in its domestic market. Domestic sales included sales of products that were not exported to SACU during the POI.

The following five product ranges sold in the exporter's domestic market were comparable to those exported to SACU during the POI:

- green hollow siliconised;
- white hollow non-siliconised;
- green solid non-siliconised;
- white hollow siliconised; and
- white solid non-siliconised.

Adjustments to normal value

The exporter claimed the following adjustments to the normal value:

(i) Cost of payment terms

Customers have a given period to settle their accounts. The exporter was given different loan rates from different Chinese banks during the POI, and a weighted average rate payment terms was calculated.

(ii) Packaging costs

The exporter incurred expenses for packaging of products sold in its domestic market. The exporter stated that it used a freight forwarder, which handles its packaging and transportation of goods.

Export price

The same ranges of products manufactured by the exporter were exported to SACU during the POI. Some export sales were made on a CIF basis whereas some were made on a cost and freight basis.

The following adjustments to the export price were made:

(i) Payment terms

Customers have a given period to settle their accounts. Some of the products were sold on cash on a delivery basis.

(ii) Packaging

The exporter incurred expenses for packaging of products intended for exports. It stated that it used a freight forwarder, which is an agency that handles its packaging and transportation of sold goods for both domestic and export purposes.

(iii) Domestic freight and customs fees

The exporter incurred expenses for domestic transportation of goods from its factory to the harbour, including customs related fees.

(iv) Ocean freight and insurance

The exporter incurred an expense to its insurance company for goods sold on a CIF basis. Supporting documents were verified.

Margin of dumping

The dumping margin was calculated by comparing the normal values of the five product ranges to their respective export prices. The difference was then weighted by the export

volumes of the product ranges to arrive at the dumping margin for the product. Based on the above, the dumping margin was found to be negative.

(b) Nantong Sanjia

Normal value

Nantong Sanjia Chemical Fibre Co., Ltd (Sanjia) sells the following product ranges in its domestic market:

- optic fiber which is expensive as compared to the HC and HCS product ranges,
- hollow conjugated fiber (HC); and
- hollow conjugated silicon fiber (HCS) which was sold more in the domestic market during the POI.

The exporter also sells superior fiber in its domestic market. However, it does not manufacture this product as it is very expensive and of high quality and does not even keep it on its premises. Sanjia does not import superior fiber. It buys it in a completed form from a local exporter and importer agent (at a better deal) and Sanjia resells it to its customer according to their requests. During the POI superior fibre was bought by the end users who are pillow manufacturers.

Sanjia exported hollow conjugated fiber (HC) and hollow conjugated silicon fiber (HCS) to the SACU during the POI. As the two product ranges were also sold in the domestic market, the volumes for both product ranges were scrutinized and found to be comparable to the export volumes to the SACU.

The normal value of the two product ranges was therefore determined in terms of section 32(2)(b)(i) of the ITA Act.

Adjustments to the normal value were claimed and verified and determined to be the following:

(i) Packaging

The subject products are packaged in plastic. A belt (strap) is used to secure and seal the bag. The apportionment methodology applied was explained in detail.

(ii) Banking costs

The exporter indicated that during the POI it incurred banking costs. This was verified to be banking fees which charges are made by the bank when customers make deposits. The apportionment methodology applied was explained in detail.

Export price

During the POI, Nantong Sanjia exported hollow conjugated fiber and hollow conjugated silicon fiber to SACU on a CIF and FOB basis, respectively.

The following adjustments to the export price were claimed and verified:

(i) Packaging

There is no difference for packaging for the domestic market and for the export market. The subject products are packaged in plastic. A belt (strap) is used to secure and seal the bag.

(ii) Delivery

The exporter incurred expenses for the transportation of the subject products which is handled by a transportation agency. The costs are made up of customs application fees, ship booking fees, terminal handling charges, file preparation fees and transportation of the subject products from the factory to the harbor.

(iii) Freight and Insurance

The exporter incurred an expense for insuring the subject products sold on a CIF basis. Supporting documents were verified.

(iv) Banking

The exporter indicated that during the POI it incurred banking costs for some of the products sold on cash on a delivery basis. These were verified to be banking fees made by the bank when customers make deposits.

(v) Payment terms

The costs are for a letter of credit (LC) which is made up of the value of the invoice and multiplied by the loan interest of 1 year of the Central Bank of China divided by 360 days and multiplied by LC days.

Margin of dumping

The dumping margin was calculated by comparing the normal values of the hollow conjugated fiber and hollow conjugated silicon fiber to their respective export prices. The difference was then weighted by the export volumes of the product ranges to arrive at the dumping margin for the product. Based on the above, the dumping margin was found to be negative.

(c) Ningbo Dafa

Normal value

The normal value was verified on the 2 product ranges which are white conjugate hollow non-silicon fibre and white conjugate hollow silicon fibre which were sold in the domestic market during the POI.

An adjustment for packaging was claimed and verified. The subject products are packaged in plastic. A belt (strap) is used to secure and seal the bag.

Export price

The export price was verified on the 2 product ranges which are white conjugate hollow non-silicon fibre and white conjugate hollow silicon fibre which were exported to the SACU during the POI.

The following adjustments to the export price were claimed and verified:

(i) Packaging costs

The packaging costs for export sales include the cost of the plastic bag, belt and labeling.

(ii) Delivery charges

The exporter incurred delivery charges for exports to SACU which is made up of inland freight, loading fees and harbor costs.

Margin of dumping

The dumping margin was calculated by comparing the normal values of the two product ranges to their respective export prices. The difference was then weighted by the export volumes of the product ranges to arrive at the dumping margin for the product. Based on the above, the dumping margin was found to be negative.

(d) Zhe Jiang Waysun

Normal value

Domestic sales included sales of products that were not exported to SACU during the POI. The exporter explained that there is no price difference between 12mm and 15mm products, and that the only difference is the product length and thickness. All products are reduced to comparable price levels, i.e: price per kilogram. A product type 12Dx51mm white hollow non-siliconised, which is a product type comparable to that exported to SACU, was sold by the exporter in its domestic market during the POI.

Adjustment to normal value

The exporter claimed the packaging as an adjustment to the normal value. The exporter incurred an expense for packing the products it sold in its domestic market.

Export Price

Only one product type which is 15Dx51mm white hollow non-siliconised fibre was exported to SACU during the POI. The exporter explained that there is no price difference between 15mm and 12mm product types, and that the only difference is between siliconised and non-siliconised.

Adjustments to export price

The following adjustments were made to the export price:

(i) Packaging

The exporter incurred an expense for packaging on products it sold in the SACU market during the POI.

(ii) Inland transport

The exporter incurred an expense for transporting the goods intended for the SACU export from its factory to the harbour.

Margin of dumping

The dumping margin was calculated by comparing the normal value of product range 12Dx51mm white hollow non-siliconised to its respective export price of 15Dx51mm white hollow non-siliconised. The margin of dumping was determined to be positive.

(e) Residual dumping margin

There were exporters in the PRC who did not co-operate in the investigation. Therefore, investigators could not determine whether the setting of their prices in the PRC domestic market was done according to free market principles. The normal value for these non-co-operating exporters was therefore determined using the information for the POI used by the Commission for initiation of the investigation.

When submitting its application for initiation purposes, the Applicant stated that although it tried to obtain normal values in the PRC, the Chinese companies will only supply export prices when requested but not domestic prices, especially as the subject product is made on orders and is not sold commercially as it is a by-product of an end-product. It stated that therefore, it acted in accordance to the guidelines as supplied in Question D1.1 of ITAC's anti-dumping application form and used an international reputable publication, the PCI Fibres Report, to compile a *prima facie* case with regard to the alleged dumping of staple polyester fibres originating in or imported from the PRC.

It stated that the normal value, which is the average of virgin and recycled material, was determined using the internationally published ex-factory prices in the PCI Fibres reports.

Using the PCI fibres reports dated 17 December 2007 (Oct, Nov and Dec) and 19 March 2008 (Jan, Feb and March), the normal value was determined to be the following:

PRC (RMB/kg)	R/kg
10.91	10.57

An exchange rate of 1.03191 (2007/8 Oct – March)) as sourced from the oanda website was used.

The normal value was compared to the export price statistics as sourced from SARS for the POI.

The residual dumping margin as a percentage of the ex-factory export price for the other non co-operating exporters in the PRC was therefore calculated to be the following:

Other PRC exporters	R/kg
Normal value	10.57
Export price	4.74
Dumping margin	5.83
Dumping margin as a % of export price	122.97%

An exchange rate of 1.03191 as sourced from oanda was used.

4.3 CONCLUSION - DUMPING

The information provided by the four exporters was taken into account for purposes of the preliminary determination. The Commission also decided to use best information available to calculate the residual dumping margin, which was deemed to be the information provided by the Applicant.

All comments received were taken into account and is available on the public file. Based on the information supplied, the Commission made a preliminary decision that dumping of the subject product originating in or imported from the PRC from Zhe Jiang Waysun is taking place at a margin of 12.47 percent. A residual dumping margin of 122.97 percent was calculated for other non co-operating exporters in the PRC.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to Hosaf, the Applicant, which constitutes 100 per cent of the total domestic production of the like product.

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

5.2 CUMULATIVE ASSESSMENT

There is only one country involved in this investigation.

5.3 MATERIAL INJURY ANALYSIS

The injury information presented below relates to the evaluation of data for the period 01 January 2005 to 30 June 2008. An analysis is also done for 6 months (January – June) from 2006 to 2008.

IMPORT VOLUMES AND EFFECT ON PRICES

Basic Data Set (Jan – Dec)

Year	Unit	Subject Imports	Other Imports	Applicant's Production*	Inventories*	Applicant's sales volumes*
2005	Kg	462 930	9 067 128	100	100	100
2006	Kg	2 495 788	10 660 805	91	120	98
2007	Kg	3 470 952	11 227 222	85	61	91

*The information in this table was indexed due to confidentiality using 2005 as the base year

Basic Data Set (Jan – June)

Year	Unit	Subject Imports	Other Imports	Applicant's Production*	Inventories*	Applicant's sales volumes*
2006 (6)	Kg	981 270	5 179 729	100	100	100
2007 (6)	Kg	1 561 590	6 438 590	95	85	94
2008 (6)	Kg	2 568 339	5 519 059	85	72	80

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

Examination under Article 3.2

Growth of Subject Imports (Jan – Dec)

Variable	Unit of Measurement	Year			% change
		2005*	2006	2007	2005/2007
Subjects imports/domestic production	%	100	600	893	793
Subjects imports/domestic consumption	%	100	477	669	569

* The information in this table was indexed due to confidentiality using 2005 as the base year.

Growth of Subject Imports (Jan – June)

Variable	Unit of Measurement	Year			% change
		2006 (6)	2007 (6)	2008 (6)	2006 (6)/2008 (6)
Subjects imports/domestic production	%	100*	170	280	180
Subjects imports/domestic consumption	%	100	163	305	205

* The information in this table was indexed due to confidentiality using 2006 (6) as the base year.

Price Effects of Subject Imports (Jan – Dec)

Variable	Unit of Measurement	Year			% change
		2005*	2006	2007	2005/2007
Import price (landed cost)	R/kg	100	113.55	317	217
Price of domestic product (ex-factory - price depression)	R/kg	100	106	116	16
Applicant's production cost	R/kg	100	104	122	22
Price undercutting - PRC	R/kg	100	102	11	(89)
Cost as % of selling price (Suppression)	%	100	104	104	4

* The information in this table was indexed due to confidentiality using 2005 as the base year

Price Effects of Subject Imports (Jan – June)

Variable	Unit of Measurement	Year			% change
		2006 (6)*	2007 (6)	2008 (6)	2006 (6)/2008 (6)
Average import price (fob)	R/kg	100	166	228	56
Average price of domestic product (ex-factory) (price depression)	R/kg	100	119	129	29
Applicant's production cost	R/kg	100	125	136	36
Price undercutting	R/kg	100	95	88	(12)
Cost as % of selling price (Suppression)	%	100	105	104	4

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY Examination under Article 3.4 (Jan – Dec)

Variable	Unit of Measurement	Year			% change
		2005*	2006	2007	2005/2007
SACU Sales:					
Value	R	100	104	106	6
Volume	kg	100	98	91	(9)
Inventories	kg	100	120	61	(39)
Output	kg	100	91	85	(15)
Market share of Applicant	%	100	91	85	(15)
Market share of alleged dumped imports	%	100	600	900	8
Market share of other imports	%	100	113	117	4
Capacity utilization	%	100	98	91	(9)
Employment (Production)	No.	100	94	93	(7)
Total salaries: Production	R	100	106	110	10

Fibre productivity (output/worker)	Output/ worker	100	97	91	(9)
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*The information in this table was indexed due to confidentiality using 2005 as the base year

Variable	Unit of Measurement	Year			% Change
		2005	2006	2007	2005/2007
Total Net profit - EBIT	R	100	3 207	(1 021)	(1 121)
Net Cash flow	R	100	1 258	(261)	(361)
Return on total net assets	%	100	2 933	(1 033)	(1 133)
Total capital / Investment in subject product	%	100	102	107	7
Capital expenditure during the year on subject product	R	-	100	116	-
Growth in SACU market	kg	100	109	108	7
Growth of Applicant	%	-	100	350	-
Magnitude of the margin of dumping - PRC	Cixi Jiangnan – minus 8.65% Nantong Sanjia – minus 12.9% Ningbo Dafa – minus 0.3% Zhe Jiang Waysun 12.47% Non-cooperating exporters 122.97%				

*The information in this table was indexed due to confidentiality using 2005 as the base year

Examination under Article 3.4 (Jan – June)

Variable	Unit of Measurement	Year			% change
		2006 (6)*	2007 (6)	2008 (6)	2006 (6)/2008 (6)
SACU Sales:					
Value	R	100	112	103	3
Volume	kg	100	94	80	(20)
Inventories	kg	100	85	72	(28)
Output	kg	100	96	85	(15)
Market share of Applicant	%	100	90	86	(14)
Market share of alleged dumped imports	%	100	140	240	140

Market share of other imports	%	100	115	97	3
Capacity utilization	%	100	102	91	(9)
Employment (Production)	No.	100	94	93	(7)
Total salaries: Production	R	100	99	96	(4)
Fibre productivity (output/worker)	Output/worker	100	101	92	(8)

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

Variable	Unit of Measurement	Year			% Change
		2006 (6)*	2007 (6)	2008 (6)	2006 (6)/2008 (6)
Total net profit - EBIT	R	100	(36)	(97)	(197)
Net cash flow	R	100	(22)	(77)	(178)
Return on total net assets	%	100	(30)	(96)	(28)
Total capital / investment in the subject product	R	100	102	107	7
Capital expenditure on the subject product	R	-	100	116	-
Growth in SACU market	R	100	105	94	(6)
Growth of Applicant	%	-	100	(250)	-
Magnitude of the margin of dumping	Cixi Jiangnan -- minus 8.65% Nantong Sanjia -- minus 12.9% Ningbo Dafa -- minus 0.3% Zhe Jiang Waysun 12.47% Non-cooperating exporters 122.97%				

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

5.5 SUMMARY - MATERIAL INJURY

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

6. THREAT OF MATERIAL INJURY

6.1 THREAT OF MATERIAL INJURY (Jan – Dec)

Indicator	2005	2006	2007
Alleged dumped imports (volumes)	462 930	2 495 788	3 470 952
Alleged dumped imports (price per unit)	3.47	3.94	10.99*
Prices of Applicant (price depression)**	100**	106	116
Cost as a % of selling price of Applicant (price suppression) *	100**	99	104

* This amount is based on the verified landed cost of the importer who sourced the subject products from a verified exporter found to have a positive dumping margin

** The information in this table was indexed due to confidentiality using 2005 as the base year

THREAT OF MATERIAL INJURY (Jan – June)

Indicator	2006 (6)	2007 (6)	2008 (6)
Alleged dumped imports (volumes)	981 270	1 561 590	2 568 339
Alleged dumped imports (price per unit)	2.49	4.12	5.67
Prices of Applicant (price depression)*	100*	119	129
Cost as a % of selling price of Applicant (price suppression) *	100*	105	104

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

6.2 CONCLUSION – THREAT OF MATERIAL INJURY

The Commission considered all the information and comments submitted by interested parties and made a preliminary determination that the Applicant, and therefore the SACU industry, is suffering a threat of material injury.

7. CAUSAL LINK

7.1 GENERAL

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

7.2 VOLUME OF IMPORTS AND MARKET SHARE

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

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

Table 7.2.1: Market share (Jan – Dec)

	2005*	2006	2007
Percentage market share held by:			
Applicant	100	91	85
Alleged dumped imports	100	600	900
Other imports	100	113	117

* The information in this table was indexed due to confidentiality using 2005 as the base year

The market share of the Applicant decreased over the period 2005 to 2007, while the alleged dumped imports increased over the same period.

Table 7.2.1: Market share (Jan – June)

	2006 (6)*	2007 (6)	2008 (6)
Percentage market share held by:			
Applicant	100	90	86
Alleged dumped imports	100	140	240
Other imports	100	115	97

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

The market share of the Applicant decreased over the period 2006 (6) to 2008 (6), while the alleged dumped imports increased over the same period.

The following table shows the volume of imports:

Table 7.2.2: Import volumes (Jan – Dec)

Kilogram	2005*	2006	2007
Alleged dumped imports	462 930	2 495 788	3 470 952
Other imports	9 067 128	10 660 805	11 227 222
Total imports	9 530 058	13 156 593	14 698 174
Alleged dumped imports as a % of total imports	4.9%	18.97%	23.6%

* The information in this table was indexed due to confidentiality using 2005 as the base year

The table indicates that there was an increase in the alleged dumped imports as a percentage of total imports. Other imports decreased from 2005 to 2007.

Table 7.2.2: Import volumes (Jan – June)

Kilogram	2006 (6)	2007 (6)	2008 (6)
Alleged dumped imports	981 270	1 561 590	2 568 339
Other imports	5 179 729	6 438 590	5 519 059
Total imports	6 160 999	8 000 180	8 087 398
Alleged dumped imports as a % of total imports	16%	20%	32%

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

The table indicates that there was an increase in the alleged dumped imports as a percentage of total imports. Other imports also increased from 2006 (6) to 2008 (6).

7.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

Table 7.3.1: Price undercutting (Jan – Dec)

R/kg	2005	2006	2007
Price undercutting	No	Yes	Yes
Applicant's ex-factory selling price*	100	106	116
Price undercutting %	No	Yes	Yes

*The information in this table was indexed due to confidentiality using 2005 as the base year

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

Table 7.3.1: Price undercutting (Jan – June)

R/kg	2006 (6)	2007 (6)	2008 (6)
Price undercutting	No	Yes	Yes
Applicant's ex-factory selling price*	100	119	129
Price undercutting %	No	Yes	Yes

*The information in this table was indexed due to confidentiality using 2006 (6) as the base year

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

7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2005 – 2007)
Sales volume	Decrease
Profit	Decrease
Output	Decrease

Market share	Decrease
Productivity	Decrease
Utilisation of capacity	Decrease
Cash flow	Decrease
Inventories	Decrease
Employment	Decrease
Wages	Increase
Growth	Decrease

Material injury indicator	Analysis 2006 (6) – 2008 (6)
Sales volume	Decrease
Profit	Decrease
Output	Decrease
Market share	Decrease
Productivity	Decrease
Utilisation of capacity	Decrease
Cash flow	Decrease
Inventories	Decrease
Employment	Decrease
Wages	Decrease
Growth	Decrease

7.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

7.5.1 Examination of causality under Article 3.5

Contraction in demand for or changes in the patterns of consumption of the product under consideration over the past 3 years.	The Applicant stated that the SACU market declined in 2007 and that notwithstanding this slight downward trend, imports from the PRC increased on a yearly basis since 2005. It stated that it showed a negative growth in 2006 and 2007, respectively and in the first six months of 2008 it showed further a negative growth figure while the imports from the PRC rocketed. It stated that it is thus clear that the material injury that it is suffering can be directly linked to the alleged dumped imports from the PRC.
Trade-restrictive practices and competition between the foreign and domestic producers.	The Applicant stated that it is not aware of any trade restrictive practices and that there is competition between the domestic and foreign producers.
Recent developments in technology.	The Applicant stated that its technology is comparable with the overseas technology.
Any factors affecting the SACU prices.	The Applicant stated that it is not aware of any factors.
SACU industry export performance.	The Applicant stated that it exports excess capacity when possible.
Productivity of the SACU industry vis-à-vis that of the exporting countries.	The Applicant stated that it believes its productivity is comparable to the overseas producers. It stated that, however, recently as a result of the alleged dumped imports from the PRC the productivity declined substantially.
Any strike, go-slows or lock during the past 12 calendar months.	The Applicant stated that none of this has happened.
The effect of the changing exchange rate on SACU industry's production cost; selling price and the price of the imported product.	The Applicant stated that as the inputs for the production of the subject product are imported, the exchange rate would impact on the production cost. It stated that its selling price is based on the costing and at this stage any change in the exchange rate might benefit it slightly if the imported product prices increase. It stated that however, exchange rate fluctuates in a daily basis and normally the importers take forward cover. It further stated that the prices are also normally set in US\$ and thus the exporter income remains constant.
Any other factors affecting the SACU industry's sales prices, including the state of the economy and the industry.	The Applicant stated that it is not aware of this factor.

7.6 CONCLUSION ON CAUSAL LINK

After considering all the information and the comments received, the Commission made a preliminary determination that there was a causal link between the dumped imports of the subject products from the PRC and the material injury and threat of

material injury experienced by the SACU industry.

8. SUMMARY OF FINDINGS

8.1 Dumping

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

The following dumping margins were calculated:

Table 8.1

PRC	Dumping margin
Cixi Jiangnan	-8.65%
Nantong Sanjia	-12.9%
Ningbo Dafa	-0.3%
Zhe Jiang Waysun	12.47%
Non-cooperating exporters	122.97%

8.2 Material injury

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

- (a) Price undercutting
- (b) Price depression
- (b) Price suppression
- (c) Actual and potential decline in sales volumes
- (d) Actual and potential decline in revenue (sales value)
- (e) Actual and potential decline in profit
- (f) Actual and potential decline in output
- (g) Actual and potential decline in market share
- (h) Actual and potential decline in productivity
- (i) Actual and potential decline in capacity utilisation
- (j) Actual and potential decline in total and net cash flow
- (k) Actual and potential decline in growth
- (l) Decrease in inventories
- (m) Decrease in employment

The Commission made a preliminary decision that there is material injury.

8.3 Threat of material injury

There is sufficient evidence to indicate that there is a threat of material injury due to the following factors:

- the PRC manufacturers have committed themselves to export significant quantities of the product concerned to SACU,
- the import data indicates that imports to SACU have increased significantly from 2005 to 2007,
- the price undercutting experienced by the SACU industry vis-à-vis the imported product, and
- decrease in sales volumes for the SACU industry's product.

The Commission made a preliminary decision that there is a threat of material injury.

8.4 Causal link

The Commission found that there was a causal link between the dumping of the subject product from Zhe Jiang Waysun and the other non co-operating exporters from the PRC and the material injury and threat of material injury suffered by the SACU industry.

9. DETERMINATION

The Commission made a preliminary determination that:

- the subject products originating in or imported from the PRC by Cixi Jiangnan, Nantong Sanjia and Ningbo Dafa were found not to be dumped in the SACU market,
- the subject products originating in or imported from the PRC by Zhe Jiang Waysun and other non-co-operating PRC exporters were being dumped in the SACU market,
- the SACU industry suffered material injury and a threat of material injury as a result of the dumped imports from Zhe Jiang and other non-co-operating PRC exporters ; and
- there was a causal link between the dumped imports of the subject products originating in or imported from the PRC by Zhe Jiang Waysun and other non-co-operating PRC exporters and the material injury and a threat of material injury to the SACU industry.

The Commission decided to request the Commissioner for South African Revenue Service to impose the following provisional measures for a period of six months in order to prevent further material injury and a threat of material injury to the SACU industry during the period of the investigation:

- (i) 12.12% **ad valorem** on imports of all staple fibres of polyester, not carded, combed or otherwise processed for spinning, classifiable in tariff subheading 5503.20, originating in the PRC and manufactured by Zhe Jiang Waysun; and
- (ii) 122.97% **ad valorem** on imports of all staple fibres of polyester, not carded, combed or otherwise processed for spinning, classifiable in tariff subheading 5503.20, originating in and imported from the PRC for other non co-operating exporters (excluding that manufactured by Zhe Jiang Waysun, Cixi Jiangnan, Nantong Sanjia and Ningbo Dafa).