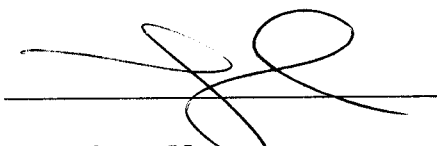


## **Report No. 184**

# **Investigation into the alleged dumping of toughened glass for incorporation in vehicles originating in or imported from the People's Republic of China: Final determination**

The International Trade Administration Commission of South Africa herewith presents its  
**Report No. 184: INVESTIGATION INTO THE ALLEGED DUMPING OF TOUGHENED  
GLASS FOR INCORPORATION IN VEHICLES ORIGINATING IN OR IMPORTED FROM  
THE PEOPLE'S REPUBLIC OF CHINA:FINAL DETERMINATION**



**Itumeleng Masege**  
**ACTING CHIEF COMMISSIONER**

**PRETORIA**

06/09. 2006

## 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 the Automotive Glass Manufacturers' Association, (the Applicant), being an industrial organization for the subject product in the SACU, on behalf of its members.
- 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 7 September 2005. The trade representative of the country concerned was advised accordingly.
- 1.4 The Commission formally initiated an investigation into the alleged dumping of toughened glass for incorporation in vehicles originating in or imported from the People's Republic of China pursuant to Notice No. 1802 which was published in *Government Gazette* No. 28053 on 30 September 2005.
- 1.5 The investigation period for dumping was from 1 April 2004 to 31 March 2005. The injury investigation involved evaluation of data for the period 1 April 2002 to 31 March 2005.
- 1.6 The SACU industry consists of the following producers which are members of the Automotive Glass Manufacturers' Association, who submitted the information contained in this report:
  - (a) FSG Safety Glass (Pty) Ltd
  - (b) Shatterprufe (Pty) Ltd

1.7 The following foreign producers were identified by the Applicant:

- (a) Changchun Pilkington Safety Glass Co
- (b) Dongguan Kongwan Automobile Glass Ltd
- (c) Fujian Fuyao Glass Industry Group Ltd
- (d) Guilin Pilkington Safety Glass Co
- (e) Peaceful City Ltd
- (f) Shanghai Yaohua Pilkington Autoglass Co
- (g) Shenzhen Benxun Automotive Glass Co Ltd
- (h) Shenzhen CSG Automotive Glass Co
- (i) TCG International Inc
- (j) Wuhan Yaohua Pilkington Safety Glass Co
- (j) Xin Yi Automotive Glass Co

The following exporters responded to the Commission's exporters questionnaires:

- (a) Fuyao Glass Industry Group
- (b) Guangzhou Dongxu Automobile Glass
- (c) Dongguan Kongwan Automobile Glass

Information submitted by Dongguan Kongwan Automobile Glass was deficient and that submitted by Guangzhou Dongxu Automobile Glass was submitted after the closing date for responses and could therefore not be considered by the Commission.

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

- (a) Commercial Auto Glass
- (b) Wholesale Motor Glass

1.9 After considering all factors, the Commission made a final determination that dumping of the subject product exported from the cooperating exporters in the PRC was not taking place. A residual margin of dumping for all other exporters that did not cooperate in the investigation was calculated to be 73 per cent.

- 1.10 The Commission found that the SACU industry was suffering material injury. However, based on the significant difference between the margin of injury and the margin of dumping, that could not be causally linked to the dumping, the Commission found that factors other than dumping, including the volume of imports from the PRC at undumped prices, caused injury and therefore detracted from the causal link between the dumping and the material injury experienced by the SACU industry.
- 1.11 The Commission, therefore, made a final determination to recommend to the Minister of Trade and Industry to terminate the investigation.

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

### **2.1 IMPORTED PRODUCTS**

#### **2.1.1 Description**

The subject product is described as:

Toughened glass for incorporation in vehicles.

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

The subject product is exported from the People's Republic of China (PRC).

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

This information was not provided.

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

The table below indicates applicable duties:

**Table 2.1.4: Applicable duties**

<b>General</b>	<b>EU</b>	<b>SADC</b>
15%	15%	Free

### 2.1.5 Negligibility test

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

**Table 2.1.5: Import volumes**

	<b>Import volumes 1 April 2004 to 31 March 2005 (POI)</b>	<b>Volume as a percentage of total import volume</b>
Imports from PRC:	<b>582 032</b>	<b>54%</b>
Other imports	<b>500 214</b>	<b>46%</b>
Total imports	<b>1 082 246</b>	<b>100%</b>

The information in the table above indicates that Imports from the PRC accounted for 54 per cent of total imports during the period of investigation.

The Commission made a final determination that imports from the PRC are above the negligibility level of 3 per cent of total imports.

## 2.2 SACU PRODUCT

### 2.2.1 Description

The SACU product is described as:

Toughened glass for incorporation in vehicles.

## 2.3 LIKE PRODUCTS ANALYSIS

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

**Table 2.3: Like product determination**

	<b>Imported product</b>	<b>SACU product</b>
<b>Raw materials</b>	Float Glass is used as input material in production	Float Glass is used as input material in production
<b>Physical appearance</b>	same	same
<b>Tariff classification</b>	Same tariff subheading 7007.1	Same tariff subheading 7007.1
<b>Production process</b>	Same production process	Same production process
<b>Application or end use</b>	Both are used for installation/fitment into automotive vehicles	Both are used for installation/fitment into automotive vehicles
<b>Substitutability</b>	Are direct substitutes	Are direct substitutes

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 information with regard to the support and/or opposition to the application.

The Commission found that the application was supported by 89 per cent of the SACU toughened glass manufacturers for incorporation in vehicles. It was evident that the application was supported by domestic producers whose collective output constitutes more than 25 per cent of the total production of the like products produced by the domestic industry and more than 50 per cent of the total production of the like products produced by those expressing an opinion on the application.

Based on the above, the Commission made a final determination that the application was made by or on behalf of the domestic industry.

## **4. DUMPING**

### **4.1 METHODOLOGY IN THIS INVESTIGATION FOR FUYAO GLASS INDUSTRIES**

#### **4.1.1 Normal Value**

##### **Market economy status of Fuyao Glass Industries**

The following information was submitted by Fuyao Glass Industries in its response to the Commission's questionnaire:

##### **a. Shareholding and Board of Directors**

Sanyi Development Limited Hong Kong – 22.49% (Investment Co.)  
Fujian Yaohua Industrial village development Limited, Fuzhou- 19.44%  
Home bridge overseas limited Hong Kong- 15.60% (Investment Co)

The exporter stated that Mr Cho Tak Wong is the sole shareholder in Sanyi and Home bridge.

##### **b. Raw materials and other cost components for production**

It was found during verification that the exporter sources its raw materials from local and international suppliers at market related prices.

The Applicant stated that the production planning section will determine the extent of raw materials required and request the purchasing department to acquire the raw material. It stated that the purchasing department will negotiate supply agreements with suppliers to procure sufficient supply, after generally obtaining several quotes from possible suppliers.

**c. Finance and investment**

Fuyao Glass Industries is listed on the Shanghai Stock Exchange and the balance of shares are freely traded. Total assets exceeds 3 billion RMB.

**d. Intellectual property rights and legal requirements**

This information was not provided.

**e. Labour**

Labour is not unionised, but an employment policy is in place to treat workers fairly.

**f. Production facilities, production and investment**

The exporter operates a modern state of the art plant using the best international technology.

**g. Sales**

Sales are into the replacement and original equipment markets in competition with more than 450 other producers.

**h. Financial statements, accounting principles and practice**

Financial statements were provided and are to GAAP principles, and indicate that the company is profitable.

**i. Foreign currency transactions**

The exporter stated that export transactions are made in US dollars.

The Commission decided that there was no evidence of government intervention to cause selling prices not to be determined according to free market principles.

### **Calculation of normal value**

The Commission decided to apply article 32(2)(b)(i) of the ITA Act. Like product to the product exported to SACU traded in the normal course of trade in the PRC during the period of investigation.

A database of all domestic sales was provided. Sales to the after market (ARG) was filtered out of the total sales. The domestic sales invoices contained products which do not form part of the investigation. Tinted and clear glass without fitting, being the subject product, were filtered from the database. Based on this information, the domestic selling price before adjustments was calculated.

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

The following adjustments to the normal value were claimed by the Exporter and allowed by the Commission as it was shown that there was a difference in costs, which was demonstrated to have affected price comparability at the time of setting the prices:

#### *(i) Transport*

The exporter incurs an expense for transport in its domestic market, which was verified. This amount was calculated by dividing the total transport cost by the total square metres packed.

#### *(ii) Packaging*

The exporter incurs an expense for packaging of products intended for domestic

sales, which was verified. This amount was calculated by dividing the total packaging cost by the total square metres.

#### **4.1.2 Export price**

##### **Calculation of export price**

The export sales were found to be on a cost and freight basis. The export price before adjustments was calculated from the source documents as provided by the exporter and verified by the investigators.

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

The Commission made the following adjustments to the export price, as verified by the investigators, for purposes of calculating the ex-factory export prices:

###### *(i) Transport, freight and handling*

The exporter incurred expenses for transport, freight and handling for products intended for export, which was verified. This amount was calculated by dividing the total transport, freight and handling cost by the total square metres packed.

###### *(ii) Packaging*

The exporter incurred expenses for packaging for exported products, which was verified. This amount was calculated by dividing the total packaging cost by the total square metres packed.

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

A dumping margin, expressed as a percentage of the fob export price, was calculated to be 1.07 per cent.

## **4.2 METHODOLOGY IN THIS INVESTIGATION FOR ALL OTHER EXPORTERS IN THE PRC**

### **4.2.1 Normal Value**

#### **Type of economy**

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

The PRC is considered by the Commission to be a country where prices are influenced by Government intervention and therefore Section 32(4) of the ITA Act applies.

The Commission, therefore, applied the normal value of the goods established in respect of a third country, being Turkey, as supplied by the Applicant.

### **4.2.2 Export price**

#### **Calculation of export price**

The export price is based on a quotation provided by the Applicant.

### **4.2.3 Margin of dumping**

Based on the above normal value and export price, a residual margin of dumping for all other exporters that did not cooperate in the investigation was calculated to be 73 per cent.

## **4.3 CONCLUSION - DUMPING**

The Commission made a final determination that dumping of toughened glass for incorporation in vehicles originating in or imported from the cooperating exporters

in the PRC is not taking place. A margin of 73 per cent was found in respect of all other exporters.

## **5. MATERIAL INJURY**

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

The following injury analysis relates to Automotive Glass Manufactures' Association, the Applicant, which constitutes 89 per cent of the total domestic production of the subject product.

The Commission decided 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**

As only imports from the PRC were investigated, cumulative assessment does not apply.



### 5.3 IMPORT VOLUMES AND EFFECT ON PRICES

#### Basic Data Set

Year	Unit	Subject Imports	Other imports	Applicant's Production*	Inventories*	Applicant's sales volumes*
2002	Kg	189 686	331 425	100	100	100
2002 Q1	Kg			100	100	Not provided
2003	Kg	224 375	390 375	94.21	90.52	117
2003 Q1	Kg			129.29	102.14	Not Provided
2004	Kg	434 480	99 799	63.65	66.17	97.27
2004 Q1	Kg			51.73	73.36	Not provided
2005 Q1	Kg	147 552		66.70	61.97	Not provided

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

#### Examination under Article 3.2

#### Growth of Subject Imports

Variable	Unit of Measurement	Year			Change 2002/2004
		2002	2003	2004	
Subjects imports/domestic production	%	100	125.76	359.84	259.84
Subjects imports/domestic consumption	%	100	101.26	235.50	135.50

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

#### Price Effects of Subject Imports

Variable	Unit of Measurement	Year			Change 2002/2004
		2002	2003	2004	
Average price of domestic product (ex-factory) (price depression)	%	100	103.37	117.43	17.43
Price undercutting	%	100	130.46	127.03	27.03
Cost as % of selling price (Suppression)	%	100	11.82	121.63	21.63

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

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

### Examination under Article 3.4

Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Sales:	Kg	100	89.70	69.44	(30.56)
In value terms	R'000	100	91.19	81.42	(18.58)
Inventories (quantities)	Kg	100	90.52	66.17	(33.83)
Output (quantities)	Kg	100	94.21	63.65	(36.35)
Market share of Applicant	Percentage	100	99.85	72.60	(27.40)
Market share of other SACU manufacturers (if applicable)	Percentage	0	0	0	0
Market share of alleged dumped imports	Percentage	100	133.33	238.60	138.60
Market share of other imports	Percentage	100	83.84	109.61	9.61
Capacity utilization		100	94.22	63.65	36.35
Employment		100	100.77	95.19	4.81
Wages (total wage bill, monthly average)	R	100	119.38	114.86	14.86
Productivity (output/worker)	Units per worker	100	93.58	66.89	33.11

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

Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Profit	{Rand/unit or %}	100	99.85	98.49	(1.51)
Cash flow		100	92.59	80.31	(19.69)
Return on investment		100	105.45	139.61	39.61
Ability to raise capital (capital expenditure)		100	108.96	94.50	(5.5)
Growth of Applicant		0	0	0	0
Magnitude of the margin of dumping		73%			

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

## 5.5 CONCLUSION - MATERIAL INJURY

After considering all relevant factors and taking all comments into account, the Commission made a final determination that the Applicant was suffering material injury in that:

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

## 6. CAUSAL LINK

### 6.1 GENERAL

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

### 6.2 VOLUME OF IMPORTS AND MARKET SHARE

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

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

**Table 6.2.1: Market share**

	2002	2003	2004
Percentage market share held by:			
Applicant	65.7%	65.6%	47.7%
Other SACU producers	0%	0%	0%
Total SACU	65.7%	65.6%	47.7%
Imports from PRC	11.4%	15.2%	27.2%

The information in the table above indicates that the Applicant's market share decreased while that of the imports from the PRC increased over the period.

The following table shows the volume of imports:

**Table 6.2.2: Import volumes**

Tons	2002	2003	2004	2005Q1
Imports from the PRC	189 686	224 773	434 480	147 552
Other imports	382 408	283 302	400 415	99 799
Total imports	572 094	508 075	834 895	247 351
PRC as a % of total imports	33%	44%	52%	59.6%

The information in the table above indicates that imports from the PRC as a percentage of total imports increased from 33 per cent in 2002 to 59.6 per cent in the first quarter of 2005.

### 6.3 EFFECT OF DUMPED IMPORTS ON PRICES

It was found that the imported product was undercutting the SACU product by 86 per cent.

### 6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2002 – 2005 Q1)
Sales volume	Decrease
Profit	Decrease
Output	Decrease
Market share	Decrease
Productivity	Decrease
Return on investment	Increase
Utilisation of capacity	Not indicative
Cash flow	Decrease
Inventories	Decrease

<b>Employment</b>	Constant
<b>Wages</b>	Increase
<b>Growth</b>	Increase
<b>Ability to raise capital</b>	Constant

## 6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

### 6.5.1 Examination of causality under Article 3.5

Variable	Unit of Measurement	Year			Change (%)
		2002	2003	2004	2002/2004
<b>Volume of imports not sold at dumping</b>	Kg	382 408	283 302	400 415	18 007
<b>Changes in the patterns of consumptions</b>	The Door glass market has recovered well in 2004, with further growth in 2005, indicating that there have not been changes in the pattern of consumption that would affect the performance of the SACU industry negatively.				
<b>Trade-restrictive practices of foreign and domestic producers</b>	No information was provided in this regard.				
<b>Competition between foreign and domestic producers</b>	No information was provided in this regard.				
<b>Developments in technology</b>	No information was provided in this regard.				
<b>Export performance of the domestic industry</b>	The SACU industry has never been a major exporter, although Shatterprufe exports a reasonable proportion of its production. There have not been significant changes during the investigation period.				
<b>Productivity of the domestic industry</b>	South Africa's productivity levels may be lower than those of China as result of higher standard of labour legislation and shorter working hours. Chinese workers are often required to work up to 12 hours per day, 6 days of the week.				

The information in this table was furnished by the Applicant.

## 6.6 CONCLUSION ON CAUSAL LINK

The Commission found that the SACU industry is suffering material injury. However, the Commission found that based on the significant difference between the margin of dumping and the margin of injury as indicated by the price disadvantage, the injury experienced by the SACU industry could not be causally linked to the dumping. The Commission found that factors other than dumping, including the volume of imports from the PRC at prices that are not dumped, caused injury and therefore detracted

from the causal link between the dumping and the material injury experienced by the SACU industry.

## **7. SUMMARY OF FINDINGS**

### **7.1 Dumping**

The Commission found that the subject product originating in or imported from the PRC was dumped into the SACU market in the following margins:

**Table 8.1: Dumping margins**

<b>Exporter</b>	<b>Country of origin</b>	<b>Dumping margin as% exp price</b>
Fuyao Glass Industry Group Co.	PRC	1.07%
Residual dumping margin	PRC	73%

### **7.2 Material injury**

The Commission found that the SACU industry experienced material injury in the form of price undercutting, price suppression, decline in sales, profit, output, market share, productivity, cashflow, inventories and wages.

### **7.3 Causal link**

The Commission found that based on the significant difference between the margin of dumping and the margin of injury, the injury experienced by the SACU industry could not be causally linked to the dumping. The Commission found that factors other than dumping, including the volume of imports from the PRC at prices that are not dumped, caused injury and therefore detracted from the causal link between the dumping and the material injury experienced by the SACU industry.



## **8. FINAL DETERMINATION**

The Commission made a final determination that

- The subject product originating in or imported from the cooperating exporters in the PRC was not being dumped into the SACU market;
- Non-cooperating exporters were found to be dumping with a margin of 73 per cent based on the information supplied by the Applicant.
- The SACU industry suffered material injury; and
- There were factors other than dumping that sufficiently detracted from the causal link.

The Commission, therefore, made a final determination to recommend to the Minister of Trade and Industry to terminate the investigation.