

REPORT NO.429

**SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PLATES AND SHEETS,
FILM, FOIL AND STRIP OF POLYMERS OF VINYL CHLORIDE (“PVC”)
ORIGINATING IN OR IMPORTED FROM THE PEOPLE’S REPUBLIC OF CHINA
AND CHINESE TAIPEI: FINAL DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its **Report No.429 : SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PLATES AND SHEETS, FILM, FOIL AND STRIP OF POLYMERS OF VINYL CHLORIDE ("PVC") ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND CHINESE TAIPEI: FINAL DETERMINATION**



Siyabulela Tsengiwe

Chief Commissioner

Date: 10/04/13

1. APPLICATION AND PROCEDURE

- 1.1** This investigation was conducted in accordance with the International Trade Administration Commission Act, 2002, the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR) and with 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** On 01 July 2011 the Commission notified the SACU Industry through Notice No. 226, in Government Gazette No.31342 that unless a substantiated request is made by the SACU industry indicating that the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the continuation or recurrence of dumping and material injury, the relevant anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would expire on 25 October 2012.
- 1.3** Arengo 190 (Pty) Ltd, representing 83 per cent by production volume of the SACU industry, lodged the application.
- 1.4** The application was accepted by the Commission as being properly documented on 26 June 2012.
- 1.5** On 21 September 2012, the International Trade Administration Commission of South Africa (the Commission) initiated a sunset review investigation into the alleged dumping of plates and sheets, film, foil and strip of polymers of vinyl chloride ("PVC") originating in or imported from the People's Republic of China and Chinese Taipei. Notice of initiation of the investigation was published in Notice No. 760 of 2012 of Government Gazette No. 35690 dated 21 September 2012.
- 1.6** Upon initiation of the investigation, all known interested parties were informed and requested to respond to the questionnaires and the non-confidential version of the application.

The due date for submission of responses was 01 November 2012. No responses were received.

- 1.7 The investigation period for dumping was from 01 March 2011 to 30 April 2012. The injury investigation involved evaluation of data for the period 01 March 2009 to 30 April 2012, and estimates should the anti-dumping duties expire.
- 1.8 After considering the information submitted by the applicant, the Commission issued essential facts letters that it is considering making a final determination that the expiry of anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of dumping of the subject product and recurrence of material injury to the SACU industry.
- 1.9 Comments to the essential facts letter were received from the applicant and Austro Group Ltd, an importer. The Commission considered these comments in making its final determination.
- 1.10 After considering all the information supplied by the applicant and comments to the Commission's essential facts letters, the Commission made a final determination that the expiry of anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of dumping of the subject product and recurrence of material injury to the SACU industry.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCT

2.1.1 Description

The imported products are described as plates, sheets, film, foil and strip polymers of vinyl chloride (PVC) non-cellular and not reinforced, laminated, supported or similarly combined with other materials and having a plasticizer content not exceeding 6 per cent, normally referred to as rigid poly vinyl chloride (PVC) sheets and foils.

2.1.2 Tariff classification, other applicable duties and rebates

Table 2.1.2: Tariff classification

TARIFF SUBHEADING	DESCRIPTION	Unit	CUSTOMS DUTY			
			General	EU	EFTA	SADC
3920	Other plates, sheets, film and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials:					
3920.4	- Of polymers of vinyl chloride:					
3920.43	-- Containing by mass not less than 6 percent of plasticisers	Kg	10%	Free	3.8%	Free
3920.49	-- Other	Kg	10%	Free	3.8%	Free

2.1.3 Country of origin/export

The subject product originates in and is exported from the PRC and Chinese Taipei.

2.1.4 Application/end use

The imported product is used for thermoforming rigid general blister packaging for inter alia cell phone accessories, toys, as well as food trays for retail stores.

2.1.5 Production process

The raw material is pre-mixed in batch format according to a specified formula. The batches are sent through an extruder at 175°C to achieve melt flow. A T-die, attached to the extruder, is used to achieve gauge thickness requirement control. The material is then passed through in-line cooling rollers and wound upon cardboard or plastic cores in different thicknesses and widths for direct use on vacuum thermoforming machines to produce customer specific packaging products.

2.2 SACU PRODUCT

2.2.1 Description

The imported product is described as plates, sheets, film, foil and strip polymers of vinyl chloride (PVC) non-cellular and not reinforced, laminated, supported or similarly combined with other materials and having a plasticizer content not exceeding 6 per cent, normally referred to as rigid poly vinyl chloride (PVC) sheets and foils.

2.2.2 Application/end use

Used for thermoforming rigid general blister packaging for inter alia cell phone accessories, toys, as well as food trays for retail stores.

2.2.3 Tariff classification

The subject product is classifiable under tariff sub-heading 3920.49.

2.2.4 Production process

The raw material is pre-mixed in batch format according to a specified formula. The batches are sent through an extruder at 175°C to achieve melt flow. A T-die, attached to the extruder, is used to achieve gauge thickness requirement control. The material is then passed through in-line cooling rollers and wound upon cardboard or plastic cores in different thicknesses and widths for direct use on vacuum thermoforming machines to produce customer specific packaging products.

2.3 LIKE PRODUCT ANALYSIS

In the original investigation the Commission decided that the SACU product and the imported product from the PRC and Chinese Taipei are “like products”, for purpose of comparison, in terms of section 1 of the Anti-Dumping Regulations.

3. SACU INDUSTRY

3.1 INDUSTRY STANDING

The applicant represents 83 per cent by production volume of the SACU industry.

The Commission analyzed the information submitted by the applicant and decided that the application can be regarded as being made “by or on behalf of the domestic industry”.

4. CONTINUATION OR RECCURANCE OF DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC

The Record of Understanding between ITAC and the Bureau of Fair Trade for Imports and Exports (BOFT) of the Ministry of Commerce of the PRC provides that the PRC will be treated as a market economy for purposes of anti-dumping investigations. Where domestic selling price information in the PRC is not available, SACU industries are allowed to use alternative methods permitted by the WTO in the determination of a normal value for the PRC.

4.1.1 Normal value

Since no exporter or manufacturer of the subject product from the PRC responded to the investigation, for purposes of the normal value determination, the Commission considered a price quotation provided by the applicant, indicating domestic selling prices of the subject product in the PRC at an ex-factory level. The ex-factory normal value for the PRC was determined to be RMB 13.00 per kilogram.

4.1.2 Export price

Normally the Commission uses the export price from the trade statistics obtained from SARS to determine the export price but in this case, the trade statistics from SARS included other products that are not the subject product, such as certain speciality grades.

For purposes of the export price determination, the Commission considered a price quotation submitted by the applicant, indicating an export price to the SACU market. The export price was determined to be RMB 10.12 per kilogram.

4.1.3 Margin of Dumping

A dumping margin of 28.46%, when expressed as a percentage of the export price, was determined.

4.2 METHODOLOGY IN THIS INVESTIGATION FOR CHINESE TAIPEI

4.2.1 Normal value

Since no exporter or manufacturer of the subject product from the PRC responded to the investigation, for purposes of the normal value determination, the Commission considered a price quotation provided by the applicant, indicating domestic selling prices of the subject product in Chinese Taipei at an ex-factory level. The ex-factory normal value for Chinese Taipei was determined to be T\$ 60.18 per kilogram.

4.2.2 Export price

Normally the Commission uses the export price from the trade statistics obtained from SARS to determine the export price but in this case, the trade statistics from SARS included other products that are not the subject product, such as certain speciality grades.

For purposes of the export price determination, the Commission considered a price quotation submitted by the applicant, indicating an export price to the SACU market. The export price was determined to be T\$ 52.81 per kilogram.

4.2.3 Margin of dumping

A dumping margin of 13.95%, when expressed as a percentage of the export price, was determined.

4.3 SUMMARY-DUMPING

The Commission made a final determination that the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of dumping.

5 CONTINUATION OR RECURRENCE OF MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION

The following injury analysis relates to the verified information of Arengo 190 (Pty) Ltd, which represents 83 per cent of the SACU industry by production volumes.

The Commission made a final determination that the applicant's production constitutes "a major proportion" of the total domestic production, in accordance with Section 7 of the ADR.

5.2 CUMULATIVE ASSESMENT

There are two countries involved in this sunset review investigation; therefore the effect of the imports from these two countries is cumulatively assessed.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

5.3.1 Import volumes

The following table shows the volume of the allegedly dumped imports of the subject product as obtained from South African Revenue Service and estimates should anti-dumping duties expire:

Table 5.3.1: imports

kg	2010	2011	2012	Estimates if duties expire
Alleged dumped imports: PRC	965 027	688 412	430 989	638 037
Alleged dumped imports: Chinese Taipei	1 399 457	649 621	429 034	639 520
Other imports	6 633 304	6 452 337	6 382 379	6 459 819
Total imports	8 997 788	7 790 370	7 242 402	7 737 376
Alleged dumped imports as % of total imports:				
PRC	11%	9%	6%	8%
Chinese Taipei	16%	8%	6%	8%

The table above indicates that alleged dumped imports from the PRC and Chinese Taipei decreased from 11 per cent to 6 per cent and from 16 per cent to 6 per cent respectively during the period of investigation, and both are estimated to increase should the anti-dumping duties be removed.

The applicant stated that there are no means to exclude the products that are not the subject product included in the tariff heading and therefore used the import volumes as they were given. The applicant also stated that import volumes of the other products are not that large to distort the effect of the imports on the SACU industry.

5.3.2 Effect on Domestic Prices

Price Undercutting

Price undercutting is the extent to which the price of the imported product is lower than the price of the like product produced by the SACU industry.

PRC

For the PRC the landed cost was determined based on a price quotation provided by the applicant for the subject product. Added to the quoted price was 32 per cent for the current applicable anti-dumping duty, 10 per cent for the general customs duty, and 13 per cent for clearing, transport and insurance costs. The landed cost was determined to be R17.38 per kilogram.

The Commission made a final determination that the subject product from the PRC undercuts the SACU product.

Chinese Taipei

For Chinese Taipei the landed cost was determined based on a price quotation provided by the applicant for the subject product. Added to the quoted price was 22.6 per cent for the current applicable anti-dumping duty, 10 per cent general customs duty and 13 per cent for clearing, transport and insurance costs. The landed cost was determined to be R17.50 per kilogram

The Commission made a final determination that the subject product from Chinese Taipei undercuts the SACU product.

Price depression

Price depression occurs when the SACU industry's ex-factory selling price decreases during the investigation period.

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

Table 5.3.2.1: Price depression

R/kg	2010	2011	2012	Estimate if duties expire
Applicant's ex-factory price	100	80	88	82

The table was indexed due to confidentiality using 2010 as base year.

The table above indicates that the applicant experienced price depression during the period of investigation and it is estimated that should the anti-dumping duties be removed, the applicant's selling price will decrease.

The applicant stated that should the anti-dumping duties expire the price of the imported products will drop by 32.7 per cent (PRC) and 22.6 per cent (Chinese Taipei) and would force it to depress its current selling price to close to the same levels of the products from the PRC and Chinese Taipei to compete and retain its market share.

The applicant stated that it would not be able to continue to sell at this low level as it will be below cost of production and subsequently would realise a loss, causing the SACU industry to suffer material injury.

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. It takes place when the cost-to-price ratio of SACU industry increases or when SACU industry sells at a loss during the period of investigation or part thereof.

The following table shows the applicant's production costs and its actual selling prices for the subject product, and estimates should duties expire:

Table 5.3.2.2: Price suppression

R/kg	2010	2011	2012	Estimates if duties expire
App's ex-factory selling price	100	80	88	96
Production cost	100	85	88	100
Cost as a % of selling price	100	106	100	103

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the SACU industry experience price suppression during the period of investigation, and it is estimated that should the anti-dumping duties be removed, the SACU industry will experience price suppression.

The applicant stated that should its selling price remain the same after the anti-dumping duties are revoked, it will be suppressed as a result of increased cost and reduced sales/production volumes (estimated decline to 300,000kg) and its inability to increase its selling price as it would need to compete with the average import price from the PRC and Chinese

Taipei, thus clearly indicating material injury as profit levels would also be under severe pressure. The applicant further stated that if the selling price is further depressed, the price suppression would be more severe.

5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

5.4.1 Actual and potential decline in sales

The following table shows SACU sales volumes and values of the subject products:

Table 5.4.1: Applicant's sales

	2010	2011	2012	Estimate if duties expire
Applicant' sales volume(kg)	100	64	104	46
Applicant's sales value (R)	100	51	91	45

The table was indexed due to confidentiality using 2010 as a base year

The table above indicates that the applicant's sales volume increased during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. The applicant's sales values decreased during the same period and estimated to decrease further should the anti-dumping duties be removed.

The applicant stated that its sales increased over the period 2010 to 2012 (the applicant captured some market from the closure of Terbo Plastics) although it declined in 2011 as a result of fierce competition from India. The applicant stated that it is estimated that as a result of importers that are continuously weighing up the benefit of sourcing locally or importing, once the anti-dumping duties are revoked, importers will switch to sourcing from the PRC and Chinese Taipei. As a result, the applicant estimates that as these imports would undercut its current selling price it will lose its sales to its current customers and would only retain the product used for 'further processing' and speciality products.

5.4.2 Profit

The following table shows the SACU's profit situation:

Table 5.4.2: Applicant's profit

	2010	2011	2012	Estimates if duties expire
Applicants units sold (kg)	100	64	104	46
Total gross profit (R)	100	26	86	31
Net Profit (R)	100	Negative	152	Negative
Gross profit per kg	100	40	83	68
Net profit per kg	100	Negative	144	Negative
Applicant's sales values (R)	100	51	91	45
Gross Profit Margin	100	55	100	73

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the applicant's gross profit and net profit decreased during the period of investigation and are both estimated to decrease further should the anti-dumping duties be removed.

The applicant stated that if the anti-dumping duties are revoked, it will result in its inability to compete at the low prices, and would lose sales volume and as a result experience an increased cost of production and inability to increase selling prices. The profit margins will decline as it would be put under pressure causing the SACU industry to suffer material injury and making losses.

5.4.3 Output

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

Table 5.4.3: Applicant's output

kg	2010	2011	2012	Estimates if duties expire
Applicant's production volumes	100	64	104	46

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the applicant's production volume increased during the period of investigation and is estimated to decrease should the anti-dumping duties be removed.

The applicant stated that if the anti-dumping duties are revoked and it does not reduce its selling prices, it is estimated that the customers would source again from the PRC and Chinese Taipei, if it does not depress its selling prices, as these prices will undercut its current selling prices significantly. The effect would be that production will drop and cost of production will increase even further causing the SACU industry to suffer material injury.

5.4.4 Market share

The following table shows the market share based on sales of the subject products:

Table 5.4.4: Market share

Volumes (kg)	2010	2011	2012	Estimates if duties expire
Applicant's sales volume	100	64	104	46
Other SACU sales volume	100	33	0	0
Alleged dumped imports: PRC	100	71	44	66
Alleged dumped imports: Chinese Taipei	100	46	31	46
Other imports	100	97	96	97
Total SACU market in volumes	100	75	65	66

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the applicants' market share increased during the period of investigation and it is estimated to decrease should the anti-dumping duties be removed, the alleged import's market share for the PRC and Chinese Taipei decreased during the same period and are both estimated to increase should the anti-dumping duties be removed.

The applicant stated that the SACU industry is under immense pressure from imports and if the anti-dumping duties are revoked and the SACU industry does not depress its selling price significantly, the SACU industry's market share will drop causing the SACU industry to suffer material injury.

5.4.5 Productivity

The following table shows the applicant's production, employment and productivity per employee for the subject product:

Table 5.4.5: Applicant's productivity

kg	2010	2011	2012	Estimates if duties expire
Applicant's production	100	64	104	46
No. of employees (production)	100	52	68	44
Units per employee	100	123	153	105

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the production volumes per employee increased during the period of investigation and is estimated to decrease should the anti-dumping duties be removed.

The applicant stated that if the sales volume is lost to imports from the PRC and Chinese Taipei as a result of the removal of the anti-dumping duties, production will also have to be reduced to counter increased inventories and as a result productivity will drop to very low levels that will cause material injury to the SACU industry.

5.4.6 Return on investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets. The following table shows the applicant's return on total net assets:

Table 5.4.6: Applicant's return on investment

Rands	2010	2011	2012	Estimates if duties expire
Total net profit	100	Negative	152	Negative
Total net assets	100	124	173	173
Return on total net assets	100	Negative	90	Negative

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the applicant's return on investments decreased during the period of investigation and is estimated that no return on investment will be realised should the anti-dumping duties be removed.

The applicant stated that if the anti-dumping duties are revoked it is estimated that the production and sales will decline as a result of the imports of the alleged dumped products from the PRC and Chinese Taipei in increased quantities, therefore, profit will decline (turn negative) and thus it is estimated that return on investment will be negative causing the SACU industry to suffer material injury.

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: Applicant's production capacity utilisation

Kg	2010	2011	2012	Estimates if duties expire
Applicant's capacity	100	100	100	100
Applicant's production	100	64	104	46
Capacity utilisation %	100	63	103	47

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the applicant's capacity utilisation increased during the period of investigation and is estimated to decrease should the anti-dumping duties be removed.

The applicant further stated that if the anti-dumping duties are revoked and its sales decline, capacity utilisation will decrease even further causing the SACU industry to suffer material injury.

5.4.8 Factors affecting domestic prices

The applicant stated that there are no other known factors that could affect the domestic prices negatively.

5.4.9 The magnitude of the margin of dumping

The following margin of dumping was calculated:

Tariff heading	Margin of dumping expressed as % of export price : PRC	Margin of dumping expressed as % of export price: Chinese Taipei
3920.49	28.46%	13.95%

5.4.10 Actual and potential negative effects on cash flow estimates

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

Table 5.4.10: Applicant's cash flow

R	2010	2011	2012	Estimates if duties expire
Applicant's cash flow: incoming	100	53	85	44
Applicant's cash flow: outgoing	100	54	85	47
Applicant's net cash flow	100	Negative	Negative	Negative
SACU debtors value	100	76	136	37
Debtors: average days outstanding	100	155	158	167

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the applicant's net cash flow decreased during the period of investigation and is estimated to further decrease should the anti-dumping duties be removed.

5.4.11 Inventories

The applicant strictly produces and sells on order and does not carry any stock.

5.4.12 Employment

The following table provides the applicant's employment level:

Table 5.4.12: Applicant's employment

	2010	2011	2012	Estimates if duties expire
Applicant's direct labour unit: Production	100	52	68	44

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that the number of employees decreased during the period of investigation, and is estimated to decrease further should the anti-dumping duties be removed.

The applicant stated that if the anti-dumping duties are revoked it will be forced to cut back on cost and will, as a starting point, reduce the number of its employee numbers to ensure that the plant can still operate.

5.4.13 Wages

The following table reflects the applicant's wages situation:

Table 5.4.13: Applicant's wages

R	2010	2011	2012	Estimates if duties expire
Total wages: Production	100	63	83	36
Wages per employee	100	122	122	82

The table was indexed due to confidentiality using 2010 as base year

The table above indicates that wages declined during the period of investigation and it is estimated to decrease further should the anti-dumping duties be removed.

The applicant stated that the wages will decline if employees are retrenched as a result of cost-cutting exercises and the cost would be substantial as retrenchment packages will be negotiated causing the industry to suffer further material injury.

5.4.14 Ability to raise capital or investments

The applicant stated that if the anti-dumping duties are revoked there will be a recurrence of dumping and the SACU industry's products will not be competitive and hence not profitable. The SACU industry will not be in a position to obtain external funds if it is not a profitable entity.

5.4.15 Growth

The following table shows the growth for the subject products based on sales volume:

Table 5.4.15: growth

	2010	2011	2012	Estimates if duties expire
Size of SACU market in volumes	100	75	65	66
Applicant's sales volumes	100	64	104	46
Other SACU manufacturers	100	33	-	-
Alleged dumped imports: PRC	100	71	44	66
Alleged dumped imports: Chinese Taipei	100	46	31	46
Other imports	100	97	96	97

The table was indexed due to confidentiality using 2010 as base year.

The table above indicates that the SACU market's growth decreased during the period of investigation and it is estimated to increase should the anti-dumping duties be removed. The applicant's growth increased during the period of investigation and it is estimated to decrease should the anti-dumping duties be removed, while the alleged dumped imports' growth from the PRC and Chinese Taipei decreased during the same period and it is estimated to increase should the anti-dumping duties be removed.

5.5 SUMMARY - MATERIAL INJURY

The information above as submitted by the applicant indicates that the expiry of the anti-dumping duties on the subject product originating or imported from the PRC and Chinese Taipei will likely lead to the recurrence of material injury.

6. SUMMARY OF FINDINGS

6.1 Continuation or Recurrence of Dumping

The Commission made a final determination that the expiry of anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of dumping of the subject product into the SACU market.

6.2 Continuation or Recurrence of Material Injury

The Commission made a final determination that the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of material injury to the SACU industry.

7. FINAL DETERMINATION

The Commission made a final determination that:

- the expiry of the anti-dumping duties would likely lead to the recurrence of dumping of the subject product originating in or imported from the PRC and Chinese Taipei; and
- the expiry of the anti-dumping duties on the subject product originating in or imported from the PRC and Chinese Taipei would likely lead to the recurrence of material injury to the SACU industry.

The Commission therefore decided to recommend to the Minister of Trade and Industry that the anti-dumping duties on the subject product from the PRC and Chinese Taipei be maintained as follows:

Tariff subheading	Description	Originating in or imported from	Rate of duty
3920.49	Plates, sheets, film, foil and strip of polymers of vinyl chloride(PVC), non-cellular and not reinforced, laminated, supported or similarly combined with other materials and having a plasticizer content not exceeding 6 per cent.	PRC Chinese Taipei	32.7% 22.6%