

## **REPORT NO. 529**

**SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON POLYETHYLENE  
TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM CHINESE TAIPEI, THE  
REPUBLIC OF KOREA AND INDIA: FINAL DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 529: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON POLYETHYLENE TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM CHINESE TAIPEI, THE REPUBLIC OF KOREA AND INDIA: FINAL DETERMINATION**



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23/6/ 2016

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

## **REPORT NO. 529**

### **SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON POLYETHYLENE TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM CHINESE TAIPEI, THE REPUBLIC OF KOREA AND INDIA: FINAL DETERMINATION**

#### **SYNOPSIS**

On 19 June 2015, the International Trade Administration Commission of South Africa (the Commission) notified the SACU industry through Notice No. 588 of 2015 in *Government Gazette* No. 38877, that unless a substantiated request is made indicating that the expiry of the anti-dumping duties against imports of polyethylene terephthalate (PET) originating in or imported from the Republic of Korea (South Korea), Chinese Taipei and India would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on polyethylene terephthalate originating in or imported from South Korea, Chinese Taipei and India would expire on 03 March 2016.

On 29 January 2016, the Commission initiated a sunset review of the anti-dumping duties on PET originating in or imported from Chinese Taipei, South Korea and India through Notice No.44 of 2016 published in the *Government Gazette* No. 39636.

The application was lodged by Hosaf a division of PG Bison (Pty) Ltd (The Applicant), being the only producer for the subject product (PET) in the SACU.

The investigation was initiated after the Commission considered that the expiry of the anti-dumping duties on PET originating in or imported from Chinese Taipei, South Korea and India would likely lead to the continuation or recurrence of dumping and the recurrence of material injury.

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

No properly documented responses were received from any manufacturer/exporter in Chinese Taipei, India or South Korea by 14 March 2016.

On 22 March 2016, the Commission received a letter from Reliance Industries Limited (Reliance) stating that it did not receive the Commission's initiation letter, initiation notice, the non-confidential application and the exporter's questionnaire. Reliance requested that it be allowed to co-operate in the investigation as an interested party. On 23 March 2016 the Commission responded to Reliance indicating that the package was sent via courier to both Reliance and the Embassy of India on initiation of the investigation. The Commission also advised that the closing date for responses was 14 March 2016 and as no request for extension of time was received prior to the closing date, no extension could be granted.

On 14 April 2016 the Commission sent out "Essential facts" letters to all interested parties. The deadline for comments from interested parties was 28 April 2016.

On 20 April 2016, the Commission received comments from the Embassy of Chinese Taipei stating that according to the data provided by the South African Revenue Service, from 2013 to 2015, the volume of PET products imported from Chinese Taipei was zero. On 21 April 2016, the Commission responded to the Embassy of Chinese Taipei indicating that although there were no imports from Chinese Taipei during the period of investigation, emphasis is more on the likelihood of continuation or recurrence of dumping. Responses from manufacturers in Chinese Taipei would have enabled the Commission to make an informed determination as to whether there is a likelihood of dumping of the subject product by the Chinese Taipei manufacturers should the anti-dumping duty expire.

On 28 April 2016, the Commission received comments from Far Eastern New Century

Corporation requesting that the present review be terminated and that the anti-dumping measures applicable to imports of PET originating or imported from Chinese Taipei be allowed to expire because the Applicant suffered no injury. Any alleged injury is caused by imports from China and that the Applicant is the sole producer of PET in South Africa.

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

The Commission considered that Far Eastern New Century Corporation was provided with the initiation package, it should have responded to the Commission's exporter questionnaire in order to enable the Commission to make a determination based on its actual data.

The Commission also considered that the reason the Applicant did not suffer any injury could be that the anti-dumping duties in place might be effective in ensuring that dumping of the subject product does not take place.

On 28 April 2016, the Commission received comments from Lotte Chemical Corp stating that the Applicant does not have sufficient capacity to meet the South African demand for PET.

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

The Commission considered that Lotte Chemical was provided with the initiation package, it should have responded to the Commission's exporter questionnaire in order to enable the Commission to make a determination based on its actual data.

After considering all interested parties comments, the Commission made a final determination that the expiry of the anti-dumping duties on PET originating in or imported from Chinese Taipei, South Korea and India would likely lead to the continuation or recurrence of dumping and the recurrence of material injury.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties be maintained.

## **1. APPLICATION AND PROCEDURE**

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### **1.1 LEGAL FRAMEWORK**

This investigation was conducted in accordance with the International Trade Administration Act, 2002 (ITA Act), and the International Trade Administration Commission Anti-Dumping Regulations (ADR), read with the World Trade Organization Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (ADA).

### **1.2 APPLICANT**

The application was lodged by Hosaf a division of PG Bison (Pty) Ltd, being the only producer of the subject product (PET) in the SACU

### **1.3 INVESTIGATION PROCESS**

On 19 June 2015 the Commission notified the SACU industry through Notice No. 588 of 2015 in *Government Gazette* No. 38877, that unless a substantiated request is made indicating that the expiry of the anti-dumping duties against imports of polyethylene terephthalate (PET) originating in or imported from South Korea, Chinese Taipei and India would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on PET originating in or imported from South Korea, Chinese Taipei and India would expire on 03 March 2016.

A response to the review questionnaire was received from the Applicant on 03 September 2015. After all the deficiencies were addressed, an updated application was received on 07 October 2015.

The information submitted by the Applicant was verified on 20 October 2015. A verification report was sent on 21 October 2015. Notice of initiation of the investigation was published in the *Government Gazette* on 29 January 2016. Due date for submission of responses to the Applicant's review questionnaire was 14 March 2016.

#### **1.4 INVESTIGATION PERIOD**

The investigation period for dumping is from 01 July 2014 to 30 June 2015, and the injury investigation involves evaluation of data for the period of 1 July 2012 to 30 June 2015, as well as an estimate should the duties expire.

#### **1.5 PARTIES CONCERNED**

##### **1.5.1 SACU industry**

The application was lodged by Hosaf a division of PG Bison (Pty) Ltd (the Applicant). The Applicant is the only producer of PET in the Southern African Customs Union (SACU).

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

##### **1.5.2 Foreign Manufacturers/Exporters**

No properly documented responses were received from any producer/exporter in India, South Korea or Chinese Taipei.

##### **1.5.3 Importers**

One importer, Polyoak Packaging (Pty) Ltd responded to the importer's questionnaire. After carefully looking at the response it was discovered that the importer did not import PET from the subject countries during the period under review. The importer was advised that it could not be regarded as an interested party in this investigation.

#### **1.6 Comments**

After considering all the information available, the Commission issued essential facts letters that it was considering making a final determination that the expiry of the anti-dumping duties on PET originating in or imported from South Korea, Chinese Taipei and India would likely lead to the continuation or recurrence of dumping and the recurrence of material injury. Responses to the Commission's essential facts letter were received from the Embassy of

Chinese Taipei, Far Eastern New Century Corporation, Lotte Chemical and Reliance Industries Limited.

Comments received from the Embassy of Chinese Taipei stating that according to the data provided by the South African Revenue Service, from 2013 to 2015, the volume of PET products imported from Chinese Taipei was zero.

***Commission's consideration***

The Commission considered that although there were no imports from Chinese Taipei during the period of investigation, emphasis is more on the likelihood of continuation or recurrence of dumping. Responses from manufacturers in Chinese Taipei would have enabled the Commission to make a determination based on the Chinese Taipei manufacturers' information as to whether there is a likelihood of dumping of the subject product by the Chinese Taipei manufacturers should the anti-dumping duty expire.

Comments from Far Eastern New Century Corporation requested that the present review be terminated and that the anti-dumping measures applicable to imports of PET originating in or imported from Chinese Taipei be allowed to expire because the Applicant suffered no injury, any alleged injury is caused by imports from China and that the Applicant is the sole producer of PET in South Africa.

***Commission's consideration***

The Commission considered that Far Eastern New Century Corporation was provided with the initiation package, it should have responded to the Commission's exporter questionnaire in order to enable the Commission to make a determination based on its actual data.

Comments received from Lotte Chemical Corp stated that the Applicant does not have sufficient capacity to meet the South African demand for PET.



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

The Commission considered that Lotte Chemical Chemical was provided with the initiation package, it should have responded to the Commission's exporter questionnaire in order to enable the Commission to make a determination based on its actual data.

### **1.7 Final determination**

The Commission made a final determination that the expiry of the anti-dumping duties on PET originating in or imported from South Korea, Chinese Taipei and India would likely lead to the continuation or recurrence of dumping and the recurrence of material injury. The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties be maintained.

## 2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

### 2.1 Product

#### 2.1.1 Description

The product subject to this investigation is polyethylene terephthalate (PET), bottle-grade resin having an intrinsic viscosity (IV) of greater than 0.68 deciliters per gram.

- **Scientific name** Polyethylene terephthalate
- **Common name** PET chip/resin

The product that is imported is both virgin and recycled PET.

#### 2.1.2 Like product

In the original investigation the Commission found that the SACU product and the imported product are “like products” for purposes of comparison in terms of Article 2.6 of the Anti-dumping Agreement.

#### 2.1.3 Tariff classification

The subject product is classifiable as follows:

##### Tariff position up to 31 December 2014

Table 2.1.4 (a): Tariff classification

Tariff subheading	Description	Statistical Unit	Rate of customs duty			
			General	EU	EFTA	SADC
3907.	<b>Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resin, polyallyl esters and other polyesters, in primary forms:</b>	kg				
3907.60	Poly(ethylene terephthalate):					
3907.60.10	- Liquids and pastes		Free	Free	Free	Free
3907.60.90	- Other		10%	2.5%	6.3%	Free

## Tariff position as from 01 January 2015

**Table 2.1.4 (b): Tariff classification**

Tariff heading	Tariff subheading	Description	Stats unit	Rate of duty			
				General	EU	EFTA	SADC
3907.60		-Poly(ethylene terephthalate):					
	3907.60.1	-- Liquids and pastes:					
	3907.60.9	--Other					
	3907.60.91	---Virgin	kg	10%	free	free	free
	3907.60.99	---Other	kg	10%	free	free	free

### **2.1.4 Other applicable duties**

**The subject product attracts the following anti-dumping duties:**

**Table 2.1.5: Other applicable duties**

Item	Tariff Heading	Code	CD	Description	Originating in or imported from	Rate of Anti-dumping duty
207.01	<b>PLASTICS AND ARTICLES THEREOF</b>					
207.01	3907.60.9	01.07	70	Poly(ethylene terephthalate), in primary forms (excluding liquids and pastes)	Chinese Taipei,	75%
207.01	3907.60.9	02.07	75	Poly(ethylene terephthalate), in primary forms (excluding liquids and pastes)	India	54.1%
207.01	3907.60.9	03.07	71	Poly(ethylene terephthalate), in primary forms (excluding liquids and pastes)	Republic of Korea	19.7%

### **3. INDUSTRY STANDING**

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- 3.1 The application was lodged by Hosaf a division of PG Bison (Pty) Ltd, being the only producer of the subject product in the SACU.

The Commission made a final determination that the application can be regarded as being made “by or on behalf of the domestic industry” in terms of Section 7 of the Anti-Dumping Regulations.

#### **4. CONTINUATION OR RECURRENCE OF DUMPING**

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

As no properly documented responses were received from any manufacturer/exporter in Chinese Taipei, India or South Korea, the Commission made a final determination to use best information available, being that provided by the Applicant.

The Applicant provided dumping information for virgin PET as well as recycled PET as it argues that recycled PET competes with the virgin PET it produces.

#### **4.1 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM INDIA**

##### **4.1.1 Normal Value**

The normal value for non-cooperating exporters is based on the best information available for the subject product in the same country.

In determining the normal value for India, and as no properly documented responses were received from any exporters in India, the Commission made a final determination to use the best information available, being that provided by the Applicant. Domestic prices were obtained from an international publication, PET Monthly Business Report published by PCI, PET Packaging, Resin & Recycle Ltd (PCI). The Applicant provided normal value for the 3 months period (1 March 2015 to 31 May 2015). The prices for India are delivered prices.

## **Adjustments**

The Applicant made an adjustment for distribution costs to the normal value in order to determine the net ex-factory domestic price for India. The Commission made a final determination to allow the adjustment made by the Applicant.

### **4.1.2 Export Price**

In calculating the export price for India, as no properly documented responses were received from manufacturers in India, the Commission made a final determination to use the best information available, being that provided by the Applicant. The Applicant stated that as a result of the current anti-dumping duties, the imports from India declined and the import prices and volumes are not a true reflection of the current situation. Therefore the Applicant obtained export price information from the ICIS Pricing publication. The Applicant provided the average export prices for the 3 month period (1 March 2015 to 31 May 2015). The level of the price is at ex-factory in the publication.

## **4.2 Margin of Dumping**

The dumping margin for India was calculated as follows:

<b>Country</b>	<b>Margin of dumping</b>
India	55.02%

## **4.3 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM SOUTH KOREA**

### **4.3.1 Normal Value**

The normal value for non-cooperating exporters is based on the best information available for the subject product in the same country. In determining the normal value for South Korea, and as no properly documented responses were received from any exporters in South Korea, the Commission made a final determination to use the best information

available, being that provided by the Applicant. For normal value purposes the Applicant obtained the prices from PCI. The Applicant provided normal value for the 3 months period (1 March 2015 to 31 May 2015). The prices for South Korea are at ex-factory.

#### **4.3.2 Export Price**

In calculating the export price for South Korea, as no properly documented responses were received from manufacturers in South Korea. The Commission made a final determination to use the best information available, being that provided by the Applicant.

As a result of the current anti-dumping duties, the imports from South Korea declined and the import prices and volumes are not a true reflection of the current situation. Therefore, the Applicant obtained export price information from ICIS pricing publication. The Applicant provided the average export prices for the 3 months period (1 March 2015 to 31 May 2015).

#### **4.4 Margin of Dumping**

The dumping margin for South Korea was calculated as follows:

<b>Country</b>	<b>Margin of dumping</b>
South Korea	14.29%

#### **4.5 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM CHINESE TAIPEI**

##### **4.5.1 Normal Value**

The normal value for non-cooperating exporters is based on the best information available for the subject product in the same country. In determining the normal value for Chinese Taipei, and as no properly documented responses were received from any exporters in Chinese Taipei, the Commission made a final determination to use the best information

available, being that provided by the Applicant. For normal value purposes the Applicant obtained the prices from PCI. The Applicant provided normal value for the 3 months period (1 March 2015 to 31 May 2015). The prices for Chinese Taipei are delivered.

### **Adjustments**

The Applicant made an adjustment for distribution costs to the normal value in order to determine the net ex-factory domestic price for Chinese Taipei. The Commission made a final determination to allow the adjustment made by the Applicant.

#### **4.5.2 Export Price**

In calculating the export price for Chinese Taipei, as no properly documented responses were received from manufacturers in South Korea. The Commission made a final determination to use the best information available, being that provided by the Applicant.

As a result of the current anti-dumping duties, the imports from Chinese Taipei declined and the import prices and volumes are not a true reflection of the current situation. Therefore, the Applicant obtained export price information from ICIS pricing publication. The Applicant provided the average export prices for the 3 months period (1 March 2015 to 31 May 2015).

#### **4.6 Margin of Dumping**

The dumping margin for Chinese Taipei was calculated as follows:

<b>Country</b>	<b>Margin of dumping</b>
Chinese Taipei	8.42%



#### **4.7 FINAL DETERMINATION: DUMPING**

The Commission made a final determination that the expiry of the duties would likely lead to the continuation or recurrence of dumping of the subject product originating in or imported from Chinese Taipei, South Korea and India.

## **5. CONTINUATION OR RECURRENCE OF MATERIAL INJURY**

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

The following injury analysis relates to Hosaf a division of PG Bison (Pty) Ltd, being the only producer of the subject product (PET) in the SACU. As the production volume represents 100 per cent of the total SACU production, the Commission decided that this constitutes “a major proportion” of the total domestic production, in accordance with the Anti-Dumping Regulations.

### **5.2 IMPORT VOLUMES AND THE EFFECT ON PRICES**

#### **5.2.1 Import volumes**

The following table shows the volume of allegedly dumped imports of the subject product obtained from SARS:

**Table 5.2.1: Import volumes**

<b>Import Volumes in kg</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimates if duties expire</b>
<b>South Korea</b>	1 180 480	3 902	17 250	18 296 351
<b>India</b>	23 000	18	1 009	18 280 110
<b>Chinese Taipei</b>	0	0	23	18 279 124
<b>Other Imports</b>	50 735 315	54 512 914	66 832 120	66 832 120
<b>Total</b>	51 938 795	54 516 834	66 850 402	121 687 706

The Applicant stated that notwithstanding the anti-dumping duties in place there have been some imports under the tariff subheadings from South Korea, India and Chinese Taipei, although it appears that it were small quantities coming into the SACU market. From the market it appears that the subject product is also incorrectly classified under these tariff subheadings.

The Applicant further stated that a substantial volume of the subject products are imported from China by its customers. Therefore, should the anti-dumping duties expire, it is expected that the import volume of the subject product would increase substantially from India, Chinese Taipei and South Korea to re-establish market share in SACU, causing material injury to the SACU

industry. The Applicant alleged that the subject countries continued to export at dumped prices to the rest of the world, therefore it can reasonably be expected that they will endeavour to again penetrate the SACU market in competition with China and the Applicant.

## **5.2.2 Effect on Domestic Prices**

### **5.2.2.1 Price undercutting**

Price undercutting is the extent to which the price of the imported product is lower than the price of the SACU product.

**Table 5.2.2.1 Price undercutting**

<b>R</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if duty expires</b>
Applicant's ex-factory selling price	100	133	105	119
Landed cost of imports from				
- South Korea	18.02	30.89	18.23	15.50
- India	23.84	48.74	22.62	15.25
- Chinese Taipei	0.00	0.00	25.92	15.53
Undercutting per kg				
- South Korea	Negative	Negative	Negative	2.64
- India	Negative	Negative	Negative	2.88
- Chinese Taipei	Negative	Negative	Negative	15.53
Undercutting per %				
- South Korea	Negative	Negative	Negative	14.5%
- India	Negative	Negative	Negative	15.9%
- Chinese Taipei	Negative	Negative	Negative	22.3%

**Table indexed due to confidentiality using 2013 as base year**

The Applicant indicated that it is evident from the above table that if the anti-dumping duties fall away, its sales volumes would decline.

The Applicant stated that the estimates are made with regard to the situation if the duties are revoked; that the customers would import and thus sales would decline and also production, to ensure that stock levels do not increase. Therefore as there will be fewer products produced, the cost of production will

increase and as a result the Applicant will sell at a higher price to recover the cost. Therefore, the imported product without the anti-dumping duty will undercut the Applicant's selling price.

#### **5.2.2.2 Price depression**

The table below shows the domestic industry's domestic selling price for 2013, 2014 and 2015 and an estimate in the event of the duties expiring:

**Table 5.2.2.2 Price depression**

	2013	2014	2015	Estimate if duty expires
Applicant ex-factory price	100	113	105	119

**Table indexed due to confidentiality using 2013 as base year**

The Applicant stated that since 2013 its selling prices have increased indicating no price depression. However, should the anti-dumping duties expire, the SACU industry will be forced to sell at the landed price of the subject products from India, Chinese Taipei and South Korea.

The Applicant also stated that this would lead to severe price depression to a point where production would no longer be economically viable as the SACU industry will be selling below cost. The Applicant further stated that no price depression is demonstrated during the period 2013 to 2015 although prices are suppressed. If the anti-dumping duties are revoked the SACU industry will be forced to reduce its selling price equal to the anti-dumping duties that will fall away to compete with imported dumped South Korean, Indian and Chinese Taipei products or to the same level of the imports or below.

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

Although the Applicant stated that it will be forced to sell at the landed price of the subject products from India, Chinese Taipei and South Korea should the anti-dumping duties expire, the Commission noted that the above table shows an increase in the estimated ex-factory price for 2016.

### 5.2.2.3 Price suppression

Price suppression takes place where the cost-to-price-ratio of the SACU industry increases.

The following table shows the Applicant's average costs of production and its average selling prices for the subject product for the years since the duty was imposed, and an estimate in the event of the duties expiring:

**Table 5.2.2.3 Price suppression**

<b>PET in Primary Form</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if duty expires</b>
Ex-factory price per Kg	100	113	105	105
Total cost per kg	100	111	102	117
Cost as % selling price	100	98	97	112

**Table indexed due to confidentiality using 2013 as base year**

The Applicant indicated that if it has to suppress its selling price of the subject product to compete with the imported product it will incur net losses. Therefore, should the duty expire the price will be suppressed to a point that losses would be suffered as it would not be able to recover the cost of production, causing it to suffer material injury once again.

The Applicant also stated that the estimate is based on the fact that the imported product landed price will decline with at least 19.7% from South Korea, 54.1% from India and 75% from Chinese Taipei, being the dumping duty that will fall away. If the SACU industry is not in a position to reduce its selling price it would have to suppress its selling price and absorb the cost increases in a bid to be competitive with the dumped import prices from South Korea, India and Chinese Taipei. The Applicant also stated that costs will increase in 2016 but as a result of the anti-dumping duty that would fall away, the SACU industry will not be in a position to increase its selling price in line with cost increases as customers would source product at the lower import prices.

### **Commission's consideration**

The Commission noted the Applicant's explanation that as a result of the

dumped product in the market, sales will be lost and thus production will be reduced, which will result in an increase in costs. These costs cannot be passed on to the customers by increasing the selling price, thus the price is kept at the same level of 2015 and the cost of production will increase as a percentage of the selling price.

### **5.2.3 Economic factors and indices having a bearing on the state of the industry**

#### **5.2.3.1 Actual and potential decline in volumes**

The following table shows the Applicant's sales volume of PET in 2013 to 2015, and an estimate in the event of the expiry of the duties:

**Table 5.2.3.1 (a) Sales volume**

<b>Kg</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if duty expires</b>
Applicant's sales	100	108	106	59

**Table indexed due to confidentiality using 2013 as base year**

The Applicant's sales volume declined in 2015 compared with 2014 and the Applicant alleges that it is estimated that if the anti-dumping duties are removed it will lose at least 45% of its sales to certain customers in 2016 to the dumped imports, unless it depresses its selling price, selling at a loss.

The Applicant also stated that if a lower priced product is again introduced into the SACU market from South Korea, India and Chinese Taipei, it can reasonably be expected that these customers will shift from sourcing in SACU to importing from South Korea, India and Chinese Taipei and therefore sales volume in 2016 will decline even further causing the SACU industry to suffer material injury.

**Table 5.2.3.1 (b) Sales value**

Rand value	2013	2014	2015	Estimate if duty expires
Applicant's sales in SACU	100	122	111	70

Table indexed due to confidentiality using 2013 as base year

The Applicant indicated that a downward trend of sales value from 2014 to while the duty was in place. It is estimated that if the anti-dumping duties are revoked that the sales value would decline even further in 2016 as a result of the shift from domestic produced product to the dumped product from South Korea, India and Chinese Taipei causing the SACU industry to suffer material injury.

The Applicant also stated that in the long-term it can be expected that these customers would source more from the subject countries and that the other importers, in a bid to compete will also switch over to source from the subject countries resulting in an even further declining sales value.

### 5.2.3.2 Profit

The following table shows the Applicant's profit before interest and tax for the years 2013 to 2015 and an estimate in the event of the expiry of the duties in respect of PET:

**Table 5.2.3.2 Profit**

PET in Primary Form	2013	2014	2015	Estimate if duty expires
Gross profit margin(%) indexed**	100	104	105	108
Gross profit per kg**	100	115	110	125
Kg sold: Local (Volumes)	100	108	106	59
Kg sold Export	100	192	124	124
Kg sold: Total	100	110	107	61
Gross profit**	100	127	117	76
Net profit margin (%) indexed **	100	115	122	117
Net profit per Kg**	100	127	127	142
Total net profit	100	141	136	81

\*\*Relates to domestic sales

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that the table above indicates a downward trend in the profit from 2014 to 2015.

The Applicant also stated that if the anti-dumping duties are revoked, the sales volume would decline as certain customers would switch to imports. Therefore, cost of production will increase. The Applicant further stated that in order to retain the other customers it would be forced to reduce its selling price or to suppress it to the same level of 2015 or the estimated landed price of the imported product. As a result it would make a loss as indicated in the table above causing it to suffer material injury and eventually close down.

#### **5.2.3.3 Output**

The following table outlines the Applicant's domestic production volume of the subject product for the years 2013 to 2015 and estimate in the event of the expiry of the duties:

**Table 5.2.3.3 Output**

<b>Kg's</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if duty expires</b>
Applicant's production	100	106	104	104

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that from the above table it is clear that production volume has increased from 2013 to 2014, but decreased in 2015. It is estimated that if the anti-dumping duties are revoked that the sales volume will decline even further as the importers will source again the alleged dumped product from South Korea, India and Chinese Taipei. Therefore, the production is estimated to decline with the same volume to ensure that no unnecessary stock building is experienced causing the SACU industry to suffer material injury in that cost of production will increase.

The Applicant stated that the production estimate for 2016 is based on its current sales level taking into account that customers representing at least 89% of the sales volume do import the product or imported previously. Therefore, if lower priced products from South Korea, India and Chinese



Taipei are again introduced into the SACU market it can reasonably be expected that these customers will shift initially at least 50 per cent of their sourcing in SACU to importing from South Korea, India and Chinese Taipei.

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

Although the Applicant stated that production is estimated to decline with the same volume as the decline in sales should the duties be revoked, the Commission noted that the above table shows the estimate production to remain the same in 2016 as it was in 2015.

#### **5.2.3.4 Market share**

The following table shows the market share for the subject product for the years 2013 to 2015 and an estimate in the event of the expiry of the duties:

**Table 5.2.3.4 Market share (Volume)**

	2013	2014	2015	Estimate if duty expires
Market share in volume : Kgs				
Applicant's market share	100	108	106	59
<b>Alleged dumped imports:</b>				
-Korea	1 180 480	3 902	17 250	18 296 351
-India	23 000	18	1009	18 280 110
-Chinese Taipei	0	0	23	18 279 124
Other imports	50 735 315	54 512 914	52 111 214	66 832 120
Total market share of imports	51 938 795	54 516 834	52 128 487	121 687 706
Total SACU market	167 836 079	179 738 798	175 132 881	175 132 881

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that the above table indicates that it has gained market share over the period 2013 to 2015 but if the anti-dumping duties are revoked the gained market share will decline substantially while the market share of South Korea, India and Chinese Taipei will increase substantially.

The Applicant stated that its market share estimate for 2016 regarding volume is based on the its current sales level taking into account that customers

representing at least 89% of the sales volume do import the product or imported it previously. Therefore, if lower priced products from South Korea, India and Chinese Taipei are again introduced into the SACU market it can reasonably be expected that these customers will shift initially at least 50 per cent of their sourcing in SACU to importing from South Korea, India and Chinese Taipei.

#### 5.2.3.5 Productivity

Using the production and employment figures sourced from the Applicant, its productivity in respect of the subject product was as follows for the years 2013 to 2015, and an estimate is also provided for what the productivity would be in the event of the expiry of the duties:

**Table 5.2.3.5 Productivity**

	2013	2014	2015	Estimate if duty expires
Kgs				
Total production volume	100	106	104	59
Number of employees (Manufacturing only)	100	93	80	42
Kg per employee	100	114	130	139

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that the table above indicates its increased productivity over the period 2013 to 2015. However, if the anti-dumping duties are revoked productivity will decline in 2016 as a result of declining production while employee numbers remain the same. Therefore, to try and retain the same level of productivity the SACU industry will be forced to retrench employees.

The Applicant also stated that its productivity estimate for 2016 is based on current sales level taking into account that customers representing at least 89% of the sales volume do import the product or imported it previously. Therefore, if the alleged lower priced products from South Korea, India and Chinese Taipei are again introduced into the SACU market it can reasonably be expected that these customers will shift initially at least 50 percent of their sourcing in SACU to importing from South Korea, India and Chinese Taipei.

The Applicant further stated that it is estimated that production will be reduced to prevent excessive inventory levels and that employment will be reduced to retain the current productivity rate.

#### 5.2.3.6 Return on investment

The following table shows the Applicant's return on investment on earnings before interest and tax.

**Table 5.2.3.6 Return on investment**

<b>Rand</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if duty expires</b>
Net profit (product concerned)	100	141	136	83
Net assets	100	125	12	27
Return on net assets (product)	100	112	1102	312

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that an analysis of return on investment cannot be accurately measured and cannot be a meaningful indicator of material injury. Should the duties be revoked it will impact negatively on the return on investment of the whole PET industry as revenue and jobs will be lost without a corresponding reduction in investment.

#### 5.2.3.7 Utilization of production capacity

The following table provides the Applicant's capacity and production for the subject products for the years 2013 to 2015 and an estimate in the event of the expiry of the duties:

**Table 5.2.3.7 Production capacity**

<b>Kgs</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if duty expires</b>
Applicant's capacity	100	100	100	100
Applicant's actual production	100	104	104	59
Capacity utilisation (%)	100	106	104	59

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that the capacity is based on its highest production realised.

The Applicant stated that its capacity utilisation estimate for 2016 is based on its current sales level taking into account that customers representing at least 89% of the sales volume do import the product or imported previously. The Applicant also stated that if lower priced products from South Korea, India and Chinese Taipei are again introduced into the SACU market it can reasonably be expected that these customers will shift initially at least 50 per cent of their sourcing in SACU to importing from South Korea, India and Chinese Taipei. It is estimated that production will be reduced to prevent excessive inventory levels.

The Applicant further stated that if the anti-dumping duties are revoked as a result of reduced sales volume and subsequent reduction in the production volume that capacity utilisation will decline substantially, causing material injury to the SACU industry.

#### **5.2.3.8 Actual and potential negative effects of cash flow**

The following table provides the Applicant's cash flow for year 2013 to 2015 and an estimate in the event of the expiry of the duties:

**Table 5.2.3.8 cash flow**

<b>Rand</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if the duty expires</b>
Cash flow: incoming	100	86	234	117
Cash flow: outgoing	100	71	146	73
Net cash flow	100	-11	-224	-112
Debtors (value)	100	127	109	55
Debtors: average days outstanding	100	98	64	38

Table indexed due to confidentiality using 2013 as base year

The information in the table above indicates that the Applicant's cash flow increased over the period 2013 to 2015.

The Applicant stated that an analysis of the cash flow with regard to the PET industry cannot be accurately measured and cannot be applied as an

indicator of material injury. However, should the duties be revoked, it will impact negatively on the cash flow of the whole PET industry as revenue will be lost.

The Applicant stated that the above table reflects that cash flow is dependent on sales which in turn are dependent on production which is based on expectations of selling prices in the market. Should the duties be revoked no production will take place and there will be no cash income in respect of the subject product sales.

#### **5.2.3.9 Inventories**

The Applicant provided the following levels of inventories for 2013 to 2015 and an estimate should the duties expire.

**Table 5.2.3.9 Inventories**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Estimate if the duty expires</b>
Volume – Kg's	100	82	69	450
Value – (Rands)	100	80	61	484

Table indexed due to confidentiality using 2013 as base year

The table above indicates that the Applicant's inventory levels have been decreasing. The Applicant stated that inventory levels are estimated to increase substantially if the anti-dumping duties are revoked as the SACU industry will not be in a position to compete with the low priced imports from South Korea, India and Chinese Taipei and if production is not reduced (impacting on economies of scale) the inventories would escalate to high levels causing the SACU industry to suffer material injury.

#### **5.2.3.10 Employment**

The following table shows the Applicant's employment level for the years 2013 to 2015 and an estimate in the event of the expiry of the duties:

**Table 5.2.3.10: Employment**

	2013	2014	2015	Estimate if the duty expires
Direct labour units: production	100	93	80	42
Indirect labour units: production	100	98	117	14
Total labour units: production	100	96	102	26

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that the table above indicates its increased productivity over the period 2013 to 2015. However, if the anti-dumping duties are revoked productivity will decline with 44 per cent in 2016 as a result of declining production while employee numbers remain the same. Therefore, to endeavour to retain the same level of productivity it will be forced to retrench employees.

#### 5.2.3.11 Wages

Using the production wages and employment figures sourced from the Applicant, its production wages per employee in respect of the subject products are as follows:

**Table 5.2.3.11 Wages**

Rand	2013	2014	2015	Estimate if the duty expires
Direct Wages: Production	100	111	122	61
Indirect Wages: Production	100	153	94	47
Total wages: Production	100	133	107	54

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that if the anti-dumping duties are revoked, the SACU industry would need to compete again against the dumped imports by reducing selling price or production. Therefore the employment component would need to be restructured to ensure that the highest level of productivity is obtained in competing with the alleged dumped imports. Therefore, as wages cannot be reduced the industry would need to reduce employment numbers to cut costs and thus wages would decline. As a result of retrenching employees additional costs would also be incurred.

### 5.2.3.12 Growth

The Applicant forecast that it will show no, or negative growth should the duties be revoked.

**Table 5.2.3.12 Growth**

	2013	2014	2015	Estimate if the duty expires
Size of the SACU market	100	107	113	113
% growth from previous year		100	86	0%
Applicant's sales volume (Kg)	100	108	106	59
Applicant's growth %		100	-25	-562.5

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that the growth estimate for 2016 is based on the current sales level taking into account that customers representing at least 89% of the sales volume imported the subject product previously. Therefore, if lower priced products from South Korea, India and Chinese Taipei are again introduced into the SACU market it can reasonably be expected that these customers will shift initially at least 50 per cent of their sourcing in SACU to importing from South Korea, India and Chinese Taipei. Therefore, it is estimated that production will be reduced to prevent excessive inventory levels.

The Applicant stated that from the table above it is evident that it showed negative growth in 2015 compared with 2014. This can be attributed to low priced Chinese imports. However, it is estimated that it will show even higher negative growth if the anti-dumping duties are revoked and imports from South Korea, India and Chinese Taipei start flowing into the SACU market again causing it to experience material injury.

### 5.2.3.13 Ability to raise capital or investments

**Table 5.2.3.13 Ability to raise capital or investments**

Rand	2013	2014	2015	Estimate if the duty expires
Total capital/investment in the subject product	100	100	95	95
Capital expenditure during year on subject product	100	139	172	0

Table indexed due to confidentiality using 2013 as base year

The Applicant stated that should the anti-dumping duties be revoked it will impact negatively on the return on investment as revenue and jobs will be lost. As a result of not being profitable it would not be able to obtain further funds to invest and as a result any current investment will be put on hold in respect of PET production as expansion will be questionable.

### **5.3 CONCLUSION – CONTINUATION OR RECURRENCE OF MATERIAL INJURY**

After considering all the information available, the Commission made a final determination that the expiry of the anti-dumping duties would likely lead to the recurrence of material injury.



## **6. SUMMARY OF FINDINGS**

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### **6.1 Continuation or recurrence of dumping**

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

### **6.2 Continuation or recurrence of material injury**

The Commission made a final determination that the expiry of the anti-dumping duties would likely lead to the recurrence of material injury to the SACU industry.

## **7. RECOMMENDATION**

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The Commission made a final determination that:

- the expiry of the duties would likely lead to the continuation or recurrence of dumping; and
- the expiry of the duties would likely lead to the recurrence of material injury.

The Commission therefore decided to recommend to the Minister of Trade and Industry that the anti-dumping duties on PET originating in or imported from Chinese Taipei, South Korea and India be maintained.