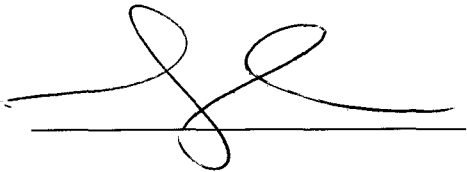


Report No. 202

Investigation into the alleged dumping of chopped strand mats originating in or imported from Brazil and the People's Republic of China: Preliminary determination

The International Trade Administration Commission of South Africa herewith presents its
**Report No.202: INVESTIGATION INTO THE ALLEGED DUMPING OF CHOPPED STRAND
MATS ORIGINATING IN OR IMPORTED FROM BRAZIL AND THE PEOPLE'S REPUBLIC
OF CHINA: PRELIMINARY DETERMINATION**

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Itumeleng Masege
ACTING CHIEF COMMISSIONER

PRETORIA
10/11/ 2006

1. APPLICATION AND PROCEDURE

- 1.1 This investigation was conducted in accordance with the International Trade Administration Commission Act, 2002, (the ITA Act), the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement) and the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR).
- 1.2 The application was lodged on behalf of the Southern African Customs Union (SACU) industry by Owens Corning SA (Pty) Ltd, claiming that dumped imports from Brazil and the People's Republic of China (the PRC) were causing it material and/or threat of material injury. Owens Corning SA (Pty) Ltd (OCSA) is the sole manufacturer of chopped strand mats in the SACU.
- 1.3 The application was accepted by the International Trade Administration Commission (the Commission) as being properly documented in accordance with Article 5.2 of the Anti-Dumping Agreement on 26 April 2006. The trade representatives of the countries concerned were advised accordingly.
- 1.4 The Commission formally initiated an investigation into the alleged dumping of chopped strand mats originating in or imported from Brazil and the PRC pursuant to Notice No. 608, which was published in *Government Gazette* No. 28798 on 12 May 2006.
- 1.5 The investigation period for dumping is from 1 January 2005 to 31 December 2005. The injury investigation involves evaluation of data for the period 1 January 2002 to 31 December 2005.
- 1.7 The following exporters/manufacturers responded to the Commissions questionnaires:
 - Saint-Gobain Vidros S.A-Divisao Vetrotex, a manufacturer of the subject product in the Brazil
 - Jushi Group (Pty) Ltd, a manufacturer of the subject product in the PRC
- 1.8 Only Sinosia Utama Machinery and Chemical (Pty) Ltd (Sinopia), importer of the subject product responded to the Commission's importer questionnaire.
- 1.9 Response from Saint-Gobain Vidros S.A-Divisao Vetrotex in Estado de Sao Paulo, Brazil (Saint-Gobain) was received on 10 July 2006. On 18 July 2006, a deficiency letter was sent to Webber Wentzel Bowens, a representative of Saint-Gobain. The deficiencies were addressed and submitted to the Directorate on the 24 July 2006. The information submitted was subsequently verified from 22 August 2006 to 24 August 2006.

- 1.10 Response from Jushi Group (Pty) Ltd (Jushi) was received on 04 July 2006. On 11 July 2006 a deficiency letter was sent to Jushi. Jushi did not address all the deficiencies identified and they were subsequently informed that their information would not be taken into account for purposes of the preliminary determination in terms of article 31.3 of the ADR.
- 1.11 A response from Sinasia was received on 04 July 2006. A deficiency letter was sent to Sinasia on the 11 July 2006 and subsequently a response was received from Sinasia which addressed all deficiencies. The information submitted was subsequently verified on 26 September 2006.
- 1.12 On 19 September 2006, the Commission received a letter from International Trade Services (ITS) on behalf of the Applicant requesting that the investigation against Brazil be terminated. The Applicant indicated that Owens Corning (Applicant) and Saint-Gobain are in discussions to merge as partners.
- 1.13 The Commission considered the request and decided to recommend to the Minister of Trade and Industry that the investigation into the alleged dumping of chopped strand mats originating in or imported from Brazil be terminated.
- 1.14 After considering all parties comments, the Commission, also made a preliminary determination that the imported subject product from the PRC was being dumped into the SACU market, that the SACU industry was suffering material injury, but factors other than dumping sufficiently detracted from the causal link between the dumping and the injury experienced.
- 1.15 The Commission, therefore, made a preliminary determination that the investigation into the alleged dumping of chopped strand mats originating in or imported from the PRC be terminated.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCT

2.1.1 Description

The subject products are described as chopped strand mats (CSM).

2.1.2 Country of origin/export

The subject products are exported from Brazil and the PRC

2.1.3 Main raw material

Chopped strand of electrical grade glass fibres, thermoplastic powder binder soluble in styrene.

2.1.4 Other applicable duties and rebates

There are currently no other applicable duties and rebates on chopped strand mats.

2.1.5 Tariff classification

The subject product is classifiable as follows:

Tariff subheading	Description	Statistical Unit	Rate of customs Duty		
			General	EU	SADC
70.19	Glass fibres (including glass wool) and articles thereof -				
7019.3	= Thin sheets (violet), webs, mats, mattresses, boards and similar non-woven products				
7019.31	= Mats	kg	15%	15%	Free

2.1.6 Negligibility test

Table 2.1.5: Import volumes

	Import volumes 1 Jan 2005 to 31 Dec 2005	Volume as a percentage of total import volume
Alleged dumped imports:		
PRC	878 179	34.80%
Other imports	1 645 210	65.20%
Total imports	2 523 389	100%

The Commission made a preliminary determination that the volume of imports of the subject product from the PRC are above the negligibility level.

2.1.7 Production process

Several cakes of continuous strand glass fibres are chopped strand into different lengths. A layer of loose chopped strand fibres conforms over a carrier belt forming a mat. This mat is impregnated by a thermoplastic resin also known as binder. Chopped strand mat with resin moves continuously to a curing oven to melt the binder. Melted thermoplastic resin (binder) holds together the chopped fibres as permitted within the curing cycle to result in the finished product exiting the oven after the compaction/cooling devices and cutting of the mats to the desired length and width.

2.1.8 Application/end use

Distribution, Marine, Roof for buses, Pipe fittings, Tanks, Jacketed gasoline tanks, Advertising panels

2.2 SACU PRODUCT

2.2.1 Description

The SACU product is described as chopped strand mats.

2.3 LIKE PRODUCT ANALYSIS

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

Table 2.3: Like product determination

	Imported product	SACU product
Raw material	CSM is composed of chopped glass fibres strand that are bonded together into mats. CSM is manufactured from E glass.	CSM is composed of chopped glass fibres strand that are bonded together into mats. CSM is manufactured from E glass.
Physical appearance	The imported product is similar to the SACU product.	The SACU product is similar to the imported product.
Tariff classification	The product produced domestically and those imported are classifiable under the same six-digit tariff subheading.	The product produced domestically and those imported are classifiable under the same six-digit tariff subheading.
Production process	The small chopped glass fibre strands are melted with powder into an oven and bonded together into mats.	The small chopped glass fibre strands are melted with powder into an oven and bonded together into mats.
Application or end use	Distribution, marine, roof for busses, pipe fittings, tanks, jacketed gasoline tanks, advertising panels.	Distribution, marine, roof for busses, pipe fittings, tanks, jacketed gasoline tanks, advertising panels.
Substitutability	The imported and the SACU product are like products.	The imported and the SACU product are like products.

After considering all the above factors and comments received, the Commission made a preliminary determination that the SACU product and the imported product are “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 (OCSA) is the sole manufacturer of the product in the SACU. The Application was therefore, supported by 100% of the SACU industry.

The Commission considered all the comments from interested parties and decided that the application can be regarded as being made “by or on behalf of the domestic industry” under the above provisions of the Anti-Dumping Agreement.

4. DUMPING

4.1 METHODOLOGY IN THIS INVESTIGATION FOR THE PRC

4.1.1 Normal Value

Type of economy

The calculations are done with the definition of section 32(4) of the ITA Act as basis. Brazil was nominated as a third country.

The only response received from the manufacturer in the PRC, namely Jushi, was found to be deficient.

The Commission, therefore, decided to calculate the normal value for the PRC using the verified information of Saint-Gobain, the manufacturer of the subject product in Brazil.

The weighted average normal value was based on sales by Saint-Gobain to all customers, that is, to end-users and distributions before any adjustments. The normal value in Brazilian Reals (BRL) was converted to South African Rands (ZAR) using the average exchange rate of ZAR to BRL for the period of the investigation.

4.1.2 Export price

The export price for the PRC was based on imports statistics for the period 01 January 2005 to 31 December 2005.

4.1.3 Margin of Dumping

Based on the above information, a dumping margin of 69.46 per cent was arrived at.

4.2 CONCLUSION - DUMPING

Based on the information supplied, the Commission made a preliminary determination that the subject product originating in the PRC was being dumped into the SACU market with the following dumping margin:

Table 4.2

Country:	Dumping margin
The PRC	69.46%

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to OCSA, the Applicant, the sole manufacturer of the subject product in the SACU.

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

5.2 CUMULATIVE ASSESSMENT

This investigation was initiated against two countries but the Commission received a letter from International Trade Services representing the Applicant requesting that the investigation against Brazil be terminated.

The Commission decided to recommend to the Minister of Trade and Industry that the investigation against Brazil be terminated.

The Commission found that the subject product competes directly with other imported products and with the SACU manufactured product.

Based on this information, the Commission decided to cumulatively assess the effect of the subject product.

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	775 365	423 218	100	100	100
2003	Kg	879 428	399 896	96	205	94
2004	Kg	1 556 568	895 662	52	46	76
2005	Kg	878 179	1 645 210	81	59	87

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

year except imports.

Examination under Article 3.2

Growth of Subject Imports

Variable	Unit of Measurement	Year				Change
		2002	2003	2004	2005	2002/2005
Subjects imports/domestic production	%	100	114	378	136	36
Subjects imports/domestic consumption	%	100	120	175	90	(10)

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	2003	2004	2005	2002/2005
Average price of domestic product (ex-factory) (price depression)	R/kg	100	78	65	70	(30)
Price undercutting: -the PRC	R/kg	100	146	73	24	(76)
Cost as % of selling price (Suppression)	R/kg	100	135	156	130	30

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	2005	2002/2005
Sales:						
In value terms	R'000	100	74	51	62	(38)
Quantities	Tons	100	94	76	87	(13)
Inventories (quantities)	Tons	100	205	46	59	(41)

Output (quantities)	Tons	100	96	52	81	(19)
Market Share of total SACU	Percentage	100	96	65	69	(31)
Market share of alleged dumped imports: - the PRC	Percentage	100	118	172	89	(11)
Market share of other imports	Percentage	100	96	180	306	206
Capacity utilization	Percentage	100	96	52	81	(19)
Employment	Unit	100	91	44	50	(50)
Wages (total wage bill, monthly average)	R'000	100	84	49	46	(54)
Productivity (output/worker)	tons per worker	100	110	122	168	68

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	2005	2002/2005
Profit	Rand	100	(25)	(32)	25	(75)
Cash flow	Rand	100	(153)	156	5.46	(94.54)
Return on investment	Percentage	100	(25)	(196)	115	15
Ability to raise capital (capital expenditure)	Rands	100	68	-	105	5
Growth in SACU market	Percentage	100	98	117	126	26
Growth of Applicant	Percentage	100	94	76	87	(13)
Factors affecting domestic prices (cost of raw material per unit)	R/kg	100	105	101	90	(10)
Magnitude of the margin of dumping of imports originating from the PRC	%	69.46				

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

After considering comments from all parties, the Commission made a preliminary determination that the SACU industry is suffering material injury.

5.5 CONCLUSION - MATERIAL INJURY

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

- price undercutting;
- price depression
- price suppression;
- decrease in output;
- decrease in sales;
- decrease in profits;
- decline in market share;
- decline in utilisation of production capacity;
- decrease in cash flow;
- decrease in production employment and
- there was a negative effect on its growth.

6. CAUSAL LINK

6.1 GENERAL

In order for the Commission to impose provisional 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 alleged dumped imports:

Table 6.2.1

	2002	2003	2004	2005
Percentage market share held by:				
Total SACU	100	96	65	69
Alleged dumped imports: -The PRC	100	118	172	89

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

The information in the table indicates that the Applicant's market share declined in the year 2003 and 2004 compared to 2002 but showed a slight recovery in 2005 compared to 2004. The market share of the dumped imports increased in 2003 and 2004 compared to 2002 but declined significantly in 2005 compared to 2002.

The market share of the dumped imports in 2005 declined to a level lower than the market share level in 2002.

The following table shows the volume of imports:

Table 6.2.2: Import volumes

IMPORT VOLUMES (kg)	2002	2003	2004	2005
The PRC	775 365	879 428	1 556 568	878 179
Imports from other countries	423 218	399 896	895 662	1 645 210
Total imports	1 198 583	1 279 324	2 452 230	2 523 389
Alleged dumped imports as % of total imports				
-The PRC	64.69%	68.74%	63.84%	34.80%

The information in the table above indicates that the volume of the dumped imports from the PRC as a percentage of total imports decreased from 64.69 per cent in 2002 to 34.80 percent in 2005.

6.3 EFFECT OF DUMPED IMPORTS ON PRICES

The following table shows the price effects of the Applicant:

Table 6.3.1: Price undercutting, price depression and price suppression

Rand/unit	2002	2003	2004	2005
Price undercutting :				
-the PRC(R/kg)	100	146	73	24
Applicant's ex-factory selling price (R/unit)	100	78	65	70
The Applicant's cost as a % of selling price	100	135	156	130

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

Information in the table indicates that dumped imports undercut the SACU product from 2002 to 2005. However, the extent of undercutting significantly declined in 2005, being the most recent year of analysis.

The Applicant experienced price depression and suppression in 2003, 2004 and 2005 compared to 2002, with a recovery in 2005 compared to 2004. The Applicant indicated that its prices are suppressed owing to an escalation in raw material costs.

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2002 – 2004)
Sales volume	Decreased
Profit	Decreased
Output	Decreased
Market share	Decreased
Productivity	Increased
Return on investment	Increased
Utilisation of capacity	Decreased
Cash flow	Decreased
Inventories	Decreased
Employment	Decreased
Wages	Decreased
Growth	Decreased
Ability to raise capital	Increased

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	2005	2002/2005
Prices of imports not sold at dumping prices (fob price)	Rands	100	95	73	67	(33)
Volume of imports not sold at dumping prices	Tons	423 218	399 896	895 662	1 645 210	389
Growth rate for subject product industry	Percentage	100	98	117	126	26
Changes in the patterns of consumption	The Applicant indicated that it is not aware of any.					
Trade-restrictive practices of foreign and domestic producers	The Applicant indicated that it is not aware of any.					
Competition between foreign and domestic producers	The Applicant indicated that it is not aware of any.					
Developments in technology	The Applicant indicated that it is not aware of any at this stage. However it indicated that the technology used in the SACU is the same as the one in the PRC					
Export performance of the domestic industry	The Applicant indicated that the SACU industry's export performance is stable.					
Productivity of the domestic industry	Productivity per employee of the Applicant has increased					

This table was indexed due to confidentiality using 2002 as the base year.

The information in the table further shows that volume of imports from other countries increased from 35.31 percent in 2002 to 65.20 percent in 2005.

6.5.2 Increase in non-dumped imports

The market share of the SACU manufacturer accounted for 47.3% in 2005 compared to 68.50% in 2002. This is a decrease of 21.2%. It is apparent from the market share analysis that the market share of the SACU manufacturer has decreased in 2005 compared to 2002, a decrease which could be largely attributed to the increase in market share of non-dumped imports that accounted for an increase of 22.84% in 2005 compared to 2002.

6.5.3 Closure of furnace

Prior to 2004 the Applicant was manufacturing rovings and chopped strand mats. In 2004 the furnace that was responsible for manufacturing rovings was closed down. In 2005 the Applicant seems to be on the road to recovery from the injury attributed to the closure of the furnace.

6.6 CONCLUSION ON CAUSAL LINK

After considering all relevant factors and taking all comments into account, the Commission made a preliminary determination that factors other than dumping sufficiently detracted from the causal link between the dumping and the injury experienced.

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 at the following margin:

Exporter	Country of origin	Dumping margin expressed as a percentage of the fob export price
The PRC: All exporters	PRC	69.46%

7.2 Material injury

The Commission found that the Applicant suffered material injury in the form of price undercutting, price depression, price suppression, decline in profits, decline in output, decline in sales, decline in market share, decline in capacity utilisation and negative effect on cash flow and decline in employment.

7.3 Causal link

The Commission considered all the comments received from interested parties and made a preliminary determination that there were factors other than dumping, including the increase in volume of non-dumped imports and the closure of the furnace, that sufficiently detracted from the causal link.

8. PRELIMINARY DETERMINATION

The Commission made a preliminary determination that:

- the subject product originating in or imported from the PRC was being dumped into the SACU market;
- the SACU industry suffered material injury;
- factors other than dumping substantially detracted from the causal link between the material injury to the SACU industry and the dumped imports.

The Commission made a preliminary determination that the investigation against the PRC be terminated.