

Report No. 621

**INVESTIGATION INTO THE ALLEGED DUMPING OF POLYETHYLENE
TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM THE
PEOPLE'S REPUBLIC OF CHINA: FINAL DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents
its **Report No. 621: INVESTIGATION INTO THE ALLEGED DUMPING OF
POLYETHYLENE TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM THE
PEOPLE'S REPUBLIC OF CHINA: FINAL DETERMINATION**



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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

INVESTIGATION INTO THE ALLEGED DUMPING OF POLYETHYLENE TEREPHTHALATE ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA: FINAL DETERMINATION

SYNOPSIS

On 23 November 2018, the Commission initiated an investigation into the alleged dumping of polyethylene terephthalate (PET), originating in or imported from The People's Republic of China (PRC) through Notice No. 727 of 2018 of Government Gazette No. 42053.

Safripol, a division of Kap Diversified Industrial Ltd., a major producer of the subject product in the SACU lodged the application, supported by Extrupet (Pty) Ltd; Plastics SA; and PET Recycling Company NPC (Trading as Petco).

The investigation was initiated after the Commission considered that there was *prima facie* evidence to show that the subject product was being imported into the Southern African Customs Union (SACU) at dumped prices, causing material injury and threatening to cause material injury to the SACU industry.

Upon initiation of the investigation, the diplomatic representatives and all known producers/exporters of the subject product in the PRC were sent a non-confidential copy of the application, initiation notice and foreign manufacturer's/exporter's questionnaires to complete. Importers of the subject product in the SACU were also sent a non-confidential copy of the application, initiation notice and the importer's questionnaires to complete.

After considering responses and comments received from interested parties, the Commission made a preliminary determination that polyethylene terephthalate originating in or imported from the PRC was being dumped, causing material injury and threatening to cause further material injury to the SACU domestic industry. The Commission further decided to request the Commissioner of the South African Revenue Service (SARS) to impose provisional payments for a period of six months in order to protect the domestic industry while the investigation continued.

Provisional payments were imposed for six months effective from 02 August 2019.

A preliminary report was issued to interested parties and interested parties were invited to comment. Based on the details contained in the Commission's preliminary report, the comments received and verified exporters information, the Commission made a final determination before "essential facts" that it was considering making a final determination that the subject product was being dumped on the SACU market and that, as a result, the SACU industry was experiencing material injury and/or a threat of material injury.

Essential facts letters were sent out to all interested parties, informing them of the "essential facts" which were being considered by the Commission, and inviting comments from interested parties on those 'essential facts'.

After considering all the interested parties' submissions, the Commission made a final determination that polyethylene terephthalate originating or imported from the PRC was being dumped, causing material injury and/or threatening to cause material injury to the SACU industry. The Commission therefore decided to recommend to the Minister of Trade and Industry that definitive anti-dumping duties on the subject product originating in or imported from the PRC be imposed.

1 APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002, the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR) having 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 APPLICANT

The application was lodged by Safripol, a division of Kap Diversified Industrial (formerly known as Hosaf, a division of Kap Diversified Industrial), the sole producer of virgin Polyethylene Terephthalate in the SACU. Extrupet (Pty) Ltd expressed its support for this application, together with Petco and Plastics SA.

1.3 DATE OF ACCEPTANCE OF APPLICATION

The application was accepted by the Commission as being properly documented in accordance with section 21 of the ADR on 29 October 2018. The trade representatives in the PRC were advised accordingly.

1.4 ALLEGATIONS BY THE APPLICANT

The applicant alleged that imports of the subject product, originating in or imported from the PRC were being dumped into the SACU market, thereby causing material injury and threatening to cause material injury to the SACU industry. The basis of the alleged dumping was that the goods were being exported to SACU at prices less than the normal value in the country of origin.

The applicant further alleged that as a result of the dumping of the subject product from the PRC the SACU industry was suffering material injury in the form of:

- Price depression/suppression;
- Decline in SACU sales volume;
- Decline in profitability;

- Decline in production;
- Loss in market share;
- Decline in capital and investment;
- Increase in inventories;
- Return on investment is negative;
- Surplus capacity exists;
- Cash flow is negative;
- Price undercutting;
- Price disadvantage; and
- Decline in employment.

1.5 INVESTIGATION PROCESS

The application was submitted by the applicant on 10 July 2018. The information submitted by the applicant was verified on 23 and 24 August 2018.

The trade representatives of the countries concerned were notified of the Commission's receipt of a properly documented application, in terms of Section 27.1 of the ADR.

The product under investigation was polyethylene terephthalate classifiable in SACU under tariff subheading 3907.6.

The Commission initiated an investigation into the alleged dumping of polyethylene terephthalate originating in or imported from the PRC through Notice No.727 which was published in Government Gazette No. 42053 on 23 November 2018.

The Commission based its merit determination for normal value on weekly prices from PCI Wood Mackenzie. The normal value for the subject product in the PRC was determined to be ¥8 825/ton. For export price determination, imports statistics from the SARS for the period of investigation were used. The export price was determined to be ¥7 171.

Copies of the non-confidential application, initiation notice and the foreign producer/exporter questionnaire were sent to the Embassy of the PRC as well as to the identified producers and exporters of the subject product in the PRC. A non-confidential copy of the application, initiation notice and the importer's questionnaire were sent to the identified importers of the subject product in the SACU.

1.6 Investigation periods

The investigation period for dumping is 01 July 2017 to 30 June 2018. The investigation period for material injury is 01 July 2015 to 30 June 2018.

1.7 PARTIES CONCERNED

1.7.1 SACU Industry

The SACU industry consists of virgin PET producers as well as PET recyclers. Safripol being the only virgin PET producer in the SACU lodged the application. Letters of support were received from Plastics SA, Petco, Extrupet and other downstream users and producers.

1.7.2 Foreign Manufacturers/Exporters

Responses to the Commission's exporter questionnaire were received from the following foreign manufacturers/exporters:

- Zhejiang Wankai New Materials Co., Ltd'(Wankai);
- Far Eastern Industries (Shanghai) Ltd – China (Far Eastern Industries);
- Jiangyin Xingyu New Material Co.,Ltd.(Xingyu);
- Jiangyin Xingtai New Material Co., Ltd.(Xingtai);
- Jiangsu Xingye Plastic Co., Ltd.(Xingye); and
- Guangdong IVL PET Polymer Co., Ltd (IVL PET Polymer).

1.7.3 Initial responses from the manufacturers/exporters were found to be deficient. The exporters were advised accordingly and were each given seven days to rectify the identified deficiencies. Updated responses from the respective producers/exporters were received.

Zhejiang Wankai rectified its deficiencies in time for purposes of the preliminary determination. On-the-spot verification of its information was conducted from 10 to 12 April 2019. However due to issues with the validity of the sworn statement provided by the exporter, Wankai's information was not taken into account for purposes of the preliminary determination.

All other producers/exporters were informed of the deficiencies in their responses and that their information would not be taken into account for the purposes of the preliminary determination. They were also advised that should their information be rectified within the deadline date for comments to the preliminary determination, their information would be considered for the final determination. Wankai was also informed about the issue with the sworn statement and was given opportunity to rectify it.

Far Eastern Industries Shanghai Ltd and the Jiangsu Sanfangxiang Group of companies (Xingyu, Xingye and Xingtai) rectified the identified deficiencies within the deadline date for comments on the preliminary determination and their information was verified. On-the-spot verification of FEIS and Sanfangxiang group were conducted from 18 September to 02 October 2019. Wankai also rectified their sworn statement. Guangdong IVL's response was received after the deadline date for comments to the preliminary determination and the Commission made a final determination to not take their information into account for the purpose of its final determination.

1.7.4 Importers

Responses to the Commission's importer questionnaire were received from Astrapak Manufacturing Holdings, Kinsley Beverages (Pty) Ltd, Nampak (Pty) Ltd, Polyoak Packaging (Pty) Ltd, Zibo Containers (Pty) Ltd and Coca Cola Beverages South Africa (CCBSA).

Initial responses from the importers were found to be deficient. The importers were advised accordingly and were each given seven days to rectify the identified deficiencies. Updated responses from the respective importers were received. The importers rectified their deficiencies with the exception of Kinsley Beverages (Pty) Ltd and Zibo Containers (Pty) Ltd.

CCBSA's questionnaire response was received after the deadline date for submission of the initial responses and no prior extension was granted to them. Astrapak Manufacturing Holdings' response to the deficiency letter was received after the deadline date.

Kinsley Beverages (Pty) Ltd and Zibo Containers (Pty) Ltd rectified their deficiencies within the deadline date for comments to the preliminary determination. Kinsley Beverages was the only importer subsequently verified for the purposes of the final determination as the company had an associated exporter. Kinsley Beverages' information was verified on 28 November 2019.

1.7.5 Other interested parties

Comments were received from Niro Plastics (Pty) Ltd, Pioneer Foods, Mpact, PETCO, the China Petroleum and Chemical Industry Federation (CPCIF), and Alpla Trading SA (Pty) Ltd.

1.8 After considering all responses and comments by interested parties, the Commission made a preliminary determination that the subject product originating in or imported from the PRC was being imported into the SACU market at dumped prices, thereby causing material injury and threatening to cause material injury to the SACU industry.

The Commission also considered that the SACU industry would continue to suffer material injury during the course of the investigation if provisional measures were not imposed. The Commission therefore decided to request the Commissioner for SARS to impose provisional measures of 22.90% on imports of polyethylene terephthalate classifiable under tariff sub-heading 3907.6 originating in or imported from the People's Republic of China for a period of six months.

The Commission's preliminary determination was sent out to interested parties for comments. Comments on the Commission's preliminary report were received from the applicant, The Sanfangxiang group of companies, FEIS,

Pioneer Foods, the China Petroleum and Chemical Industry Federation (CPCIF), Extrupet, Astrapak and Alpla Trading SA through their representatives and XA International Trade Advisors.

- 1.9** A letter of essential facts detailing the Commission's consideration was sent to interested parties for comments. Comments to the essential facts were received from China Petroleum and Chemical Industry Federation (CPCIF), Wankai and Far Eastern Industries.

After considering the submitted information, parties' comments and representations in respect of the preliminary determination and "essential facts", the Commission made a final determination that the subject product from the PRC (excluding those produced and exported by Jiangyin Xingyu New Material Co.,Ltd, Jiangyin Xingtai New Material Co., Ltd and Jiangsu Xingye Plastic Co., Ltd) was being dumped into the SACU market causing material injury to the SACU industry.

The Commission therefore decided to recommend to the Minister of Trade and Industry that definitive anti-dumping duties on polyethylene terephthalate imported from the PRC be imposed as follows:

- 28.26% *ad valorem* on imports of polyethylene terephthalate classifiable under the tariff sub-heading 3907.6 and originating in or imported from the Peoples Republic of China (PRC) and produced by Zhejiang Wankai New Materials Co., Ltd;
- 26.40% *ad valorem* on imports of polyethylene terephthalate classifiable under the tariff sub-heading 3907.6 and originating in or imported from the Peoples Republic of China and produced by Far Eastern Industries (Shanghai) Ltd;
- 28.89% *ad valorem* on imports of polyethylene terephthalate classifiable under the tariff sub-heading 3907.6 and originating in or imported from the Peoples Republic of China and produced by all other producers in the PRC (excluding those produced by Zhejiang Wankai New Materials Co., Ltd, Far Eastern Industries (Shanghai) Ltd, Jiangyin Xingyu New

Material Co.,Ltd, Jiangyin Xingtai New Material Co., Ltd and Jiangsu Xingye Plastic Co., Ltd.

All submissions made by interested parties are contained in the Commission's public file for this investigation and are available for perusal. It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some of the salient comments received from interested parties and the Commission's consideration of these comments are specifically included in this report.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as follows:

Scientific Name	Trade Name
Polyethylene Terephthalate	PET

2.1.2 Country of origin/export

The subject product originates in or is imported from the People's Republic of China.

2.1.3 Tariff Classification

The following table is the ordinary customs duty table for the subject product:

Table 2.1.3 (a): Ordinary Customs Duty

Heading / Subheading	Description	Unit	General	EU	EFTA	SADC	MERCOSUR
3907.6	- Poly(ethylene terephthalate)						
3907.61	-- Having a viscosity number of 78 ml/g or higher:						
3907.61.10	--- Liquids and pastes	kg	free	free	free	free	free
3907.61.90	--- Other	kg	10%	free	free	free	10%
3907.69	-- Other						
3907.69.10	--- Liquids and pastes	kg	free	free	free	free	free
3907.69.90	--- Other	kg	10%	free	free	free	10%

Source: SARS

Table 2.1.3 (b): Rebate Provisions

Rebate Item	Tariff Heading	Rebate Code	Description	Extent of Rebate
N/A	N/A	N/A	N/A	N/A

Source: SARS

The table above shows that the subject product is imported under tariff sub-heading 3907.6.

Commission’s consideration

The Commission considered that the subject product has been imported under various different tariff sub-headings during the POI. The tariff sub-heading above is the final tariff subheading through which the subject product is imported under.

The Commission accepted the applicant’s assertion that PET cannot be transported in a liquid form or paste and that there is no such a thing as liquid or paste PET. Furthermore during the on-site verification of the applicant it was confirmed that PET cannot be liquid, the chemical components do not allow it to be liquid or paste PET.

2.1.4 Other applicable duties and rebates

There are currently no other applicable duties and rebates on PET originating from the PRC, besides those listed in Table 2.1.3(a).

2.1.5 Negligibility test

The volume of dumped imports into the SACU shall be considered negligible if it accounts for less than 3 percent of total imports of the subject product during the period of investigation (POI) for dumping. The following table shows the alleged dumped imports as a percentage of the total imports:

Table 2.1.5: Negligibility test

Alleged dumped imports	Import volumes In kg 1 July 2017 -30 June 2018	Volume as a percentage of total import volume
PRC	136 478 937	91.63%
Other Imports	12 470 958	8.37%
Total Imports	148 949 895	100%

The table above indicates that over 90 percent of the subject product by volume was imported from the PRC. The Commission made a final determination that imports from the PRC were above the negligibility level.

2.2 SACU PRODUCT

2.2.1 Description

The SACU like product is described as polyethylene terephthalate (PET).

2.2.2 Production process

Ethylene glycol and terephthalic acid are combined under high temperatures and low vacuum pressure to form long chains of the polymer. As the mixture thickens, the chains grow longer. Once the appropriate chain length is achieved, the reaction is stopped. The resulting spaghetti-like strands of PET are then extruded or squeezed, quickly cooled, and cut into small resin pellets. These resin pellets are then heated to a molten liquid that can easily be extruded or moulded into items of practically any shape. When the resin pellets are reheated to a molten liquid stage, the polymer chains can be stretched in one direction (for fibres used in clothing) or in two directions (for bottles and films in the packaging industry). If the polymer is cooled quickly while it is stretched, the chains are frozen with their orientation intact. Once set in stretched form, the material is extremely tough.

If PET is held in the stretched form at elevated temperatures, it slowly crystallizes and starts to become opaque, more rigid and less flexible. This crystalline form PET is often used for take-home and prepared food containers and trays that can be reheated in the oven or microwave.

2.2.3 Raw Material used

The two main raw materials used in the production of PET are methylene glycol and terephthalic acid.

2.2.4 Application or end use

PET is an excellent water and moisture barrier material. Plastic bottles made from PET are widely used for mineral water and carbonated soft drinks. Its high mechanical strength makes PET films ideal for use in tape applications.

Non-oriented PET sheet can be thermoformed to make packaging trays. Its chemical inertness, together with other physical properties has made it particularly suitable for food packaging applications.

Other packaging applications include rigid cosmetic jars, microwave containers, transparent films.

2.2.5 LIKE PRODUCTS ANALYSIS

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

Table 2.3: Like product determination

	Imported product	SACU product
Raw materials	Ethylene glycol and terephthalic acid.	Ethylene glycol and terephthalic acid.
Physical characteristics and appearance	PET is a general-purpose thermoplastic polymer known for their excellent combination of properties such as mechanical, thermal, chemical resistance as well as dimensional stability.	PET is a general-purpose thermoplastic polymer known for their excellent combination of properties such as mechanical, thermal, chemical resistance as well as dimensional stability.
Tariff classification	3907.6	3907.6
Production process	Ethylene glycol and terephthalic acid are combined under high temperatures, then extruded or squeezed, quickly cooled, and cut into small resin pellets, moulded into any shape and packaged.	Ethylene glycol and terephthalic acid are combined under high temperatures, then extruded or squeezed, quickly cooled, and cut into small resin pellets, moulded into any shape and packaged.
Application or end use	PET is an excellent water and moisture barrier material. Used for plastic bottles, rigid cosmetic jars, microwave containers, transparent films.	PET is an excellent water and moisture barrier material. Used for plastic bottles, rigid cosmetic jars, microwave containers, transparent films.
Substitutability	The SACU like product and the imported product are identical and completely substitutable.	The SACU like product and the imported product are identical and completely substitutable.

After taking the above into consideration, the Commission made a final determination that the SACU product and the imported product were "like products", for purposes of comparison, in terms of the definition of "like product" in Regulation 1 of the Anti-Dumping Regulations.

3. INDUSTRY STANDING

The applicant is Safripol, constituting more than 50 percent of the SACU industry by production volumes. Letters of support were received from Plastics SA; Petco; and Extrupet.

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

Comments from interested parties

- Recycled PET (RPET) is not a substitute for virgin PET in all instances. The applicant has understated its market share (and thus overstated its vulnerability) by referring to RPET suppliers as competitors. The total amount of recycled PET reflected in the Table is 72,000 tons, although this would include various products of no relevance to the applicant's offering (such as recycled PET flakes and polyester fibre) with RPET comprising only some 20 000-25 000 tons.
- Given the extent of the volumes imported by the applicant from China, the industry standing of the applicant should be reconsidered in line with regulation 7.2(b) of the ADR.

Comments by the Applicant

Virgin PET and recycled PET are like products with similar uses and chemical properties and the demand for virgin PET has been on the increase both locally and internationally. The decrease in Safripol's market share is a direct result of increased dumped imports and not increases in recycled PET.

Commission's consideration

- The Commission considered that the PET industry comprises of recyclers that recycle plastic bottles into PET and virgin PET producers. The Commission also considered that the PET recyclers supported the application and the industry standing provided by the applicant.

- The Commission considered Regulation 7.2 (b) of the ADR which states “Where a SACU producer is itself an importer of the products under investigation, the term “SACU industry” may be interpreted as referring to the rest of the SACU producers”. In determining the industry standing, actual production volumes and not imported products were used.

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

4. DUMPING

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

4.1 Methodology In this Investigation for Zhejiang Wankai New Materials (Wankai)

The cost and price build-up (CBU) of Wankai could not be verified and its reliability could not be established based on the following:

- The raw materials usage seen in the accounting system which was said to be for PET differs significantly from the raw materials usage provided in the CBU and other excel workbooks.
- The exporter provided separate CBU's for the domestic and export markets, citing reasons that could not be substantiated, and conflicting explanations were also provided.
- One model had negative costs which could not be adequately justified.

As a result of the unreliability and non-verifiability of the cost and price build-up, the ordinary course of trade assessment could not be conducted. Therefore, the Commission made a final determination not to rely on the CBU of Wankai.

Comments from Interested parties (Wankai)

- The CBU of Wankai should be accepted and not be unreasonably rejected as the reasons for the rejection given by the Commission are unreasonable and unsupportable.
- The verification report stated that the total monthly raw material usage not split into the different raw materials, MEG, PTA etc, were tied to the CBU and therefore the stated reason is contradictory. The specific raw material costs (that is, MEG or PTA) were not tied to the CBU as there was

insufficient time to do so due to the Commission's unreasonable sample document requirement.

- Some elements of the CBU were not verified, the Commission requested Wankai to submit substantiating documents and these were submitted in time.
- It should be noted that the deficiencies raised in the essential facts letter were never raised by the Commission and Wankai was never requested to supplement any information.
- Wankai disagrees with the Commission's assertion that the Sanfangxiang group's models are limited and furthermore the export orientation of one of the companies in the group is irrelevant since the Commission regards the three companies as a single entity.
- Wankai therefore requests that the normal value of the Sanfangxiang group be used instead of that of FEIS as the group has more domestic sales than FEIS and is therefore more representative.

Commission's Consideration

- Although the total raw material cost was tied to the CBU, the raw material usage per model could not be tied to the company's system.
- After verification additional information was requested which reached the Commission after the due date that was specified and still the raw material costs per model could not be tied to the company's system.
- With regards to the time constraint during verification, it should be noted that Wankai took time in providing documents requested.
- The essential facts letter did not raise any deficiencies. Furthermore the purpose of the essential facts letter is not to request further information on the verification, it is meant to relay the Commission's intended determination having considered the verified information of Wankai and other submissions made by Wankai.
- It is the Commission's prerogative after considering all information at its disposal to determine how the normal value of Wankai can be determined, and therefore the request by Wankai to use Sanfangxiang group's normal value has no merit.

- The Sanfangxiang group was verified by the Commission, and the models produced and sold by the companies in the group were determined to not constitute a fair comparison with those of Wankai.

4.1.1 Normal Value

Due to the unreliability, non-verifiability of the CBU, it was not possible to conduct the ordinary course of trade assessment. The Commission made a final determination that the normal value of Wankai be constructed based on costs obtained from one of the verified exporters, as the verified exporter's costs reasonably reflect the cost of production in China and is also one of the biggest producers of the subject product. The Commission also made a final determination to add a reasonable profit to the costs of the verified exporter, which is an average profit of all the verified exporters.

4.1.2 Export price

To calculate the export price Wankai's actual export sales to SACU were used. Wankai exported four models of the subject product to the SACU market. In order to bring the export price to an ex-factory level, the Commission made a final determination to allow the following adjustments for which it was shown that there were differences in costs and demonstrated to have affected price comparability at the time of setting prices:

- i. Inland delivery cost;
- ii. Cost of payment terms;
- iii. Packaging;
- iv. Insurance;
- v. International freight;
- vi. Port charges; and
- vii. Bank charges.

Commission's consideration

Adjustments for bank charges and port charges were previously not included in the essential facts letters, the export price and dumping margin have been amended to reflect these adjustments.

4.1.3 Dumping margin

An average margin of dumping for Wankai was found to be 28.39%.

4.2 Methodology used for Far Eastern Industries Shanghai Ltd (FEIS)

Various irregularities were identified on the cost and price build-up of FEIS, these were:

- The different cost items in the total production costs, added up to the total company costs, in the CBU, however other costs and SG&A do not add up to the total company costs.
- The in-store costs before SG&A are higher than the total costs to produce and sell.
- The asset impairment costs are mainly allocated to management division, instead of the divisions producing the subject product and other products.
- The exporter provided production costs for each model. Only one model was verified. Although a formula was given, it could not be applied to the other models. This could not be reconciled to the total CBU and management accounts and/or financial statements.
- Elements not belonging to the CBU were added.
- The CBU was separated according to sales destination.

The Commission made a final determination to adjust the cost and price build-up (CBU) of FEIS to reasonably reflect all costs incurred in the production of the subject product. Therefore to arrive at total costs of producing and selling the subject product, the Commission decided to add: total production costs + purchases + consumption + other adjustment + management total + administration expense + selling expenses. Only costs related to production of the subject product were used with allocation of some costs based on the production costs ratio.

Furthermore, the Commission made a final determination to not separate the CBU by sales destination as submitted by FEIS. It was found that FEIS' CBU for different models could not be verified. Therefore, the Commission made a final

determination that the unit cost to produce & sell the subject product will be the same for all models.

Comments from interested parties

- The per model solid state polymerization (SSP) costs of FEIS were taken directly from the company's system, the isolation of the component costs resulted in the use of a formula to reverse engineer the costs as these were not directly shown in the system since they were incurred in the upstream production process (Poly stage).
- Even if there could be certain imperfections in the reverse engineering process undertaken to report each component as required by the Commission, the ultimate unit costs are correct and should be used in the dumping margin calculation. The Commission is reminded of Article 2.2.1.1 of the WTO Anti-Dumping Agreement.
- Other costs and SG&A add up to the total cost of production.
- The total operating cost is higher than the total production cost due to movements in inventory and other adjustments, this is perfectly normal.
- The asset impairment cost was based on what FEIS' accounting records have identified and accrued on a per-division basis and not on any broad-based allocation method. Even if the Commission insists on allocating this cost, there is no legitimate basis to reject the per model unit costs.
- The Commission did not request to verify the CBU of other models during verification.
- FEIS can only assume that the Commission is referring to the Exchange gain and loss when it speaks of elements not belonging to the CBU being added. Although this cost is of a non-operating nature, this limited adjustment cannot render the entire CBU unreliable.
- The separation of CBU's by sales destination was required in terms of local law and customs requirements and has been so since the beginning of the company's operation. The Commission is drawn again to Article 2.2.1.1 of the WTO Anti-Dumping Agreement.

- The Commission should use the submitted per model costs, however should the Commission decide to use a weighted average unit cost for all models - such should be calculated based on information submitted by FEIS.
- The Commission did not disclose the profit margin used or the source in its construction of the normal value, - the Commission is reminded that according to Article 2.2.2(i) of the Anti-Dumping Agreement, the actual profit margin realised by FEIS in the domestic market shall be the primary source.

Commission's Consideration

- The costs of the SSP process which were said to be taken from the system, were not the reason for the unreliability of the CBU. It is noted that the SSP process costs are inclusive of costs from the continuous polymerization (CP) process, which comprises a majority of the costs of producing the subject product, notwithstanding the rebate provided for imported monoethylene glycol (MEG). The reverse engineering results in the costs being different for the different models, which should not be the case, considering the nature of the subject product and its models.
- The Commission did not disregard FEIS's information when apportioning costs of the unverified and unreliable information in the CBU. It should be noted that only information contained in FEIS' submissions to the Commission was used to determine the dumping margin.
- The Commission could not verify those other models due to the time it took to obtain information from FEIS, and therefore the verification could not be completed as per the program.
- The Article 2.2.2 of the WTO Anti-Dumping Agreement also provides for other methods of determining profit, which was used by the Commission in this instance and comply with the quoted Article.
- ITAC is not in a position to comment on the alleged local laws for separating costs as such. The issue is that FEIS separated those costs without proper justification and also claimed an adjustment for such, notwithstanding the fact that these were already separated, and the adjustment was also not properly substantiated.

4.2.1 Normal Value

FEIS sold eleven models of the subject product in the PRC and exported 4 models to SACU. Only three of the four models exported to SACU were also sold in the exporter's domestic market. For normal value determination the models manufactured and exported to the SACU market were used.

Of the three comparable models sold in the domestic market, more than 20% of sales were sold below cost. The Commission made a determination to disregard the sales made at a loss, by volumes exceeding 20% of domestic sales in accordance with regulation 8.2 of the ADR. The remaining sales volumes and values of two of the three models were used as they were above 5% of export sales to SACU as required by regulation 8.3 of the ADR.

For one of the three models, it was found that the remaining sales do not meet the requirements of regulation 8.3 of the ADR, as they are less than 5% of export sales to SACU. The Commission therefore made a final determination to construct the normal value based on FEIS' CBU.

The Commission made a final determination not to allow the adjustments for cost of payment terms and import duty as these were not adequately substantiated and were not shown to have affected price comparability at the time of setting prices.

For the model which was not sold in the exporter's domestic market, appropriate third countries were chosen, that is, the United Arab Emirates and Australia as they met the criteria for third country selection. However it was determined that all sales to these two countries (each country was assessed individually) were made at a loss during the period of investigation for dumping, and therefore could not be used. The Commission made a final determination to construct the normal value based on FEIS' CBU.

4.2.2 Export price

To calculate the export price FEIS' actual export sales to SACU were used. FEIS exported four models of the subject product to the SACU market. In order to bring the export price to an ex-factory level, the Commission made a final determination to allow the following adjustments for which it was shown that there were differences in costs and demonstrated to have affected price comparability at the time of setting prices:

- i. Inland delivery cost;
- ii. Cost of payment terms;
- iii. Packaging;
- iv. Insurance;
- v. Ocean freight;
- vi. Brokerage; and
- vii. Bank charges.

4.2.3 Dumping margin

A weighted average margin of dumping for FEIS was found to be 27.64%.

4.3 Methodology used for the Sangfanxiang group of companies

The following companies, which are all part of the Jiangsu Sangfangxiang group share the following characteristics: (i) common ownership; (ii) common shareholdings and management; and (iii) the processing of transactions.

On the basis of the above, the Commission made a final determination that the Jiangsu Sanfangxiang Group of companies are related in terms of Regulation 1 of the ADR and that they be considered as single entity in terms Article 6.10 of the Anti-Dumping Agreement for purposes of determining a single dumping margin.

It was found that the Jiangsu Sanfangxiang group of companies mainly determine models based on intrinsic viscosity and other chemical properties. It was also found that the companies separated the cost and price build-up (CBU) between products destined for the export market and for products destined for the domestic market. The Commission made a final determination to not separate the CBU by sales destination as submitted by the Jiangsu Sangfangxiang group of companies.

4.3.1 Normal value JlangyIn Xingyu New Material (Xingyu)

Xingyu sold five models of the subject product in the PRC and exported three models to SACU. For normal value determination the models manufactured and exported to the SACU market were used.

For the three comparable models sold in the domestic market, less than 20% were sold at a loss. Therefore the Commission made a final determination to use all sales in the determination of normal value for Xingyu in accordance with regulation 8.2 of the ADR.

The Commission made a final determination not to allow adjustments for inland transport and cost of payment terms which were not shown to have affected price comparability at the time of setting prices.

Export price

To calculate the export price Xingyu's actual export sales to SACU were used. Xingyu exported three models of the subject product to the SACU market. In order to bring the export price to an ex-factory level, the Commission made a final determination to allow the following adjustments for which it was shown that there were differences in costs and demonstrated to have affected price comparability at the time of setting prices:

- i. Cost of payment terms;
- ii. Bank charges;
- iii. Inland delivery charges;
- iv. Ocean freight;
- v. Insurance; and
- vi. Sales Commission.

4.3.2 Normal value JlangyIn Xingtai New Materials (Xingtai)

Xingtai sold four models of the subject product in the PRC and exported two models to SACU. For normal value determination the models manufactured and exported to the SACU market were used.

For the two comparable models sold in the domestic market, more than 20% were made below cost. The Commission made a determination to disregard the sales made at a loss, by volumes exceeding 20% of domestic sales in accordance with regulation 8.2 of the ADR. The Commission further made a final determination to use the remaining sale in determining the normal value.

The Commission also made a final determination not to allow the adjustments for inland transport and cost of payment terms which were not shown to have affected price comparability at the time of setting prices.

Export price

To calculate the export price Xingtai's actual export sales to SACU were used. Xingtai exported two models of the subject product to the SACU market. In order to bring the export price to an ex-factory level, the Commission made a final determination to allow the following adjustments for which it was shown that there were differences in costs and demonstrated to have affected price comparability at the time of setting prices:

- i. Cost of payment terms;
- ii. Bank charges;
- iii. Inland delivery charges; and
- iv. Commission.

4.3.3 Normal value Jiangsu Xingye New Materials (Xingye)

Xingye sold eight models of the subject product in the PRC and exported three models to SACU. For normal value determination the models manufactured and exported to the SACU market were used.

For the three comparable models sold in the domestic market, all sales were made above the cost of production. The Commission made a final determination that the normal value be based on Xingye's actual verified sales of the subject product in the domestic market.

The Commission made a final determination not to allow adjustments for inland transport and cost of payment terms which were not shown to have affected price comparability at the time of setting prices.

Export price

To calculate the export price Xingye's actual export sales to SACU were used. Xingye exported three models of the subject product to the SACU market. In order to bring the export price to an ex-factory level, the Commission made a final determination to allow the following adjustments for which it was shown that there were differences in costs and demonstrated to have affected price comparability at the time of setting prices:

- i. Cost of payment terms;
- ii. Bank charges;
- iii. Ocean freight;
- iv. Insurance; and
- v. Commission.

4.3.4 Dumping margin for the Jiangsu Sanfangxiang Group:

The weighted average dumping margin for the Jiangsu Sangfanxiang Group was determined to be -0.012%.

4.4 Methodology for the residual dumping margin for the PRC

4.4.1 Normal value

For purposes of determining the normal value for rest of the producers in the PRC, the Commission made a final determination to use one of the verified exporter's domestic sales made above the cost of production. The exporter was selected as it had the most domestic sales out of all the verified exporters, as such is likely more representative of product sales in the PRC.

The Commission also made a final determination not to make any adjustments to the normal value as for most models no adjustments were claimed and/or allowed.

4.4.2 Export price

For purposes of determining the export price for rest of the producers in the PRC, the Commission made a final determination to another verified exporter's export

sales after adjustment. The exporter was selected as it sold the most volumes to SACU, as such is likely more representative of product sales to the SACU. The reason for using the adjusted export price is such that the adjustments claimed across models and exporters were similar.

4.4.3 Dumping

Based on the above, the residual dumping margin was calculated to be 29.78%.

4.5 Summary dumping

For the purposes of its final determination, the Commission considered all information from interested parties and found that the subject product imported from the PRC was being dumped in the SACU.

Table 4.5: Margin of dumping

Producer/ Exporter	Dumping margin
Wankal:	28.39%
FEIS:	27.64%
Jiangsu Sanfangxiang Group of companies:	-0.012%
All other producers and exporters:	29.78%

Comments from interested parties

Interested parties indicated that the normal value used for initiation is incorrect as it included VAT.

Commission's consideration

The Commission considered the confirmation provided by the applicant as received from Wood Mackenzie, that the price information used did not include any taxes or VAT.

The Commission made a final determination that dumping of the subject product originating in or imported from The People's Republic of China (excluding those produced and exported by Jiangyin Xingyu New Material Co.,Ltd, Jiangyin Xingtai New Material Co., Ltd and Jiangsu Xingye Plastic Co., Ltd.) is taking place.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to information submitted by Safripol, representing more than 50 percent of SACU production volumes.

The Commission made a final determination that this constitutes "a major proportion" of the total domestic production, in accordance with regulation 7 of the ADR.

5.2 MATERIAL INJURY ANALYSIS

The injury information presented below relates to the verified information of Safripol for the period 01 July 2015 to 30 June 2018.

5.3 IMPORT VOLUMES AND EFFECT ON PRICES

5.3.1 Import Volumes

The following table shows the volumes of the allegedly dumped imports of the subject product from 01 July 2015 to 30 June 2018, as sourced from SARS.

Table 5.3.1: Import volumes

kg	2015/2016	2016/2017	2017/2018
Alleged dumped imports	59 436 908	55 493 717	79 336 136
Other Imports (kg)	21 963 429	28 758 532	69 613 757
Total Imports (kg)	81 400 337	84 250 248	148 949 895
Alleged dumped imports as a % of total imports:	73.02%	65.87%	53.26%
Other imports as a % of total imports	26.98%	34.13%	46.74%

*Alleged dumped imports exclude imports from the Jiangsu Sanfangxiang Group

The information above indicates that the alleged dumped imports volume for PET decreased from 59 436 908kg in 2015/2016 to 55 493 717kg in 2016/2017, a decrease of 6.63%. The alleged dumped imports volume for PET was reported at 79 336 136kg in 2017/2018, an increase of 42.96% when compared to the previous year. During the POI, the alleged dumped imports increased by 33.48%.

The alleged dumped imports volume as a percentage of total import volume for PET decreased from 73.02% in 2015/2016 to 65.87% in 2016/2017, a decrease of 7.15 percentage points. The alleged dumped imports volume as a percentage of total import volume for PET was 53.26% in 2017/2018. During the POI, the alleged dumped imports volume as a percentage of total import volume decreased by 19.76 percentage points.

Comments from Interested parties

- It is noted that import volumes from China increased as more downstream users imported the subject product; this is not as a result of low prices but a result of other factors, such as the inability of Safripol to supply and the planned shutdown of the plant. There were also various delays, increased demand, and port delays resulted in supply constraints
- The Commission acknowledged the applicant's lamentation that imports remained at elevated levels post the delayed commissioning of its plant, however the Commission did not mention that imports declined 3 months into 2018.

Applicant's response

Imports increased from a low base in 2016 and Safripol imports from all countries decreased from 2017 to 2018. The majority of significant dumped imports entered the market when Safripol was in a position to supply.

Commission's consideration

- The imports from PRC increased significantly in 2017/2018.
- The applicant had a planned shutdown, for which contingencies were arranged which included building up stock and importing the subject product. Note that in a few instances the applicant could not supply the SACU market.
- In assessing import information, full year figures were compared, therefore even though imports might have declined in the first 3 months of 2018, during the period of investigation for dumping imports increased.

5.3.2 Growth In Imports of the subject product

The following table shows the effects of the alleged dumped imports on consumption and production:

Table 5.3.2: Growth of Subject Imports:

	2015/2016	2016/2017	2017/2018
**Subject imports/domestic production:%	100	97.74	160.54
**Subject imports/domestic consumption:%	100	94.50	126.03

*The table was Indexed due to confidentiality using 2015/2016 as a base year.

** Subject imports exclude imports from the Jiangsu Sanfangdang Group.

The information above indicates that imports of the subject product from the PRC relative to domestic production decreased by 2.26 index points from 2015/2016 to 2016/2017 and thereafter increased by 62.8 index points from 2016/2017 to 2017/2018, over the period of investigation for material injury (POI), it shows an increase of 60.54 index points. The information also indicates that imports of the subject product from the PRC relative to domestic consumption decreased by 5.5 index points from 2015/2016 to 2016/2017 and thereafter increased significantly by 31.53 index points from 2016/2017 to 2017/2018, over the POI, it shows an increase of 26.03 index points.

5.3.3 Effect on Domestic Prices

5.3.3.1 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. The price undercutting for the period of investigation was calculated based on the applicant's ex-factory price and a landed cost. The following table shows indexed information on price undercutting for the POI.

Table 5.3.3.1: Price undercutting

(R/kg)	2015/2016	2016/2017	2017/2018
Dumped Imports Landed Cost (R/kg)	100	97.71	107.46
SACU Sales Ex-Factory Price (R/kg)	100	99.87	99.87
Price Undercutting (R/kg)	100	180.95	-84.40
Safripol Price Undercutting Margin (%)	100	181.72	-83.21

*The table was Indexed due to confidentiality using 2015/2016 as a base year.

* Dumped Imports landed cost exclude imports from the Jiangsu Sanfangxiang Group.

The table above indicates that the applicant experienced price undercutting during 2015/2016 and 2016/2017. There was no price undercutting in 2017/2018.

5.3.3.2 Price depression

Price depression takes place where the SACU industry's ex-factory selling price decreases during the investigation period.

Table 5.3.3.2: Price depression

R/kg	2015/2016	2016/2017	2017/2018
Applicant's ex-factory price	100	99.87	99.87

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the applicant's selling prices decreased by 0.13 index points during the period 2015/2016 to 2016/2017 and remained constant during the period 2016/2017 to 2017/2018.

5.3.3.3 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.

Table 5.3.3.3: Price suppression

R/kg	2015/2016	2016/2017	2017/2018
App's ex-factory selling price	100	99.87	99.87
Production cost	100	96.58	116.82
Gross profit per unit	100	122.61	-17.09
Cost as a % of selling price	100	96.68	116.91

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the applicant experienced price suppression during the POI, as cost as a percentage of selling price increased. On a year-on-year basis, production cost per unit as a percentage of the applicant's SACU sales ex-factory price for PET decreased from 100 index points in 2015/2016 to 96.68 index points in 2016/2017, a decline of 3.32 index points. During 2017/2018 there was a drastic increase to 116.91 index points from 96.68 index points in 2016/2017, an increase of 20.23 index points.

Comments from interested parties

The increase in the applicant's unit cost was mainly due to the investment in increased capacity, decrease in capacity utilisation and its lower sales and production volumes due to delays in the construction, start-up and commissioning of the new plant.

Applicant's response

The expansion costs are capital expenditure and would hence not affect the production cost or total cost per unit. There is no reason why lower capacity utilisation and sales would result in higher costs and total cost per unit.

Commission's consideration

The Commission considered that the applicant is experiencing price suppression as the costs of production have significantly increased, while selling prices have marginally decreased. Therefore the applicant is unable to recover costs at current selling prices.

5.4 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

5.4.1 Actual and potential decline in sales

The following table shows the SACU sales volumes and values of the subject product for the period of investigation:

Table 5.4.1: Sales

	2015/2016	2016/2017	2017/2018
Applicant's sales volume (kg)	100	93.97	53.52
Applicant's sale value(R)	100	93.87	53.46

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the applicant's SACU sales volumes of the subject product declined by 46.48 index points during the POI. On a year-on-year basis, the applicant's sales volumes decreased from 100 index points in 2015/2016 to 93.97 index points in 2016/2017, a decline of 6.03 index points. During 2017/2018 there was a drastic decrease to 53.52 index points from 93.97 index points in 2016/2017, a decline of 40.45 index points.

The information above also indicates that the applicant's SACU sales value of the subject product declined by 46.54 index points during the POI. On a year-on-year basis, the applicant's sales volumes decreased from 100 index points in 2015/2016 to 93.87 index points in 2016/2017, a decline of 6.13 index points. During 2017/2018 there was a drastic decrease to 53.46 index points from 93.87 index points in 2016/2017, a decline of 40.41 index points.

Comments from Interested parties

Sales decreased due to supply disruptions encountered by Safripol causing users of PET as well as Safripol to import the subject product.

The Commission's consideration

The Commission has acknowledged that the decline in sales volumes in 2017/2018 was partly caused by the plant shutdown, and for slightly longer than expected. However, the plant shutdown on its own was not to blame for the decline in sales volumes as importers aggressively increased importing the subject product, and to an extent that the Applicant ended up exporting to other markets as well.

Furthermore the applicant had a planned shutdown, for which contingencies were arranged which included building up stock.

5.4.2 Profit

The following table shows the applicant's profit situation:

Table 5.4.2: Profit

	2015/2016	2016/2017	2017/2018
Gross profit (R)	100	115.66	-9.13
Net Profit (R)	100	112.95	-19.80
Gross Profit Margin	100	123.25	-17.06
Net profit margin	100	120.43	-37.03

The information above indicates that the applicant's gross profit increased from the base to 115.66 index points in 2016/2017, and in 2017/2018 it came to be negative.

The net profit margin for PET increased from the base to 120.43 index points in 2016/2017, and in 2017/2018 it came to be negative 37.03 index points.

The table above shows the net profit margin and gross profit margin have significantly declined from a profit situation to loss making situation during the POI.

5.4.3 Output

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

Table 5.4.3: Output

Kg	2015/2016	2016/2017	2017/2018
Applicant's production volumes	100	95.52	83.15

The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the applicant's production volume for PET decreased from the base point in 2015/2016 from to 95.52 index points in 2016/2017, a decrease of 4.48 index points, it further declined to 83.15 index points in 2017/2018, a decrease of 12.37 index points from the previous year. During the POI, production volumes decreased by 16.85 index points.

Comments from interested parties

It is not clear from the preliminary report how the supply disruptions or to what extent the applicant's own imports impacted its output, therefore making a material injury finding without interrogating these matters in detail will result in an erroneous finding as appears to have been done in this case.

The Commission's consideration

The supply constraints from the applicant were for a short period in the POI, these were considered and interrogated by the Commission. The applicant did import small amounts of imports from China, and other amounts from other countries and these volume and their impact on the applicant have been considered by the Commission when making its preliminary determination by excluding the applicant's own imports from the causal link analysis. Furthermore the output used by the Commission is exclusive of the applicant's own imports.

5.4.4 Market share

The following table shows the market share for the subject product based on sales volumes and import volumes expressed as a percentage of total SACU market volumes:

Table 5.4.4: Market share

	2015/2016	2016/2017	2017/2018
Applicant's market share %	100	95.09	50.52
*Alleged dumped imports market share %	100	94.50	133.48
Other SACU market share %	100	103.98	103.83
Non-dumped imports %	100	132.54	316.95
Total SACU market %	100	98.82	105.95

* Alleged dumped imports & non-dumped imports include applicant's own imports.

** Alleged dumped imports exclude Sanfangxiang Group imports.

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The above information indicates that the total SACU market of the subject product decreased from the base to 98.82 index points in 2016/2017 (a decrease of 1.18 index points from 2015/2016) before increasing to 105.95 index points in 2017/2018 (an increase of 7.13 index points from 2016/2017), overall during the POI the SACU market increased by 5.95 index points.

The applicant's market share for PET decreased from the base to 95.09 index points in 2016/2017 and in 2017/2018 it decreased further to 50.52 index points (a decrease of 44.57 index points from 2016/2017), overall during the POI it declined by 49.48 index points.

The alleged dumped imports market share for PET also decreased from the base to 94.50 index points in 2016/2017, and in 2017/2018 the market share of the alleged dumped imports significantly increased to 133.48 index points (an increase of 38.98 index points from 2016/2017), overall during the POI the increase of alleged dumped imports was 33.48 index points..

The other SACU producer's market share for PET increased from the base to 103.98 index points in 2016/2017, and in 2017/2018 the market share slightly declined to 103.82 index points, and the overall increase during the POI was 3.82 index points.

The applicant's market share has declined throughout the period under consideration, most drastically in 2017/2018. The decline in the share of the SACU market held by the SACU industry in 2017/2018 coincided with a significant increase in dumped imports' market share.

Comments from Interested parties

The extent to which the delays in completing the applicant's expansion project and failure to supply contributed to the loss of market share is not provided by the Commission. This was the main contributor to the loss of market share.

The Commission's consideration

The Commission considered that the closure of Safripol for its plant upgrade had an impact on the loss of market share, however, the closure on its own is not to blame as the alleged dumped imports continued to flow into SACU even after the plant became operational.

Furthermore the applicant had a planned shutdown, for which contingencies were arranged which included building up stock.

5.4.5 Productivity

Using the production and employment figures sourced from the applicant, its productivity in respect of the subject product is as follows:

Table 5.6.5: Productivity

	2015/2016	2016/2017	2017/2018
Applicant's total production (kg)	100	95.52	83.15
No. of employees	100	102.27	102.27
Productivity	100	93.40	81.31

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The production per direct factory worker decreased from the base to 93.40 index points in 2016/2017, a decrease of 6.6 index points, and further decreased to 81.31 index points per employee in 2017/2018, a decrease of 12.09 index points from 2016/2017. During the POI, productivity declined by 18.69 index points.

The Commission noted the applicant's assertion that the number of employees per shift had slightly increased from 2015/2016 to 2017/2018. The applicant indicated that it has also increased their total number of direct factory workers and will be hiring additional direct factory workers in 2019/2020 in order to utilise the new capacity.

The Commission has accepted the applicant's assertion that it has experienced significant material injury in the form of reduced employment productivity as a result of dumped imports of the subject product.

Comments from Interested parties

The supply disruptions resulted in decline in productivity, output declined as a result and this cannot be attributed to imports.

The Commission's consideration

The Commission considered that productivity declined as a result of reduced output, while employment levels have been maintained or slightly increased over the POI.

5.4.6 Return on Investment

The following table shows the applicant's return on investment (ROI):

Table 5.4.6: Return on Investment

(R)	2015/2016	2016/2017	2017/2018
Applicant's net profit	100	112.95	-19.80
Applicant's total net assets	100	203.19	189.74
Return on net asset	100	55.60	-10.43

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that during the POI, the applicant's ROI declined from a positive base to a negative in 2017/2018.

On a yearly basis, ROI decreased from the base to 55.60 index points in 2016/2017, a decline of 44.40 index points. In 2017/2018 ROI declined further to -10.43 index points.

The Commission noted the negative return followed a significant investment of over one billion Rand made to expand production capacity.

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: Utilisation of production capacity

kg	2015/2016	2016/2017	2017/2018
Capacity	100	100	101.60
Actual production	100	95.52	83.15
Capacity utilisation %	100	95.52	81.85

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The table above indicates that the applicant's capacity utilisation during the POI decreased from the base to 81.85 index points in 2017/2018, representing a decline of 18.15 index points over the POI.

On a yearly basis, capacity utilisation decreased from the base to 95.52 index points in 2016/2017, a decrease of 4.48 index points. Capacity utilization decreased even further to 81.85 index points in 2017/2018, a decrease of 13.67 index points when compared to the previous year.

The Commission noted that the applicant may not be able to achieve the benefits of the expanded capacity if dumped imports are not curbed and will have a detrimental effect on capacity utilisation.

Comments from interested parties

Capacity utilization was affected by the loss of the 6 months of the 12 months of production due to own operational disruptions, furthermore the increase in capacity will skew capacity utilisation further.

Commission's consideration

The Commission considered that the decrease in capacity utilisation may be attributable to the shutdown, as the plant was being synchronized it was not expected to produce up to its maximum capacity.

5.4.8 Factors affecting domestic prices

The applicant is experiencing price depression.

5.4.9 The magnitude of the margin of dumping

The following margins of dumping were calculated:

Table 5.4.9: Margin of dumping PRC

Producer/ Exporter	Dumping margin as a % of ex-factory export price
Wankai	28.39%
FEIS	27.64%
Sanfangxiang Group	-0.012%
All other producers/exporters	29.78%

The table above indicates that the subject product from china is being dumped SACU at substantial levels (with the exception of the Sanfangxiang Group of companies) as evidenced by the dumping margins determined.

The Commission's consideration

The Commission considered that the magnitude of the dumping margin is significant, thus indicating that Chinese producers are aggressively pricing their products imported to SACU in order to gain market share and take over the SACU market through its prices.

5.4.10 Actual and potential negative effects on cash flow

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

Table 5.4.10: Cash flow situation

(R)	2015/2016	2016/2017	2017/2018
Applicant's Cash flow: incoming	100	92.93	77.24
Applicant's Cash flow: outgoing	(100)	(122.98)	(122.43)
Applicants Net cash flow	100	(251.88)	(390.86)

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The table above indicates the applicant had a negative net cash flow during the period of investigation. Net cash flow for PET decreased from a positive base to a negative 251.88 index points in 2016/2017. Net cash flow for PET was reported at negative 390.86 index points for 2017/2018.

Comments from interested parties

Safripol submitted that the negative cash flow was as a result of its expansion of production capacity and therefore this has nothing to do with imports. Furthermore the negative cash flow was also due to Safripol exporting the subject product at lower prices and therefore is self-inflicted.

The Commission's consideration

The commission considered that the negative cash flow, as indicated by interested parties is as a result of a number of factors, not only the expansion of the plant. The applicant had to export to other markets at prices that it would compete with and it exported due to SACU customers now importing more of the alleged dumped product. The selling prices slightly dropped, however costs of production increased significantly.

5.4.11 Inventories

The following table provides the SACU industry's inventories for the subject product:

	2015/2016	2016/2017	2017/2018
Inventories volume (kg)	100	121.82	109.27
Inventory value (R)	100	122.47	113.83

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The average inventory volume for PET increased from the base to 121.82 index points in 2016/2017. Average inventory volume decreased to 109.27 in 2017/2018. Inventory volumes over the POI increased from base to 109.27 in 2017/2018 (an increase of 9.27 index points).

The average inventory value for PET increased from the base to 122.47 index points in 2016/2017, an increase of 22.47 index points. In 2017/2018 the inventory value was at 113.83 index points. Inventory value over the POI increased from the base to 113.83 123 in 2017/2018 (an increase of 13.83 index points).

The Commission noted that despite the decrease in the applicant's prices, inventory volumes hit their highest levels in April 2018.

5.4.12 Employment

The following table provides the SACU industry's production employment figures:

Table 5.4.12: Employment

	2015/2016	2016/2017	2017/2018
Number of direct factory workers	100	102.27	102.27

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The total number of factory workers for PET increased from the base to 102.27 index points in 2016/2017 representing an increase of 2.27 index points. The employment figures between 2017/2018 and 2016/2017 years remained constant. Employees increased by 2.27 index points over the POI.

5.4.13 Wages and Salaries

The following table provides the SACU industry's wages:

Table 5.4.13: Wages and Salaries

(R)	2015/2016	2016/2017	2017/2018
Applicant's wages and salaries	100	117.57	155.75
Wages and salaries per employee	100	114.95	152.29

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The information above indicates that the total annual remuneration per factory worker for PET increased from the base to 114.95 index points in 2016/2017, representing an increase of 14.95 index points. In 2017/2018 it increased to 152.29 index points, an increase of 37.34 index points when compared to 2016/2017. The rate of increase over the POI was 52.29 index points.

5.4.14 Growth

The applicant provided the following information with regard to the growth of the market:

Table 5.4.14: Growth

	2015/2016	2016/2017	2017/2018
Applicant's market share	100.00	93.97	53.52
Alleged dumped imports market share	100.00	93.37	133.48
Other SACU market share	100.00	102.74	114.38
Non-dumped imports	100.00	130.93	316.95
Size of the SACU market	100	98.82	105.95

* Alleged dumped Imports & non-dumped Imports include applicant's own imports.

*Alleged dumped Imports exclude the Jlangsu Sanfangxiang Group imports.

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The total SACU market by volume for PET decreased from the base to 98.82 index points in 2016/2017, a decline of 1.18 index points. It increased by 7.13 basis points between 2016/2017 and 2017/2018 when it grew to 105.95 in 2017/2018.

5.4.15 Ability to raise capital or Investments

The applicant provided the following information with regard to the SACU Industry's ability to raise capital or investments:

Table 5.4.15: Ability to raise capital or Investments

(R)	2015/2016	2016/2017	2017/2018
Capital investment in subject product	100.00	203.19	189.74
Capital expenditure in subject product	100.00	451.74	408.29

*The table was indexed due to confidentiality using 2015/2016 as a base year.

The capital investment for PET increased from the base to 203.19 index points in 2016/2017, an increase of 103.19 index points, and in 2017/2018 it declined to 189.74 index points when compared to 2016/2017, a decline of 13.45 index points, and over the POI capital investments increased by 89.74 index points.

The capital expenditure for PET increased from the base to 451.74 index points in 2016/2017, an increase of 351.74 index points. Capital expenditure was at 408.29 index points in 2016/2017, showing a decrease of 43.45 index points from the previous year, and over the POI capital expenditure increased by 308.29 index points.

Comments from interested parties

Safripol increased its capital expenditure four fold during the investigation period, while the total assets increased by 237% in the same period (or by 90% for the product only). This is no sign of injury.

The Commission's consideration

The Commission considered that capital expenditure increased as the upgrading of their plant also required them to improve certain parts or components in their old plant.

5.5 Summary - Material Injury

The examination of the impact of the dumped imports on the domestic industry shall include import volumes, price effects, the relevant economic factors and any other relevant information brought before the Commission that would have a bearing on the state of the industry.

The applicant suffered injury with regard to the following:

- Price suppression;
- Price depression;
- Decline in SACU sales volume;
- Decline in profitability;
- Decline in output;
- Decline in productivity;
- Decline in capacity utilisation;

- Loss in market share;
- Negative growth;
- Increase in inventories;
- Negative return on investment; and
- Negative cash flow.

Comments from Interested parties

- The applicant understated its market share by stating that virgin PET and recycled PET are like products. These products cannot be said to be like products as they do not have the same physical characteristics and appearance and importantly are not substitutes mainly due to differences in moulding (injection moulding versus precision moulding).
- The Commission should exclude all imports of the Sanfangxiang Group from the total imports from the PRC due to the Commission's finding that the group was not dumping. The exclusion of these imports from the total imports from the PRC have a substantial impact on the determination of injury since the Sanfangxiang Group was responsible for a substantial proportion of imports.

The Commission's consideration

- It is noted that recycled PET is not a direct substitute to some virgin PET grades, especially because it cannot make other products that virgin PET can produce, however it does produce some products which can be produced by virgin PET and therefore can be a substitute. The Commission also noted that there are different grades of virgin PET, and those grades of PET mainly determines which product that PET can manufacture, thus recyclable PET does fall into some grades of virgin PET.
- The imports of the Sanfangxiang Group have been excluded from the dumped imports for the purposes of the material injury and causality analysis.

In conclusion the Commission considered that while each injury indicator is analysed, the determination of material injury is based on an overall assessment of all the injury indicators and it made a final determination that the SACU industry is suffering material injury.

6. THREAT OF MATERIAL INJURY

The applicant provided the following information in its substantiation of threat of material injury:

Freely Disposable Capacity

The applicant provided the following information regarding freely disposable capacity:

- China is the leading global producer of PET with a 27% market share. Production in China enjoys the advantage of relatively low operating costs and, as a result, there have been huge PET capacity additions in the country. Investment in PET capacity continues ahead of demand growth, with new assets adding around 1 500 000 ton of effective capacity in 2017 with a further 3 500 000 ton expected to come on-stream in 2018. Together with existing capacity, this additional capacity means that Chinese PET producers will be operating at between 50% and 70% capacity utilisation in 2018 and 2019. All of this surplus capacity increases the available volume of PET to be dumped into the SACU market and increases the likelihood of a decrease in the price of dumped imports. This increases the pressure on it (applicant) to lower its ex-factory price to maintain its sales volumes.
- As a result of bankruptcy, Mossi & Ghisolfi Group (M&G), a leading global PET producer, has shut down its 560 000 ton per year Altamira PET plant and its 250 000 ton per year plant in West Virginia. M&G has stopped construction of its 1 100 000 ton per year PET plant in Texas. This has resulted in a significant temporary reduction in the global supply of PET, which has increased the demand for PET from China. M&G has completed the sale of its project in Texas. When online, this plant is expected to be the largest PET resin facility in the world and will more than offset the temporary decrease in global PET supply. M&G is also in the process of selling its remaining plants and it is expected that these will resume production shortly. Once these plants are in operation, this will reduce the demand for PET from China and result in excess production capacity in China. Safripol therefore forecasts a significant increase in freely disposable capacity in China in the near future as a result of additional capacity being installed in China and a decline in demand for Chinese PET following the return to operation of several plants in Latin

America and the United States. This additional capacity increases the available volume of PET to be dumped into the SACU market and increases the likelihood of a decrease in the price of dumped imports. This increases the pressure on the applicant to lower its ex-factory price to maintain its sales volumes.

Significant increase of alleged dumped imports

The applicant provided the following information regarding significant increase of alleged dumped imports:

- China has increased their production in recent years and as a result the export of PET resin has grown by approximately 60% in the past five years. South Africa has become a key focus for Chinese PET exporters, particularly following the closure of the Japanese market with the imposition of anti-dumping duties on Chinese PET in 2017 and South Africa was the main outlet for Chinese exports of PET in January 2018 and February 2018. Chinese exporters are therefore expected to attempt to increase their sales of dumped imports into the SACU market.

Prices of imports which will have a significant depressing or suppressing effect on domestic prices

The applicant provided the following information regarding pricing effects:

- As has been explained above, in order to make sales in the SACU market, the applicant must lower their prices to match or undercut the price of dumped imports. If it does not lower prices, downstream users will simply import dumped PET from China. This has already resulted in the applicant experiencing price depression, price suppression, decline in profitability, decline in return on investment and decline in cash flow.

Export inventories

The applicant provided the following information regarding export inventories:

- The high levels of overcapacity in China and the ease with which they increased their exports to SACU suggest that they have significant inventories of PET which they will be able to export opportunistically.

The Commission's consideration

According to plasticsinsight.com, the global production capacity of PET was 30.3 million tons in 2017, with China accounting for 30.8% (9.3 million tons), followed by the Asian region (excluding China) accounting for 21%, North America's share was 16.9% with the United States being the leading producing country and European region accounted for 14.7% of the total PET production capacity. It was also found that Africa was last with 2.3% of the global capacity.

Furthermore it was also found that PET's global consumption was only 23.5 million tons in 2017. Therefore taking this into account it is clear that there is significant capacity globally, and it is expected that China being a leading producer of PET would also produce for the export market.

The applicant has also increased its production capacity and will be able to run on full capacity in 2018/2019, therefore this influx of imports are threatening to further reduce the applicant's capacity utilisation, return on investments and profits should the alleged dumped imports persist at current levels.

Summary – Threat of material Injury

The Commission made a final determination that a threat of material injury to the SACU industry exists.

7. CAUSAL LINK

7.1 GENERAL

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

7.2 VOLUME OF IMPORTS AND MARKET SHARE

The following table shows the volume of imports:

Table 7.2 (a): Import volumes

kg	2015/2016	2016/2017	2017/2018
Alleged dumped imports	59 436 908	55 493 717	79 336 137
Other Imports (kg)	21 963 429	28 756 532	69 613 758
Total Imports (kg)	81 400 337	84 250 248	148 949 895
Alleged dumped net imports as a % of total imports:	73.02%	65.87%	53.26%
Other Imports as a % of total imports	26.98%	34.13%	46.74%

* Alleged dumped Imports & other imports include applicant's own Imports.

** Alleged dumped Imports exclude the Jiangsu Sanfangxiang Group Imports.

The alleged dumped import volumes for PET decreased from 59 436 908kg in 2015/2016 to 55 493 717kg in 2016/2017, and in 2017/2018 they increased to 79 336 137kg. The alleged dumped volumes as a percentage of total import volumes for PET decreased in 2017/2018 from 2016/2017.

Comments from interested parties

The decline in production is not indicative of a material injury caused by alleged dumped imports, but rather indicative of the lengthy period for which the shutdown endured and thereafter the process of rebuilding trust in the market.

Commission's consideration

The applicant made measures to build stock during the shutdown, and also imported the subject product to for its customers during the POI. The importers continue to import the alleged dumped products even after the plant was operational.

Table 7.2 (b): Market share

	2015/2016	2016/2017	2017/2018
Applicant's market share	100	95.08	50.51
Alleged dumped imports market share	100	94.49	133.48
Other SACU market share	100	103.97	107.95
Non-dumped imports	100	132.54	316.95
Total market share	100	98.82	105.95

*The table was indexed due to confidentiality using 2015/2016 as a base year.

** Alleged dumped imports exclude the Jlangsu Sanfangxiang Group imports.

The applicant's market share by volume for PET during the POI decreased from the base to 50.51 index points in 2017/2018.

The alleged dumped imports market share by volume for PET during the POI increased from the base to 133.48 index points in 2017/2018.

The Commission considered that the decline in share of the SACU market held by the SACU industry in 2017/2018 coincided with a significant increase in dumped imports market share by volume.

Commission's consideration

Account was taken that in order to prepare for the plant upgrade the applicant had to build up stock and import the subject product from the PRC and other countries. It was found that the imports from the PRC were insignificant in 2015/2016 and 2016/2017. Imports slightly increased in 2017/2018, and were below 10 percent of total imports from the PRC.

Furthermore, the applicant exported the subject product to other markets during the POI. Exports increased during the POI, as the applicant was forced to export because of the intense competition from the dumped imports.

The slight decrease in the dumped imports market share in 2016/2017 is in line with the decline of the overall SACU market in the same period and is far outweighed by the increase in market share of dumped imports the following year.

The overall increase in market share is also evident even when the applicant's own imports from the PRC are not taken into account, and treated as dumped imports.

7.3 EFFECT OF DUMPED IMPORTS ON PRICES

It has already been shown in section 5 of this report that the applicant did not experience price undercutting, but experienced price depression and price suppression.

7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Table 7.4: Material Injury Indicators

	Analysis (2016 – 2018)
Price depression	Negative
Price suppression	Increased
Sales volume and values	Decreased
Profits (R)	Decreased
Output (kg)	Decreased
Capacity utilisation	Decreased
Market share (applicant)	Decreased
Productivity (kg)	Decreased
Return on investment	Decreased
Utilisation of capacity	Decreased
Applicant's Growth	Decreased
Inventories (R)	Increased

7.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

Table 7.5: Examination of causality under Article 3.5

	2015/2016	2016/2017	2017/2018	% Change 2016-2018
FOB prices of imports not sold at dumping prices (R/kg)	13.74	12.91	14.28	3.93%
Volume of Imports not sold at dumping prices (kg)	21 963 429	28 756 532	69 613 758	216.95%
Changes in demand or patterns of consumption	The Commission noted that demand of the subject product increased during the POI, however the demand of the applicants product declined, while imports significantly increased.			
Trade-restrictive practices of foreign and domestic producers	The Commission is not aware of any trade restrictive practices.			
Developments in technology	There are no recent technological advances regarding the PET, known to the Commission.			
Export performance of the domestic industry	The Commission noted that the applicant exported the subject product to other markets during the POI, it noted that exports increased while SACU sales declined. Given the low world prices, particularly as a result of dumped imports, it is difficult for the applicant to compete in the global market for PET. However, to the extent that the applicant is or will be unable to sell its production on the SACU market at a profit or at all it is or will be forced to sell on the international market.			
Productivity of the domestic industry	The applicant stated that it believes that it is equally as productive as producers in exporting countries.			
Indicate any other factors affecting the SACU prices	The applicant highlighted that the main equipment and technology supplier responsible for its expansion project went into bankruptcy before the expanded facility could be commissioned. This led to a decrease in production between August 2017 and November 2017. However, due to high inventory levels and imports of PET the applicant was able to meet customer demand and maintain sales volumes in all the other months except August and November 2017.			

The Commission made a final determination that there is a causal link between the alleged dumping of the subject product and the material injury suffered by the SACU industry and that there were no other factors detracting from the causal link.

8. SUMMARY OF FINDINGS

8.1 Dumping

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

Table 8.1: Dumping margins

Magnitude of dumping margins	
FEIS	27.64%
Wankai	28.39%
Sanfangxiang Group of companies	-0.012%
All other producers/ exporters in the PRC	29.78%

8.2 Material Injury

The Commission found that the applicant was suffering material injury in the form of:

- Price depression/suppression;
- Decline in SACU sales volume;
- Decline in profitability;
- Decline in production;
- Decline in productivity;
- Decline in capacity utilisation;
- Loss in market share;
- Negative growth;
- Increase in inventories;
- Negative return on investment; and
- Negative cash flow.

8.3 Threat of Material Injury

The Commission made a final determination that a threat of material injury to the SACU industry exists.

8.4 Causal Link

The Commission found that a causal link between the alleged dumped imports of the subject product originating in or imported from the PRC and the material injury suffered by the SACU industry exists, and that there were no other factors detracting from the causal link.

9. DEFINITIVE ANTI-DUMPING DUTIES

9.1 The Commission found that all requirements for the imposition of definitive anti-dumping duties have been fulfilled.

9.2 The Lesser duty rule

The lesser duty means that the provisional payment or anti-dumping duty is imposed at a lesser of the margin of dumping or the margin of injury, which is deemed sufficient to remove the injury caused by the dumping.

Regulation 17 of the ADR provides that the Commissions shall consider applying the lesser duty rule if both the corresponding importer and exporter have cooperated fully. The Commission made a final determination not to apply the lesser duty rule.

9.3 Amount of definitive anti-dumping duties

The amounts of duties to be imposed were determined as follows:

Table 9.3: Definitive anti-dumping duties

Tariff Sub-heading	Product description	Final duties
3907.6	Polyethylene Terephthalate produced by Far Eastern Industries (Shanghai) Ltd.	26.40%
3907.6	Polyethylene Terephthalate produced by Zhejiang Wankai New Materials Co., Ltd.	28.26%
3907.6	Polyethylene Terephthalate produced by all other producers in the PRC (excluding those produced by Zhejiang Wankai New Materials Co., Ltd, Far Eastern Industries (Shanghai) Ltd, Jiangyin Xingyu New Material Co.,Ltd, Jiangyin Xingtai New Material Co., Ltd and Jiangsu Xingye Plastic Co., Ltd)	28.89%

10. DETERMINATION

The Commission made a final determination that:

- dumping of the subject product originating in or imported from the PRC (excluding those produced and exported by Jiangyin Xingyu New Material Co.,Ltd, Jiangyin Xingtai New Material Co., Ltd and Jiangsu Xingye Plastic Co., Ltd.) is taking place;
- the SACU industry is thereby experiencing material injury/and or a threat of material injury;
- a causal link between the alleged dumped imports and the material injury and a threat of material injury suffered by the SACU industry exists.

The Commission further made a final determination to recommend to the Minister of Trade, Industry and Competition to impose final anti-dumping duties on poly (ethylene) terephthalate classifiable under tariff sub-heading 3907.6 and originating in or imported from the PRC as contained in table 9.3 of this report. The recommended anti-dumping duties on poly(ethylene) terephthalate be listed in the "rebate item" column in Schedule No. 2, and therefore may not be imported under rebate of customs duty without payment of anti-dumping, countervailing and safeguard duties without a recommendation from ITAC.