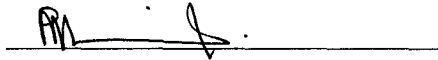


Report No. 192

Investigation into the alleged dumping of paper and paperboard with a mass of 180 g/m² or more, but not exceeding 550 g/m², coated on one side with kaolin clay, commonly known as “white liner” or “grey back paperboard”, originating in or imported from the Republic of Korea: Final determination

The International Trade Administration Commission of South Africa herewith presents its
**Report No. 192: INVESTIGATION INTO THE ALLEGED DUMPING OF MULTI-PLY
PAPER AND PAPERBOARD WITH A MASS OF 180G/M² OR MORE, BUT NOT
EXCEEDING 550G/M², COATED ON ONE SIDE WITH KAOLIN CLAY, COMMONLY
KNOWN AS "WHITE LINER" OR "GREY BACK PAPERBOARD", ORIGINATING IN OR
IMPORTED FROM THE REPUBLIC OF KOREA : FINAL DETERMINATION**



**Ms Nomonde Maimela
CHIEF COMMISSIONER**

PRETORIA

27 / 09 / 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 by Mondi Packaging South Africa (Pty) Ltd (the Applicant), being the sole manufacturer of the subject product in the SACU.
- 1.3 The application was accepted by the Commission as being properly documented in accordance with Article 5.2 of the Anti-Dumping Agreement on 27 July 2005. The trade representative of the country concerned was advised accordingly.
- 1.4 The Commission formally initiated an investigation into the alleged dumping of multi-ply paper and paperboard with a mass of 180g/m² or more, but not exceeding 550g/m², coated on one side with kaolin clay, commonly known as “white liner” or “grey back paperboard”, originating in or imported from the Republic of Korea, pursuant to Notice No. 1356 which was published in *Government Gazette* No. 27846 on 5 August 2005.
- 1.5 The investigation period for dumping was from 1 January 2004 to 31 March 2005. The injury investigation involved evaluation of data for the period 1 January 2002 to 31 March 2005.
- 1.6 The SACU industry consists of only one producer of the subject product, namely Mondi Packaging South Africa (Pty) Ltd, who submitted the information contained in this report.
- 1.7 The following exporter responded to the Commission’s exporters questionnaire:
 - Hansol Paper Manufacturing

- 1.8 The following SACU importers responded to the Commission's questionnaires:
- Nampak Cartons and Labels
 - Peters Papers
- 1.9 After considering all parties' comments, the Commission made a preliminary determination that the subject product was being dumped on the SACU market and the SACU industry is suffering material injury as a result, and that there is a causal link between dumping of the subject product and the material injury experienced by the SACU industry.
- 1.10 However, the Commission decided not to impose provisional payments as it was of the opinion that the imposition of provisional payments prior to the verification of the information submitted by the exporter would have a detrimental effect on the downstream paper packaging industry.
- 1.11 Based on the details as contained in the Commission's preliminary report and the comments received on this report, as well as the information verified at the exporter, the Commission made a final determination that the subject product was being dumped on the SACU market and that the SACU industry was suffering material injury, and that there was a causal link between dumping of the subject product and the material injury experienced by the SACU industry.
- 1.12 The Commission sent out letters to all interested parties, informing them in terms of Section 37 of the International Trade Administration Anti-Dumping Regulations and Article 6.9 of the Anti-Dumping Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade of the "essential facts" which were being considered by the Commission. The Commission invited comments from interested parties on these "essential facts" being considered by the Commission.

1.13 After considering all parties' comments in respect of the "essential facts" letters, the Commission made a final determination that the subject product was being dumped on the SACU market and that the SACU industry was suffering material injury, and that there is a causal link between dumping of the subject product and the material injury experienced by the SACU industry.

1.14 The Commission, therefore, decided to recommended to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on the subject product originating in or imported from the Republic of Korea in the following margins:

Republic of Korea	Rate of anti-dumping duty
-Hansol Paper	2.4%
-All other exporters	23%

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is described as:

Multi-ply paper and paperboard with a mass of 180g/m² or more but not exceeding 550g/m², coated on one side with kaolin clay, commonly known as “white liner” or “grey back paperboard”.

2.1.2 Country of origin/export

The subject product is exported from the Republic of Korea.

2.1.3 Other applicable duties and rebates

The following rebate provisions exist in terms whereof the subject product can be imported with rebate of the duty:

Table 2.1.4: Rebate and drawback items

Tariff subheading	Rebate provision item no.	Rebate provision description
48.10	310.05	Cartons, boxes, cases, bags and other packing containers, of paper
	310.07	Paper and paperboard labels of all kinds, whether or not printed.

2.1.4 Negligibility test

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

Table 2.1.5: Import volumes

	Import volumes 1 January 2004 to 31 March 2005 (POI)	Volume as a percentage of total import volume
Alleged dumped imports:	35 498	83%
Other imports	7 324	17%
Total	42 822	100%

The table above indicates that the alleged dumped imports as a percentage of total imports amounted to 83 per cent during the period of investigation.

2.2 SACU PRODUCT

2.2.1 Description

The SACU product is described as:

Coated duplex white lined (greyback) board, also referred to as GD2, and is a multiply board.

2.3 LIKE PRODUCTS ANALYSIS

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

Table 2.3: Like product determination

	Imported product	SACU product
Raw materials	Recycled fibre, virgin pulp, coatings and chemicals	Recycled fibre, virgin pulp, coatings and chemicals
Physical appearance	Same physical appearance	Same physical appearance
Tariff classification	4810.90	4810.90
Production process	Same production process	Same production process
Application or end use	Used for packaging, including food packaging. Typically used in the packaging of dry groceries, tea, detergents, cereals, motor vehicle parts, personal care products, confectionery, etc.	Used for packaging, including food packaging. Typically used in the packaging of dry groceries, tea, detergents, cereals, motor vehicle parts, personal care products, confectionery, etc.
Substitutability	Are direct substitutes	Are direct substitutes

After considering all the above factors, the Commission was satisfied that the SACU product and the imported product were “like products” for purposes of comparison in this investigation, in terms of Article 2.6 of the Anti-Dumping Agreement.

3. INDUSTRY STANDING

The Applicant provided the following information with regard to the support and/or opposition to the application:

Table 3.1: Industry standing

Industry standing: Coated White Lined (Greyback) Board			
Producer	Production volume- Support application	Production volume- Oppose application	Production volume- Neutral
Applicant	100%	0%	0%
Other producers	None	None	None
Total SACU	100%	0%	0%

The Applicant is the only manufacturer of the product in the SACU. The application is therefore supported by 100 per cent of the SACU industry.

The Commission decided that the application could 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 REPUBLIC OF KOREA

4.1.1 Normal Value

Type of economy

The Republic of Korea is considered to be a country with a free market economy and therefore the definition of section 32 (2)(b)(i) of the ITA Act applies.

Calculation of normal value for Hansol Paper Manufacturing

Levels of trade

On the Korean domestic market, Hansol sells to merchants and end users, whereas the export sales of Hansol to SACU are made to one merchant only. In order to compare sales on the same level of trade for Hansol, the Commission compared domestic sales to merchants in Korea to the export sales to the SACU merchant.

Normal value

It was found during the verification that the exporter sells 11 different product grades on its domestic market. The normal value for each product grade was therefore calculated, and a weighted normal value calculated based on all different grades.

Adjustments to the normal value

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

(i) Cost of payment terms

The exporter claimed an adjustment for cost of payment terms for domestic sales. This adjustment was verified and the weighted average cost of payment terms per kilogram was calculated.

(ii) Transport

The exporter incurred an expense for transport to merchants in its domestic market.

(iii) Packing cost

The exporter incurred expenses for packaging for purposes of its domestic sales. Because of smaller consignments, the packaging cost per kilogram is higher.

(iv) Other adjustments

The exporter incurred other expenses during its normal course of trade.

4.1.2 Export price

Calculation of export price

The export prices for each of the 11 product grades were calculated, after which the weighted average export price for all products before adjustments was

calculated.

Adjustments to the export price

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

(i) *Delivery cost and wharfare*

The exporter claimed an adjustment for delivery and wharfage which it incurred for purposes of its export sales. The weighted average delivery and wharfage cost per kilogram for sales to the SACU merchants was calculated.

(ii) *Packing cost*

The exporter claimed an adjustment for packaging for SACU sales, which was verified. The weighted average packing cost per ton for domestic sales to the SACU merchants was calculated.

(iii) *Credit expenses*

The exporter claimed an adjustment for credit expenses for purposes of its export sales to SACU, which was verified.

(iv) *Export rebate*

The exporter indicated that it received a rebate on raw materials purchased for production of products intended for export purposes. This expense was verified, and added back to the export price.

4.1.3 Margin of dumping

Given the 11 different grades of product of which have significantly different sales volumes, the dumping margins for each product grade were calculated. The dumping margin values for each grade were then weighted with the export volumes during the investigation period.

The dumping calculation was done by subtracting the weighted average export price per ton after adjustments from the weighted average normal value per ton after adjustments. The dumping margin was calculated to be 2.4%.

4.2 CONCLUSION - DUMPING

For purposes of its final determination, the Commission considered all the comments from interested parties and found that the subject product originating in the Republic of Korea was being dumped into the SACU market with the following margins:

Exporter	Country of origin	Dumping margin expressed as a percentage of the fob export price
Hansol Paper Manufacturing	Korea	2.4 %
All other exporters in Korea	Korea	23%

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to Mondi Paper Packaging South Africa (Pty) Ltd, the Applicant, which constitutes 100 per cent of the total domestic production of the subject product.

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

5.2 CUMULATIVE ASSESSMENT

Only one country was petitioned namely the Republic of Korea which makes up 81% of total imports.

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	Tons	381	3 806	100	100	100
2003	Tons	13 369	4 496	106	332	87
2004	Tons	24 066	4 612	87	235	69
2005 Q1	Tons	11 432	2 712	76	298	57

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

Examination under Article 3.2

Growth of Subject Imports

Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Subjects imports/domestic production	%	0.50	16.5	36	(64)
Subjects imports/domestic consumption	%	100	20.82	43	(57)

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	2002/2004
Average import price (fob)	Ton	100	76	78	(22)
Average price of domestic product (ex-factory) (price depression)	Ton	100	104	84	(16)
Price undercutting	%	1.7	27.6	8.9	
Cost as % of selling price (Suppression)	%	100	117	146	46

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 2002/2004
		2002	2003	2004	
Sales:	Tons	100	87	69	31
In value terms	R'million/Ton	100	93.75	63.54	(36.5)
Inventories (quantities)	Tons	100	332	235	135
Output (quantities)	Percentage	100	106	87	(13)
Market share of Applicant	Percentage	100	84	70	(30)
Market share of other SACU manufacturers (if applicable)	Percentage	0	0	0	0
Market share of dumped imports	Percentage	100	3 508	6 380	6 280
Market share of other imports	Percentage	100	50	25	(75)
Capacity utilization	%	100	106	87	(13)
Employment		100	111	101	1
Wages (total wage bill, monthly average)	R'000	100	118	113	13
Productivity (output/worker)	Units per worker	100	96	86	(14)

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

Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Profit	{Rand/unit or %}	100	65	(8)	(108)
Cash flow	Rand	Negative	100	224	124
Return on investment	%	100	49	(4)	(104)
Ability to raise capital (capital expenditure)		100	53	23	(77)
Growth in SACU market		100	100	99	(1)
Growth of Applicant		100	87	69	(31)
Factors affecting domestic prices (cost of raw material per unit)	Rand/unit	100	121	122	22
Variable	Unit of Measurement	Year			Change
		2002	2003	2004	2002/2004
Magnitude of the margin of dumping	%	2.4			

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

5.5 CONCLUSION - MATERIAL INJURY

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

- the dumped imports had increased significantly;
- there was price undercutting;
- it experienced price suppression and depression;
- its output declined;
- its sales declined;
- its profits decreased;
- its market share declined;
- its utilisation of production capacity declined;
- its productivity declined;

- its return on investment declined;
- its employment declined; and
- there was a negative effect on its growth.

6. CAUSAL LINK

6.1 GENERAL

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

6.2 VOLUME OF IMPORTS AND MARKET SHARE

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

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

Table 6.2.1: Market share

	2002	2003	2004
Percentage market share held by:			
Applicant	96.9%	81.7%	67.4%
Other SACU producers	0	0	0
Total SACU	96.9%	81.7%	67.4%
Dumped imports	0.5%	17.0%	31.9%

The market share of the Applicant decreased over the period 2002 to 2004.

The following table shows the volume of imports:

Table 6.2.2: Import volumes

Unit of measurement	2002	2003	2004	Jan-Mrch 05
Dumped imports	381	13 369	24 066	2 858
Other imports	3 806	4 496	4 612	678
Total imports	4 187	17 865	28 678	3 536
Dumped imports as a % of total imports	9%	75%	84%	81%

The information in the table above shows that dumped imports as a percentage of total imports increased from 9 % in 2001 to 81% during the first quarter of 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	Jn-Mrch 05
Price undercutting (%)	1.7	27.65	8.9	5.3
Applicant's ex-factory selling price (R/unit)	100	104	84	79
Cost as a % of selling price (%)	100	117	145	146

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

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2002- Mrch 05)
Sales volume	Decrease
Profit	Decrease
Output	Decrease
Market share	Decrease

Productivity	Decrease
Return on investment	Decrease
Utilisation of capacity	Decrease
Cash flow	Increase
Inventories	Decrease
Employment	Decrease
Wages	Increase
Growth	Decrease
Ability to raise capital	Constant

6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

6.5.1 Examination of causality under Article 3.5

Variable	Unit of Measurement	Year			Change (%)
		2002	2003	2004	2002/2004
Prices of imports not sold at dumping prices (fob price)	Ton	5 318	3 612	3 743	(1 575)
Volume of imports not sold at dumping	Ton	3 806	4 496	4 612	806
Changes in the patterns of consumptions	There were no changes in consumption patterns				
Trade-restrictive practices of foreign and domestic producers	None				
Competition between foreign and domestic producers	The domestic producer exports to other countries and competes with other exporters				
Developments in technology	The domestic producer wants to invest in new technology but only if the market conditions are normal				
Export performance of the domestic industry	The domestic producer exports to other countries and competes with other exporters				
Productivity of the domestic industry	Productivity of the domestic producer declined since the workforce could not be scaled down in line with the decline in sales.				

6.6 CONCLUSION ON CAUSAL LINK

After considering all relevant factors and comments, the Commission made a final determination that there is a causal link between the dumped imports and the material injury suffered by the Applicant

7. SUMMARY OF FINDINGS

7.1 Dumping

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

Exporter	Country of origin	Dumping margin expressed as a percentage of the fob export price
Hansol	Korea	2.4%
Other exporters	Korea	23%

7.2 Material injury

The Commission found that the Applicant suffered material injury in the form of price undercutting, price suppression, the decline in output, sales, profit, market share, productivity, capacity utilization, negative effect on cash flow, employment, return on investment and growth.

7.3 Causal link

The Commission considered all the comments received from interested parties and decided that there is a causal link between the dumped imports and the material injury suffered by the Applicant.

7.4 Final duties

The Commission considered the price disadvantage, being the extent to which the price of the imported product (landed cost) is lower than the unsuppressed and un-depressed ex-factory selling price of the SACU product, and found that the price disadvantage was higher than the margin of dumping. The Commission, therefore, applied the margin of dumping in calculating the final duties.

8. FINAL DETERMINATION

The Commission made a final determination that

- The subject product originating in or imported from the Republic of Korea was being dumped into the SACU market;
- The SACU industry suffered material injury; and
- There was a causal link between the dumping of the subject product and the material injury.

The Commission, therefore, decided to recommend to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on multi-ply paper and paperboard with a mass of 180g/m² or more, but not exceeding 550g/m², coated on one side with kaolin clay, commonly known as “white liner” or “grey back paperboard”, classifiable under tariff subheading 48.10.90, originating in or imported from the Republic of Korea in the following amounts, being the lesser of the dumping margin and the price disadvantage:

Republic of Korea	Rate of anti-dumping duty
-Hansol Paper	2.4%
-All other exporters	23%