

Report No. 178

Sunset review of the anti-dumping duties on printed and dyed bed linen originating in or imported from Malawi and printed bed linen originating in or imported from Pakistan: Final determination

**The International Trade Administration Commission of South Africa herewith presents
its Report No. 178: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PRINTED &
DYED BED LINEN ORIGINATING IN OR IMPORTED FROM MALAWI AND PRINTED BED
LINEN ORIGINATING IN OR IMPORTED FROM PAKISTAN: FINAL DETERMINATION**



**Ms N P Maimela
CHIEF COMMISSIONER**

PRETORIA
22 June 2006

APPLICATION FOR A SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON PRINTED & DYED BED LINEN ORIGINATING IN OR IMPORTED FROM MALAWI AND PRINTED BED LINEN ORIGINATING IN OR IMPORTED FROM PAKISTAN

Background

On 30 May 2001, definitive anti-dumping duties were imposed on printed & dyed bed linen originating in or imported from Malawi and printed bed linen originating in or imported from Pakistan. The then Board on Tariffs and Trade, predecessor of the International Trade Administration Commission of South Africa (the Commission) found that the products were dumped on the SACU market causing material injury to the SACU industry.

In accordance with the provisions of Article 11.3 of the World Trade Organisation Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade, any definitive anti-dumping duty shall be terminated on a date not later than five years from the date of imposition, unless the authorities determine, in a review initiated before that date on their own initiative or upon a duly substantiated request made by or on behalf of the domestic industry within a reasonable period of time prior to that date, that the expiry of the duty would be likely to lead to the continuation or recurrence of dumping and injury.

On 27 May 2005, the Commission notified all interested parties, through Notice No. 779 of Government Gazette No. 27599, that unless a request is made by or on behalf of the SACU industry for the duty to be reviewed prior to the expiry thereof, the anti-dumping duties on printed & dyed bed linen originating in or imported from Malawi and printed bed linen originating in or imported from Pakistan, would expire on 30 May 2006.

1. APPLICATION AND PROCEDURE

- 1.1** The application was lodged by Texfed (Applicant), being the representative of manufacturers of the “like product” in the SACU.
- 1.2** The Applicant alleged that the expiry of the anti-dumping and countervailing duties would lead to the recurrence of dumping and subsidization of the subject product, thereby leading to the continuation or recurrence of material injury to the SACU industry in the form of:
- price undercutting
 - price depression
 - price suppression
 - decline in output
 - decline in domestic sales
 - decline in market share
 - decrease in profits
 - decline in utilization of production capacity
- 1.3** The investigation period for dumping would have been from 01 June 2005 to 31 July 2005. The injury investigation involved evaluation of data for the period 2002 to 2005 and an estimate should the duties expire.
- 1.4** The SACU industry consists of several producers of the like product, namely, Frame Manchester, Da Gama Textile company Ltd, Romatex Home textiles (Pty) Ltd, Boston Trading, Charmfit, Mooi River Textiles, Sheraton (Eachus) and WL Cole. Only Frame Manchester and Da Gama Textile company Ltd submitted information contained in this submission.

1.5 The following exporters/manufacturers were identified as interested parties:

Pakistan

- Noaman Ahmed Textile Traders, Karachi, Pakistan
- Amadsons Textiles, Karachi, Pakistan
- Liaqu & Co, Lahore Cantt, Pakistan
- Gul Ahmed Textile Mills Ltd, Karachi, Pakistan
- Decent Textiles, Faisalabad, Pakistan
- Bilal Textiles, Faisalabad, Pakistan
- SMT Traders, Karachi, Pakistan
- Queens Group

Malawi

- Crown Fashions, Lindwe, Malawi

The Applicant indicated in its submission that the above exporter/manufacturer in Malawi may have ceased production of the subject products.

1.6 The following SACU importers were identified as interested parties:

- Pep Stores SA (Pty) Ltd
- Edcon (Edgars)
- Home Choice (Pty) Ltd
- SARIF Enterprises
- Stuttafords

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 IMPORTED PRODUCTS

2.1.1 Description

(a) Detailed physical description of the subject product:

The imported product is known as bed linen, which consist of flat sheets, fitted sheets, pillow cases (both normal and continental), night frills and duvet covers.

b) *Main raw materials/components/inputs used:*

The main raw materials/components/inputs used in the production of bed linen are cotton fibres and polyester staple fibres

2.1.2 Tariff classification

The subject product is classifiable as follows:

Table 2.1. 2

Tariff subheading	Description	Unit of measure	Rate of Customs duty	Rebate item	Rebate prov description
6302.2	Bed linen, printed:				
6302.21	- of cotton	Kg	30%	N/a	N/a
6302.22	- of man-made fibres	Kg	30%	N/a	N/a
6302.3	Other bed linen:				
6302.32	- of man-made fibres	Kg	30%	N/a	N/a
6302.39	- of other text materials	Kg	30%	N/a	N/a

2.1.3 Other applicable duties and rebates

The subject product is subject to the following anti-dumping duties:

Table 2.1.3

Tariff subheading	Description	Country	Rate of Anti-Dumping Duty
6302.21	Bed linen, printed, of cotton	Malawi, excluding Crown fashions	13.83%
6302.22	Bed linen, printed, of man made fibres	Malawi, excluding Crown fashions	70.41
6302.32	Bed linen, other, of man made fibres	Malawi, excluding Crown fashions	98.13%
6302.39	Bed linen, other, of other materials	Malawi, excluding Crown fashions	109.86%
6302.22	Bed linen, printed, of cotton	Manufactured or exported by Crown Fashion	13.83%
6302.32	Fitted sheets, other, of man made fibres	Manufactured or exported by Crown Fashion	3.3%
6302.32	Pillow cases, other, of man made fibres	Manufactured or exported by Crown Fashion	26%
6302.39	Bed linen, other, of other materials	Manufactured or exported by Crown Fashion	19.86%
6302.21	Bed linen, printed, of cotton	Pakistan	33.48%

2.1.4 Country of origin/export

The subject products originate in Pakistan and are exported from Malawi and Pakistan.

2.1.5 Application/end use

The subject products are used as a consumer product in households for beds.

2.1.6 Production process

The production process used in producing bed linen is spinning, weaving, dyeing, printing and sewing is globally the same and therefore it is assumed that the process would be the same as in SACU.

2.2 SACU PRODUCT

2.2.1 Description

(b) Detailed physical description of the subject product:

The imported product is known as bed linen, which consist of flat sheets, fitted sheets, pillow cases (both normal and continental), night frills and duvet covers.

b) Main raw materials/components/inputs used:

The main raw materials/components/inputs used in the production of bed linen are cotton fibres and polyester staple fibres

2.2.2 Application/end use

The application and end-use of the SACU product is as a consumer product in households for beds.

2.2.3 Tariff classification

The SACU product is classifiable under tariff subheading 6302.2, 6302.21, 6302.22, 6302.3, 6302.32 and 6302.39

2.2.4 Production process

Cotton fibres and polyester staple fibres are the raw materials from which the fabrics are produced and the inherent characteristics of the fibres have the single largest effect on the nature of the finished fabrics. E.g. cotton fibres are single elongated cells that have a flat, twisted and ribbon-like structure. The colour varies from cream to light brown and the lengths vary from 13 mm to 50 mm. In order to produce fabrics, the fibres must be converted into yarns. The type of yarn chosen for a fabric will affect its appearance, durability, handling and draping characteristics. Polyester fibres (being man-made) have the same characteristics as cotton and are therefore mainly mixed with cotton to form a polyester/cotton product. Dependent on the origin of the fibre and the length of the fibre, the fibre will go through various processes that will transform it from a fibre into a yarn (spinning process).

The spinning process is comprised of the opening of the bales, the combing and drawing of the fibres into roving and then the spinning. It is at this stage that the blend or mixture of the fabrics is determined. Blends are produced when two or more fibres are mixed prior to the spinning, in the case different bales of cotton fibres.

The fabrics are weaved by interlacing two sets of yarns at right angles. The warp yarns are those that lie in the longitudinal direction of the fabrics whilst it is being woven. The weft (or filling) yarns are those which, during weaving, are introduced between the warp yarns, in the width direction of the fabric. Woven fabrics are manufactured using a loom. The nature of the fabric depends on the way in which the warp and weft yarns are interlaced. There are four main categories of weave, each of which may be varied to create a multiple of different surface effects.

Textile materials are dyed in aqueous solutions or dispersions of dyestuffs, together with dye bath additives such as salt, alkali and acids. The dissolved or dispersed dyestuff must first be absorbed into the fibre surface and then diffused into its interior where it finally must be fixed.

Printing: This is the controlled placing of defined areas of colour onto a substrate. The colourant must first be brought to the fibre surface usually in the form of printing paste. The colourant must then be fixed in place, and finally, excess unfixed colour has to be washed out. Printing methods: direct printing/overprinting, discharge printing, resist printing, pigment printing, transfer printing, flock printing, lacquer printing, hand printing, screen printing (flat screen or rotary printing)

As the fabrics move up in the value added chain from unbleached to printed, the cost of the production also increase. The more cotton fibre content, the more expensive the fabric because currently cotton fibres are more expensive than polyester fibres. The production cost and price of the fabric will depend on the fibre mix, the fibre count and the finish.

The fabrics are then cut, sewn and trimmed into sheets, pillow cases, duvet covers and night frills.

2.3 LIKE PRODUCTS

2.3.1 General

In order to establish the existence and extent of injury to the SACU industry, it is necessary to determine at the outset whether the products produced by the SACU industry are like products to those originating in or imported from Malawi and Pakistan.

2.3.2 Analysis

In determining the likeness of products, the following criteria are analyzed:

- (a) raw material used;
- (b) physical appearance and characteristics;
- (c) tariff classification;
- (d) method of manufacturing; and
- (e) customer demand and end use.

(a) Raw material

There appears to be no differences in the raw materials used to manufacture the imported and the domestic products.

(b) Physical appearance and characteristics

The physical appearance and characteristics of both the imported and domestic products are the same.

(c) Tariff classification

The tariff classification of the imported and domestic products is the same.

(d) Method of manufacturing

The method of manufacturing processes of both the imported and domestic products are likely to be the same.

(e) Customer demand and end-use

The customer demand and end use of both the imported and domestic products are the same

The Commission confirmed its decision of the original investigation, that the SACU product and the imported products were “like products”, for purposes of comparison, in terms of Article 2.6 of the Anti-Dumping Agreement.

3. SACU INDUSTRY

3.1 INDUSTRY STANDING

Two local producers supported the application.

The Commission decided that the application can be regarded as being made “by or on behalf of the domestic industry” and, therefore, was eligible for initiation under the provisions of the Anti-Dumping Agreement.

4. DUMPING

General

The Applicant based the normal values for Malawi on retail invoices of the subject product in Malawi and the normal value for Pakistan on a retail price in Pakistan.

4.1 METHODOLOGY IN THIS INVESTIGATION FOR MALAWI

4.1.1 Normal Value

Type of economy

Malawi is considered to be a country with a free market economy and therefore the definition of Section 32(2)(b) of the ITA Act applies.

The Applicant indicated that it appears as if there is no local manufacturer of bed linen in Malawi and based the normal values in Malawi on a retail invoice. The Applicant indicated that the subject products being sold in Malawi are of Pakistani origin.

The retail price for dyed bed linen was based on pillowcases and sheet.

The retail price for printed bed linen was also based on pillowcases and sheets.

Adjustments to normal values

The Applicant made the following adjustment to calculate the ex-factory price in Malawi.

Retail mark-up and imports duties

The Applicant indicated that the retail mark-up is 50%. The Applicant further deducted 30% for import duties.

Ex-factory prices

After taking the above adjustments into consideration an ex-factory price was calculated for dyed bed linen, which was converted to US\$ using the exchange rate 1\$=R6.2.

4.1.2 Export prices

The Applicant indicated that during January to July 2005, bed linen of man –made fibres, not printed, was imported from Malawi. The price was converted to US\$ using the average exchange rate of January to June of \$1=R6.28.

The export price for dyed bed linen was based on the official SACU import statistics.

4.1.3 Margin of dumping

Based on the information, a dumping margin of 230 per cent on dyed bed linen and 16 per cent on printed bed linen were calculated for Malawi.

4.2 METHODOLOGY IN THIS INVESTIGATION FOR PAKISTAN

4.2.1 Normal Value

Type of economy

Pakistan is considered to be a country with a free market economy and therefore the definition of Section 32(2)(b) of the ITA Act applies.

The Applicant based the normal value for Pakistan on a retail price in Pakistan. The normal value was based on 2x pillow-cases (100% cotton) size 48, weighing 240 grams.

Adjustments to normal values

The Applicant made an adjustment (assumed) of 150 per cent for mark-up costs.

Ex-factory domestic prices

After taking the above adjustment into consideration the Applicant calculated an ex-factory price. The Rand value was then converted to US\$ using the exchange rate 1\$=R6.28

4.1.2 Export prices

The Applicant based the export price on the average FOB price of the imported bed linen from Pakistan in 2005. This was converted to US\$ using the exchange rate 1\$=R6.28.

4.2.2 Margin of dumping

Based on the information, a dumping margin of 332 per cent was calculated for Pakistan.

4.3 SUMMARY - DUMPING

Based on the above information supplied, by the applicant the Commission decided that *prima facie* information to indicate that the expiry of the anti-dumping duties is not likely to lead to continuation or recurrence of dumping of the subject product originating in Malawi and Pakistan.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY FOR THE PURPOSE OF DETERMINING MATERIAL INJURY

5.2 GENERAL

Information with regard to each of the injury indicators reflects the applicant's position 3 years following the imposition of the current anti-dumping duties, as well as an estimate of what the effect of the expiry of the duty will have on the industry.

The following injury analysis relates to Texfed (Applicant), being the representative of manufacturers of the "like product" in the SACU.

	2002	2003	2004	2005 est
Imports –				
Printed, cotton: Pakistan	100	104	101	107
Printed, m/made: Malawi				32%
Other, m/made dyed: Malawi				12%
Price depression:				
Printed	100	105	100	98
Dyed	100	105	100	98
Sales volume (tons)	100	73	90	68
Net Profit	100	37	106	(93)
Output (tons)	100	72	93	68
Employee productivity (tons):				
Dyed	100	80	100	60
Printed	100	107	133	66
Return on total net assets:				
Dyed	100	22	39	11
Printed	100	19	31	13
Utilization capacity	100	100	100	100
Dumping margins:				
Malawi: dyed			229.73%	
Printed			15.85%	
Pakistan: Printed			332%	
Inventories (tons):				
Dyed	100	105	156	159
Printed	100	13	21	19
Employment	100	84	97	126

The table above was indexed due to confidentiality, using 2002 as a base

Comments submitted by the Applicant, in substantiation of the allegation that the expiry of the anti-dumping duty would likely to lead to a continuation or recurrence of material injury to the SACU industry were considered by the Commission. However, the Commission was not convinced that a likelihood of material injury exists.

The Commission, therefore, concluded that the Applicant did not submit *prima facie* evidence to indicate that the expiry of the duties is likely to lead to the continuation or recurrence of material injury.

7. DETERMINATION

The Commission determined that there is not sufficient proof that there is a *prima facie* case that the expiry of the duty is likely to lead to continuation or recurrence of dumping of the subject product.

The Commission decided that the Applicant did not submit *prima facie* evidence to indicate that the expiry of the duties is likely to lead to the continuation or recurrence of material injury.

The Commission, therefore, decided to recommend to the Minister of Trade and Industry that the anti-dumping duties on printed & dyed bed linen originating in or imported from Malawi and printed bed linen originating in or imported from Pakistan be withdrawn.