

REPORT NO. 504

**SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON CLEAR FLOAT AND
DRAWN GLASS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S
REPUBLIC OF CHINA AND INDIA: FINAL DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents
its **Report No. 504: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON
CLEAR FLOAT AND DRAWN GLASS ORIGINATING IN OR IMPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA AND INDIA: FINAL DETERMINATION**



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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 504

SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON CLEAR FLOAT AND DRAWN GLASS ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA) AND INDIA: FINAL DETERMINATION

SYNOPSIS

On 20 June 2014, the Commission notified the SACU industry through notice No. 450 in the Government Gazette No. 37740, that unless a substantiated request is made by it indicating that the expiry of the anti-dumping duties on the subject product originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on the subject product originating in or imported from China and India would expire on 25 March 2015.

On 20 February 2015, the Commission initiated a sunset review of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India through Notice No.151 published in the *Government Gazette* No. 38478.

The application was lodged by PFG Building Glass (the Applicant). The Applicant is the only producer of clear float glass in the Southern African Customs Union (SACU).

The investigation was initiated after the Commission considered that the expiry of the anti-dumping duties on imports of clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and injury.

On initiation of the investigation, the known producers/exporters of the subject product in China and India were sent foreign manufacturers/exporters questionnaires

to complete. Importers of the subject product were also sent questionnaires to complete. No properly documented responses were received from any interested party.

After considering all interested parties' comments, the Commission made a final determination that the expiry of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and material injury.

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

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

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

1.2 APPLICANT

The application was lodged by PFG Building Glass, the only producer of float glass in the SACU.

1.3 INVESTIGATION PROCESS

On 20 June 2014, the Commission notified the SACU industry through notice No. 450 in the Government Gazette No. 37740, that unless a substantiated request is made by it indicating that the expiry of the anti-dumping duties on the subject product originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duties on the subject product originating in or imported from China and India would expire on 25 March 2015.

A response to the review questionnaire was received from the Applicant on 15 July 2014. After all the deficiencies were addressed, an updated application was received on 10 December 2014.

The information submitted by the Applicant was verified on 13 January 2015. A verification report was sent on 19 January 2015. Further deficiencies were addressed and the application was resubmitted on 21 January 2015. Notice of initiation of the investigation was published in the *Government Gazette* on 20 February 2015. Due date for submission of responses to the Applicant's review questionnaire was 1 April 2015.

1.4 INVESTIGATION PERIOD

The investigation period for dumping is from 01 April 2013 to 31 March 2014, and the injury investigation involves evaluation of data for the period of 1 April 2011 to 31 March 2014, as well as an estimate should the duties expire.

1.5 PARTIES CONCERNED

1.5.1 SACU industry

The application was lodged by PFG Building Glass (the Applicant). The Applicant is the only producer of clear float glass in SACU.

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

1.5.2 Foreign Manufacturers/Exporters

No properly documented responses from any manufacturer in China or India were received.

1.5.3 Importers

A deficient response was received from Southern Key Trading (Pty) Ltd, an importer of tempered glass originating in China. A letter was sent on 10 April 2015 requesting clarity on the product which it imported, but no response was received. Southern Key Trading responded to the essential facts letter stating that the import was done as a once-off purchase for ‘self-use’ in the development of a property and no re-sale statistics could be provided.

The Commission made a final determination not to take their information into account.

1.6 Comments

After considering all the information available, the Commission issued essential facts letters stating that it was considering making a final determination that the expiry of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and to the recurrence of material injury. Responses to the Commission's essential facts letter were received from the Applicant and Southern Key Trading.

Southern Key Trading responded to the essential facts letter stating that the import was done as a once-off purchase for 'self-use' in the development of a property and no re-sale statistics could be provided.

The Applicant stated that it was in agreement with the facts that would be considered by the Commission for making a final determination.

1.7 Final determination

The Commission made a final determination that the expiry of the anti-dumping duties on clear float and drawn glass originating in or imported from China and India would likely lead to the continuation or recurrence of dumping and material injury. The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties be maintained.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 Product

2.1.1 Description

The subject product is described as clear drawn and float glass of 3mm to 6mm thickness. Although drawn glass is not manufactured in the SACU, the Applicant stated that the product is a direct substitute for the SACU manufactured product, i.e. clear float glass.

2.1.2 Like product

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

2.1.3 Tariff classification

The subject product is classifiable as follows:

Drawn glass - Tariff heading: 70.04

Clear float glass - Tariff heading: 70.05

| Tariff subheading | Description | Referred to as | Unit of measurement | # Rate of customs duty ('general') | Rebate provision description |
|-------------------|---|----------------|---------------------|------------------------------------|------------------------------|
| 70.04.90.90 | <i>Drawn glass and blown glass, in sheets-other</i> | 3 to 6 mm | m ² | 10% | None |
| 70.05.29.17 | <i>Of a thickness exceeding 2,5mm but not exceeding 3mm (excluding optical glass)</i> | 3mm | m ² | 10% | None |
| 70.05.29.23 | <i>Of a thickness exceeding 3mm but not exceeding 4mm (excluding optical glass)</i> | 4mm | m ² | 10% | None |
| 70.05.29.25 | <i>Of a thickness exceeding 4mm but not exceeding 5mm (excluding optical glass)</i> | 5mm | m ² | 10% | None |

| Tariff subheading | Description | Referred to as | Unit of measurement | # Rate of customs duty ('general') | Rebate provision description |
|-------------------|---|----------------|---------------------|------------------------------------|------------------------------|
| 70.05.29.35 | <i>Of a thickness exceeding 5mm but not exceeding 6mm (excluding optical glass)</i> | 6mm | m ² | 10% | None |

2.1.4 Other applicable duties

The following anti-dumping duties are applicable:

| Tariff Heading/ Subheading | Description | Imported from or Originating In | Rate of Anti-Dumping Duty |
|----------------------------|---|---------------------------------|---------------------------|
| 7004.90.90 | Drawn glass and blown glass, in sheets, whether or not having an absorbent or reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 6 mm (excluding optical glass) | China | 562c/m ² |
| 7004.90.90 | Drawn glass and blown glass, in sheets, whether or not having an absorbent or reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 6 mm (excluding optical glass) | India | 587c/m ² |
| 7005.29.17 | Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 3 mm (excluding optical glass) | India | 720c/m ² |
| 7005.29.17 | Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 2,5 mm but not exceeding 6 mm (excluding optical glass), (excluding that manufactured by Dalian Float Glass Co. Ltd.) | China | 802c/m ² |
| 7005.29.23 | Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 3 mm but not exceeding 4 mm (excluding optical glass). | China | 802c/m ² |
| 7005.29.23 | Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 3 mm but not exceeding 4 mm (excluding optical glass). | India | 886c/m ² |
| 7005.29.25 | Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 4 mm but not exceeding 5 mm (excluding optical glass). | China | 802c/m ² |
| 7005.29.35 | Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 5 mm but not exceeding 6 mm (excluding optical glass). | India | 1 387c/m ² |
| 7005.29.35 | Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked, of a thickness exceeding 5 mm but not exceeding 6 mm (excluding optical glass). | China | 802c/m ² |

3. INDUSTRY STANDING

The Applicant is the only producer of clear float glass in the SACU.

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

4. CONTINUATION OR RECURRENCE OF DUMPING

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

In determining the likelihood of continuation or recurrence of dumping, the Commission made a final determination to use the best information available, being that provided by the Applicant, as no properly documented responses were received from manufacturers in China or India.

It should be noted that PFG did not obtain separate dumping information for drawn glass as was the case in the original anti-dumping application and previous sunset reviews. The Applicant stated that the only reason why there is a dumping duty on drawn glass is because the anti-dumping duty on float glass can be circumvented by importing float glass and declare it as drawn glass. The Commission therefore decided to accept this approach and accept that the normal values and export price of drawn glass and float glass are deemed to be the same.

The Applicant stated that while prices and statistics for the subject product are sometimes quoted per ton/kilogram or square meter or per square foot, it is more practical, in matters such as the current application, to express quantities and prices on a per ton basis, as this allows the various thicknesses of the product to be dealt with simultaneously as prices are often, within relatively small variances, proportional to the thickness of the subject product. Consequently, if prices are available for one, or two, of the subject product thicknesses, average prices per ton can be derived that will be representative of the price for all thicknesses of the subject product. The conversion tables used are as follows:

| Conversion tables square feet to square metres/square metres to square feet | |
|--|--|
| 1 square foot = | 0.0929 square metres |
| 1 square metre = | 10.7643 square feet |
| Conversion table square metres of subject product to tons | |
| Subject product thickness | Square metres (m²) per ton |
| 3mm | 139.04 |
| 4mm | 103.38 |
| 5mm | 81.94 |
| 6mm | 67.98 |

The exchange rates used in the compilation of this application are based on average exchange rates for the period 1 April 2013 to 31 March 2014 and are as follows:

| Country | Currency | Rand |
|----------------|-----------------|-------------|
| CHINA | 1 RMB | 1.6418 |
| INDIA | 1 IRB | 0.1673 |
| USA | 1 US\$ | 10.1052 |

*Exchange rates were obtained from OANDA.com

4.1 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM CHINA

4.1.1 Normal Value

In determining the normal value for China, the Commission used the price quotations submitted by the Applicant.

Adjustments

The Commission made a final determination not to allow the adjustments claimed for which no substantiation could be provided.

4.1.2 Export Price

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

In calculating the export price for China, the Commission used the quote obtained from an exporter in China that exported to South Africa during the period of investigation. The Commission decided to allow an adjustment of 5 per cent to calculate the price in January 2014.

Adjustments

The Commission made a final determination not to allow the adjustments claimed for which no substantiation could be provided.

4.2 Margin of Dumping

The following dumping margins were therefore calculated for clear float glass:

| China – clear float glass | Margin of Dumping as % of net export price |
|----------------------------------|---|
| 3mm | 268.1% |
| 4mm | 237.0% |
| 5mm | 291.2% |
| 6mm | 278.3% |

The following dumping margin was calculated for drawn glass from China:

| Hs Code: 7004.9 | Margin of Dumping as % of net export price |
|------------------------|---|
| 3mm – 6mm | 268.0% |

The Commission noted that the dumping margin calculated is abnormally high, due to the fact that the adjustments to calculate the normal value to ex-factory level could not be substantiated by the Applicant and could therefore not be allowed. The Commission was however of the view that this is acceptable information in making a determination on the likelihood of continuation or recurrence of dumping.

4.3 METHODOLOGY FOR ALL MANUFACTURERS/EXPORTERS FROM INDIA

4.3.1 Normal Value

In determining the normal value for India, and as no properly documented responses were received from any exporters in India, the Commission made a final determination to use the best information available, being that provided by the Applicant.

The Applicant obtained a price quotation for flat glass in India. The prices were obtained from retailers in India in Indian Rupee and VAT was not included.

Adjustments

The Commission made a final determination not to allow the unsubstantiated adjustments made by the Applicant.

4.3.2 Export Price

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

The Applicant obtained a price quotation for flat glass in India. The prices were obtained from retailers in India in Indian Rupee and VAT was not included.

Adjustments

The Commission made a final determination not to make any unsubstantiated adjustments to the export price. The Commission decided to allow the adjustment for ocean freight as this could be substantiated.

4.4 Margin of Dumping

The dumping margins for India were calculated as follows:

| India – clear float glass | Margin of Dumping as % of net export price |
|----------------------------------|---|
| 3mm | 505.4% |
| 4mm | 378.4% |
| 6mm | 218.7% |

| India – drawn glass | Margin of Dumping as % of net export price |
|----------------------------|---|
| 3mm – 6mm | 335.2% |

The Commission noted that the dumping margin calculated is abnormally high, due to the fact that the adjustments to calculate the normal value to ex-factory level could not be substantiated by the Applicant and could therefore not be allowed. The Commission was however of the view that this is acceptable information in making a determination on the likelihood of continuation or recurrence of dumping.

4.5 FINAL DETERMINATION: DUMPING

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

5. CONTINUATION OR RECURRENCE OF MATERIAL INJURY

5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION

The following injury analysis relates to PFG Building Glass. As their production volume represents 100 per cent of the total SACU production, the Commission decided that this constitutes “a major proportion” of the total domestic production, in accordance with the Anti-Dumping Regulations.

5.2 IMPORT VOLUMES AND THE EFFECT ON PRICES

5.2.1 Import volumes and value

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

Table 5.2.1: Import volumes:

| Country | 2011/2012 | 2012/2013 | 2013/2014 | Estimates if duties expire |
|--|-----------|-----------|-----------|----------------------------|
| Alleged dumped imports (Tons): | | | | |
| China | 88 | 113 | 15 956 | 24 130 |
| India | Zero | Zero | Zero | 1 900 |
| Other imports (Kg) | 27 641 | 27 765 | 22 121 | 22 121 |
| Total Imports: | 27 729 | 27 878 | 38 078 | 48 152 |
| Alleged imports as a % of total imports: | | | | |
| China | 0.32% | 0.41% | 41.90% | 50.11% |
| India | 0.00% | 0.00% | 0.00% | 3.95% |
| Other imports as a % of total imports | 99.68% | 99.59% | 58.09% | 45.94% |
| Total % | 100% | 100% | 100% | 100% |

The Applicant stated that the SARS import statistics do not provide a useable basis for trend analysis concerning subject product originating in China and India, owing to the existence of the current anti-dumping duties and seemingly erroneous listing of some imports from China. That said, it is typical, when

dumping recurs following the removal of anti-dumping measures, that imports from the party/ies involved in dumping increase almost exponentially. In the absence of anti-dumping measures the volume of dumped imports from China and India is expected to initially increase to 12 000 tons representing the expected loss by volume of sales to the dumped imports experienced by the applicant, as well as by importers of non-dumped imports. The price of dumped imports from China and India are also likely to decline by a further 10%, as those exporters try to rapidly gain market share. In this regard, when dumping recurs, exporters can be expected to lower their prices significantly below their export prices prior to the removal of the duties, in order to take market share from local producers in the target market as well as from existing exporters to that market.

5.2.2 Effect on Domestic Prices

5.2.2.1 Price undercutting

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

No price undercutting took place during the period of investigation.

The Applicant stated that this was estimated based on the import prices which were based on the quotes received from China and India that should the anti-dumping duties be revoked, the SACU industry's selling prices, if not reduced, would be undercut by the imported product causing material injury. It should also be noted that when dumping recurs, exporters can be expected to lower their prices below the prices prior to the removal of the duties, in order to take market share from local producers in the target market as well as from existing exporters to that market.

The Applicant also indicated that the price undercutting by dumped imports is by definition material injury and that this itself is a clear indicator of severe material injury as the reduced selling price is not the result of market forces or

normal competition, but is the direct result of injurious dumping, an unfair and highly deleterious trading practice.

5.2.2.2 Price depression

The table below shows the domestic industry's domestic selling price for the period April 2011 - March 2014 and an estimate in the event of the duties expiring:

Table 5.2.2.2 Price depression

| | 2011/2012 | 2012/2013 | 2013/2014 | Estimate if duty expires |
|----------------------------|-----------|-----------|-----------|--------------------------|
| Applicant ex-factory price | 100 | 100 | 112 | 95 |

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the 2013/2014 figures reflect data with the anti-dumping duties in place against subject product imports from China and India and also takes into account the continuing soft market conditions arising from the ongoing global economic downturn. The Estimate column, assuming that the anti-dumping duties are no longer applicable, illustrates the large magnitude of price depression that will be experienced, as the SACU subject product producer is forced to reduce its selling price to compete with the dumped prices from China and India if the anti-dumping duties are revoked.

5.2.2.3 Price suppression

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

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

Table 5.2.2.3 Price suppression

| | 2011/2012 | 2012/2013 | 2013/2014 | Estimate if duty expires |
|---------------------------------------|-----------|-----------|-----------|--------------------------|
| Units tons | 100 | 126 | 136 | 122 |
| Unit price Rand | 100 | 100 | 112 | 95 |
| Unit cost (Production) Rand | 100 | 104 | 119 | 122 |
| Gross Profit per unit Rand | 100 | 94 | 104 | 72 |
| Production cost as % of selling price | 100 | 105 | 107 | 128 |

Table indexed due to confidentiality using 2011/2012 as base year

The Applicant stated that the 2013/2014 data takes into account the continuing soft market conditions arising from the ongoing global economic downturn. The “estimate” column, assuming that the anti-dumping duties are no longer applicable, illustrates the considerable magnitude of price suppression that will be experienced, as the SACU subject product producer is forced to reduce its selling price to compete with the dumped prices from China and India. In this regard, the SACU producer will not be able to recover unavoidable cost increases on important manufacturing inputs, some of which include the electricity price hikes, any raw material increases, and increases in the administered price of liquid and gaseous fuels. The indicated price suppression is direct material injury and is not the result of market forces or normal competition, but is the direct result of injurious dumping - an unfair and highly deleterious trading practice.

The Applicant also stated that the subject product glass from various manufacturers tends to be relatively homogenous. The product from one producer can fairly easily be substituted with product from other producers. Consequently, glass does tend to be very price-elastic between producers, as users do strongly tend to buy from the cheapest supplier. Given these market characteristics, if injuriously dumped product is permitted to enter the SACU market, users will increasingly purchase the injuriously dumped product, increasing the demand for dumped imported product, often rapidly and exponentially. It is important to realize that such imports do not increase the overall market size, but, by unfair and highly deleterious means, simply displace normally priced locally produced and normally priced imported product. The information gathered in order to compile this application provided

