A.D.C No. 06/2004/NTC/UFMC
National Tariff Commission

Preliminary Determination and Levy of Provisional Antidumping Duty on Import of UFMC into Pakistan Originating in and/or Exported from the Peoples's Republic of China

The National Tariff Commission (the "Commission") initiated an investigation on January 12, 2005 under Section 23 of the Anti-Dumping Duties Ordinance, 2000 (the "Ordinance") after establishing that the application lodged by Dynea Pakistan Limited, Karachi (the "Applicant") on behalf of the domestic industry was in accordance with Sections 20 and 24 of the Ordinance. The investigation concerns dumping of Urea Formaldehyde Moulding Compound ("UFMC"), originating in and/or exported from the People's Republic of China ("China") into Pakistan. In accordance with the Ordinance and the Anti-Dumping Duties Rules, 2001 (the "Rules"), the Commission has, after investigation, determined the following on a preliminary basis:

Exporters and Foreign Producers: The Applicant has identified thirty-one exporters/producers from China to be involved in dumping of UFMC into Pakistan.

Product Under Investigation: UFMC exported by the Chinese exporters is the product under investigation (the "investigated product"). It is classified under Pakistan Customs Tariff (PCT) Heading No. 3909.1010 (PCT heading in Pakistan is equivalent to Harmonized Commodity Description and Coding System under Brussels nomenclature upto six digit level).

Like Product: In terms of Section 2 of the Ordinance, the examination revealed that the investigated product and UFMC produced by the domestic industry are produced with similar manufacturing process, and with the same raw materials. Both have the same physical characteristics, usage, and tariff classification. Thus it is provisionally established that both the products are "like products".

Period of Investigation ("POI"):

Investigation of dumping	From July 1, 2003 to September 30, 2004
Investigation of injury	From July 1, 2001 to September 30, 2004

Sampling: In view of the apparent large number of exporters/producers from China involved in this investigation, it is impracticable to determine individual margin of dumping for each exporter or producer of UFMC identified by the Applicant. Therefore, the Commission has resorted to sampling in accordance with Section 14(2) of the Ordinance.

On the basis of the criteria set out in section 14 (2) of the Ordinance and the information provided by two exporters and other information available to the Commission, the Commission selected a sample of the following three exporters of UFMC from China (and consequently individual provisional margins of dumping are determined for these three exporters):

i) Bluestar International Chemical Co., Ltd.,
(former China National Bluestar (Group) Corporation);
No. 19, Beisanhuan East Road, Chaoyang District,
Beijing, China.

ii) Sinochem Tianjin Import & Export Corporation,
58, Nanjing Road, Tianjin-300042, China

iii) Yixing Yuntong Chemical Industry Inc.,
88, Far East Road, Fandao Town,
Yxing, Jiangsu, China

The Commission's basis of selection of a sample is the largest representative volume of exports, which could reasonably be investigated within the time available, in consultation with the exporters in accordance with the provisions of Section 14 (2) of the Ordinance.

Determination of Normal Value: The normal value of the investigated product exported by China Bluestar International Chemicals Co., Ltd ("Bluestar") has been established in accordance with Section 5(1) of the Ordinance on the basis of comparable price paid or payable, in the ordinary course of trade, for sales of like product when destined for consumption in China. Bluestar purchased the investigated product from a Chinese producer Liyang Yongan Thermoset Co., Ltd ("Liyang"). For purposes of determination of the normal value for Bluestar, information of the domestic sales of Liyang (submitted by Bluestar in Questionnaire) has been used. After making adjustment for domestic freight charges, the weighted average ex-factory normal value for Bluestar works out to be US$ 548.77/MT.

Sinochem Tianjin Import & Export Corporation ("Sinochem") purchases investigated product for export to Pakistan from two Chinese producers namely, Liyang and Shanghai Wujing Chemicals Co. Ltd. ("Wujing"). The normal value for Sinochem has been calculated on the basis of the information of domestic sales of Liyang and Wujing provided by Sinochem. The weighted average ex-factory normal value of Liyang UFMC after making adjustments for freight charges (on the basis of domestic sales information of Liyang) works out to US$ 548.77/MT. The domestic sales information of Wujing regarding UFMC has been analysed in the Commission and it was found that 99.8 percent of Wujing sales in the domestic market were below cost of production over an extended period of time, which does not provide for recovery of costs within a reasonable period of time. Thus the normal value of Wujing is constructed from the cost of production data provided by Wujing. This comes to US$ 706.10/MT. These normal values have been applied for Sinochem on a weighted average basis.

Since Yixing Yuntong Chemical Industry Inc., ("Yixing") (third Chinese exporter selected in sample) did not provide the requisite information, the Commission has relied on best information available in terms of Section 32 and schedule to the Ordinance for determination of normal value of the investigated product. For the purpose of the determination of normal value for Yixing, the weighted average ex-factory domestic sales price of US$548.77/MT of Liyang has been used (being the best available information), a producer for which information was provided by Bluestar.

Determination of Export Price: Export price has been calculated in accordance with Section 10(1) of the Ordinance, which provides that an export price shall be a price actually paid or payable for an investigated product when sold for export from an exporting country to Pakistan. For this purpose data obtained from Pakistan Revenue Automation Limited ("PRAL"), the data processing arm of the Central Board of Revenue, Government of Pakistan, and the information/data submitted by the sampled exporters has been used. The Commission made adjustments for (i) inland freight (ii) ocean freight (iii) bank charges (iv) interest cost and (v) gross profit/commission, as claimed by Bluestar and Sinochem. The weighted average ex-factory export prices of the investigated product are US$ 473.53/MT, US$533.36/MT and US$ 469.71/MT for Bluestar, Sinochem and Yixing respectively.

Dumping Margin: The dumping margins have been calculated in accordance with Section 12(1) of the Ordinance by comparing the weighted average normal value at ex-factory level with the weighted average export price at ex-factory level. The provisional dumping margins expressed as percentage of weighted average C&F export price thus work out to 12.15% for Bluestar, 4.31% for Sinochem, 14.89% for Yixing and 9.77% for all other Chinese exporters.

Injury to the Domestic Industry: Injury to the domestic industry has been determined in accordance with Part VI of the Ordinance. The Commission has on preliminary basis established that the domestic industry suffered material injury due to significant increase in dumped imports in absolute terms, due to price depression, price suppression, increase in inventories decline in profit, and negative effect on cash flow, and on account of negative effect on ability to raise capital and investment.

Dumped Imports: Volume of dumped imports increased in absolute terms by 888MT in the FY 2003-04 over the FY 2002-03 while production of the domestic like product increased by 939 MT in the FY 2003-04 over the FY 2002-03. Based on the facts the Commission concludes that there has been a significant increase in dumped imports in absolute terms.

Injury Factors other than Dumped Imports: The Commission also examined factors other than dumped imports, which were causing injury to the domestic industry.

Imposition of Provisional Antidumping Duty: In reaching this preliminary affirmative determination, the Commission is satisfied that the investigated product has been imported at dumped prices. This has caused material injury to domestic industry during the POI. In order to prevent material injury in course of this investigation, the Commission, pursuant to the powers conferred upon it under Section 43 of the Ordinance, has decided to impose provisional antidumping duties on UFMC importable from the following Chinese exporters for a period of four months effective from the date of publications of this notice in the national press, on the C&F value at the rate of:

Exporters	Provisional Antidumping Duty on C&F Value
Bluestar	12.15 %
Sinochem	4.31 %
Yixing	14.89 %
Other exporters from China	9.77 %

The provisional antidumping duties shall take the form of security by way of cash deposit in Commission's Non-lapsable PLD Account No. 187 with Federal Treasury Office Islamabad. The provisional antidumping duties would be collected in the same manner as customs duty under the Customs Act, 1969 (IV of 1969).

Disclosure meeting: Pursuant to Rule 11 of the Rules, the exporters of the investigated product may request for a disclosure meeting within 15 days of the date of publication of this notice.

Hearing: Any party registered as an interested party in this case may, if it so wishes, request a hearing in accordance with Rule 14 of the Rules within 30 days of the publication of this notice by contacting Secretary, National Tariff Commission, State Life Building No.5, Blue Area, Islamabad. Telephone No. 0092-51-9202839, Fax No.0092-51-9221205.

Further Information: A non-confidential version of the report on preliminary determination has been placed on public file established and maintained by the Commission. It has also been posted on the Commission's website: www.ntc.gov.pk. The public file shall be available to the interested parties, registered with the Commission for the purposes of this investigation, for review and copying at the offices of the Commission, from Monday to Thursday between 1100 hrs to 1300 hrs.

(Batool Iqbal Qureshi)
Secretary