

(NON-CONFIDENTIAL)



**Government of Pakistan  
National Tariff Commission**

**REPORT**

**ON**

**PRELIMINARY DETERMINATION AND LEVY OF  
PROVISIONAL ANTIDUMPING DUTY ON IMPORT OF PVC  
RESIN (Suspension Grade) INTO PAKISTAN ORIGINATING IN  
AND/OR EXPORTED FROM THE REPUBLIC OF KOREA  
AND THE ISLAMIC REPUBLIC OF IRAN**

**A.D.C No.05/2004/NTC/PVCR**

October 23, 2004

Preliminary Determination and Levy of Provisional Antidumping Duty on Import of PVC Resin (Suspension Grade) into Pakistan Originating in and/or Exported from the Republic of Korea and the Islamic Republic of Iran

**TABLE OF CONTENTS**

<b>S. No.</b>	<b>Contents</b>	<b>Page No.</b>
<b>A.</b>	<b>PROCEDURE</b>	<b>4</b>
1	Receipt of Application	4
2	Evaluation and Examination of the Application	4
3	Foreign Producers and Exporters of the Investigated Product	5
4	Applicant's Views	5
5	Initiation of Investigation	6
6	Information/Data Gathering	6
7	Public File	11
8	Period of Investigation	11
9	Investigated Product, Like Product, Domestic Like Product	12
10	Negligible Volume of Imports	14
11	Submissions by the Exporters and Producers	14
12	Submissions by the Importers/Industrial Users	17
13	Examination of the Materials Available with the Commission	20
<b>B.</b>	<b>DUMPING</b>	<b>21</b>
14	Determination of Dumping	21
15	Normal Value	21
16	Export Price	24
17	Dumping Margin	25
<b>C.</b>	<b>INJURY TO THE DOMESTIC INDUSTRY</b>	<b>26</b>
18	Determination of Injury	26
19	The Domestic Industry	27
20	Cumulation of Dumped Imports	27
21	Volume of Dumped Imports	28
22	Price Effects	29
23.	Market Share and Sales	32
24	Production and Capacity Utilization	33

Preliminary Determination and Levy of Provisional Antidumping Duty on Import of PVC Resin (Suspension Grade)  
into Pakistan Originating in and/or Exported from the Republic of Korea and the Islamic Republic of Iran

25	Effects on Inventories	33
26	Effects on Profit/loss	34
27	Effects on Employment, Productivity and Wages	35
28	Effects on Cash Flow	36
29	Magnitude of Dumping Margin	36
30	Conclusion of Material Injury Analysis	37
31	Other Factors	37
<b>D</b>	<b>CONCLUSIONS</b>	<b>37</b>
<b>E</b>	<b>IMPOSITION OF PROVISIONAL ANTIDUMPING DUTY</b>	<b>38</b>

The National Tariff Commission (hereinafter referred to as the “Commission”) having regard to the Anti-Dumping Duties Ordinance, 2000 (LXV of 2000) (hereinafter referred to as the “Ordinance”) and the Anti-Dumping Duties Rules, 2001 (hereinafter referred to as the “Rules”) relating to investigation and determination of dumping of goods into the Islamic Republic of Pakistan (hereinafter referred to as “Pakistan”), material injury to the domestic industry caused by such imports, and imposition of antidumping duties to offset the impact of such injurious dumping, and to ensure fair competition thereof and to the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the “Agreement on Antidumping”) has conducted an investigation and made a preliminary determination under the above mentioned Ordinance and Rules.

#### **A. PROCEDURE**

The procedure set out below has been followed with regard to this investigation.

##### **1. Receipt of Application**

The Commission received a written application from Engro Asahi Polymer and Chemicals Limited, First Floor, Bahria Complex 1, 24 M.T. Khan Road, Karachi (hereinafter referred to as the “Applicant”), a domestic producer of PVC Resin (suspension grade) (hereinafter referred to as “PVC Resin”), on behalf of the domestic industry, on June 11, 2004, alleging that PVC Resin produced in the Republic of Korea (hereinafter referred to as “Korea”) and in the Islamic Republic of Iran (hereinafter referred to as “Iran”) is exported to Pakistan at dumped prices (hereinafter referred to as the “investigated product”). The Embassies of Korea and Iran in Islamabad were notified on June 12, 2004, through the Ministry of Foreign Affairs, Pakistan, of the receipt of application in accordance with the requirements of Section 21 of the Ordinance.

##### **2. Evaluation and Examination of the Application**

The examination of the application showed that it met the requirements of Section 20 of the Ordinance as it contained sufficient evidence of dumping of the investigated product and injury to the domestic industry caused therefrom. The requirements of Rule 3 of the Rules, which relate to the submission of information prescribed therein were also found to have been met. The application also fulfilled the requirements of Section 24 of the Ordinance, as the Applicant happens to be the only domestic producer of PVC Resin, and, as such, represents 100 percent of the total production of PVC Resin produced by the domestic industry.

**3. Foreign Producers and Exporters of the Investigated Product**

The Applicant identified LG International Corporation, LG Twin Towers, 20, Yoido-dong, Youngdungpo-gu, Seoul 150-721, Korea, and Bandar Imam Petrochemical Company Ltd., No. 310, Kargar Shomali Ave, Tehran, Iran as producers (hereinafter collectively referred to as the “Producers”) and LG International Corporation, LG Twin Towers, 20, Yoido-dong, Youngdungpo-gu, Seoul 150-721, Korea, and Iran Petrochemical Commercial Company, No. 1339, Valiasr Ave., Vanak Sq, Tehran, Iran, as exporters (hereinafter collectively referred to as the “Exporters”) of the investigated product.

**4. Applicant’s Views**

The Applicant, *inter alia*, raised the following issues in its application regarding dumping of the investigated product and material injury to domestic industry caused therefrom:

- i. the investigated product and the PVC Resin produced in Pakistan by the domestic industry are ‘like products’;
- ii. the Producers and the Exporters are exporting the investigated product to Pakistan at dumped prices; and
- iii. export of the investigated product to Pakistan at dumped prices has caused and is causing material injury to the domestic industry, mainly through:
  - a. volume of dumped imports;
  - b. price undercutting;
  - c. price depression;
  - d. price suppression;
  - e. negative effect on sales growth;
  - f. negative effect on inventories;
  - g. negative effect on cash flows;
  - h. negative effect on return on investment;
  - i. negative effect on growth in capacity utilization;
  - j. negative effect on growth/expansion plans;
  - k. negative effect on ability to raise capital; and
  - l. decline in gross profit margin and operating profit.

## **5. Initiation of Investigation**

5.1 The Commission upon examining the accuracy and adequacy of the evidence provided in the application established that there is sufficient evidence of dumping and injury to justify initiation of an investigation. Consequently, the Commission decided to initiate an investigation on June 23, 2004. In terms of Section 27 of the Ordinance, the Commission issued a Notice of Initiation, which was published in the Official Gazette of Pakistan<sup>1</sup> and in two widely circulated national newspapers<sup>2</sup> (one English language and one Urdu Language). Investigation concerning imports of the investigated product {classified under Harmonized System (“HS”) Code<sup>3</sup> 3904.1000} into Pakistan originating in and/or exported from Korea and Iran was thus initiated on June 25, 2004.

5.2 The Commission notified (by sending them a copy, each, of the Notice of Initiation) the Embassies of Korea and Iran in Pakistan on June 25, 2004. Copies of Notice of Initiation were also sent to the Exporters and the Producers, the known Pakistani importers and the Applicant on June 25, 2004 in accordance with the requirements of Section 27 of the Ordinance.

5.3 In accordance with Section 28 of the Ordinance, on June 26, 2004, the Commission also sent copies of full text of the written application (non-confidential version) to the Embassies of Korea and Iran in Pakistan and the Exporters and the Producers.

## **6 Information/Data Gathering**

6.1 The Commission sent questionnaires for submission of data and information by the Exporters and the Producers, on June 26, 2004, and asked them to respond to the Commission within 37 days of the dispatch of the questionnaires. On June 26, 2004 questionnaires were also sent to Pakistani importers known to the Commission and these importers were requested to respond to the Commission within 37 days of the dispatch of the questionnaires.

6.2 The Korean exporter (LG International Corporation) did not respond to the Commission’s questionnaire. The Commission after expiry of the time period given to the Korean exporter to respond, informed it through a letter dated August 13, 2004 that the Commission is constrained to reach preliminary determination based on the ‘Best

---

<sup>1</sup> The official Gazette of Pakistan (Extraordinary) dated June 25, 2004

<sup>2</sup> The ‘Dawn’ and the ‘Express’ of June 25, 2004 issue.

<sup>3</sup> In Pakistan the words HS are substituted by the words PCT, which is the abbreviation for Pakistan Customs Tariff.

Information Available' in terms of Section 32 of the Ordinance and Article 6.8 of the Agreement on Antidumping and Annex II thereto because of the "non-response". The embassy of Korea in Pakistan was also informed accordingly. None of the Pakistani importers responded to the questionnaires.

6.3 The Commission received a letter from LG Chem, Ltd., LG Twin Towers, 20, Yoido-dong Youngdungpo-gu, Seoul, Korea (a Korean producer/exporter of PVC Resin) on July 10, 2004. Extracts germane to this investigation from the letter are reproduced here under:

"As for LG Chem, Ltd, during the period of investigation 1<sup>st</sup> January 2003 to 31<sup>st</sup> March 2004, there's not any sales record of PVC Resin(suspension grade) into Pakistan and furthermore there's no plan to sell in future.

Therefore, LG Chem, Ltd. hopes to be excluded from this investigation and from any forthcoming penalties. In addition, LG Chem, Ltd. expects no further request of submitting Answer Sheets."

6.4 The Commission received another letter from LG Chem, Ltd., on July 12, 2004. Extracts germane to this investigation from that letter are reproduced below:

"On your documents of Appendix 5, "Data on quarterly basis for two years before start of dumping", our LG's total export quantity is 2,352mt and takes about 54% of total imported quantities into Pakistan during the period of investigation.

However, that export quantity is totally Paste PVC not Suspension grade. As we already mentioned at our previous Letter d.d on 6<sup>th</sup> July, there's not any sales record of Suspension grade PVC into Pakistan and furthermore there's no plan to sell in future. We just export the Paste PVC not Suspension PVC and Paste PVC has no relationship with current Anti-Dumping against Suspension Grade PVC from South Korea.

Furthermore, Local maker, EAPCL is the manufacturer of only Suspension PVC and Local customers using Paste PVC in Pakistan have to totally depend on imported Paste PVC.

Usually there's two kinds of PVC, Suspension Grade and Paste Grade. These two grades are totally different in Manufacturing Process, Properties and Application and also all customers are recognizing these two grades as totally different.

Our LG's sales volume of Paste PVC into Pakistan during POI is as below.

Your Data on Appendix 5	Our Real Sales volume
2,352mt	3,070mt

\* Our Real sales is Paste PVC not Suspension PVC”.

6.5 The Commission examined the claim of LG Chem, Ltd. It was found from Pakistan Customs Department record that there were considerable imports of PVC Resin (suspension grade) of Korean origin from LG International Corporation during the POI. The Commission asked LG Chem, Ltd., through its letter of July 13, 2004 to supply information/data as per the questionnaire pursuant to Article 6.1.1 of the Agreement on Antidumping and in accordance with Section 35 of the Ordinance, within 37 days to enable an examination of the sales made by LG Chem, Ltd. to LG International Corporation, to determine normal value.

6.6 LG Chem, Ltd. did not respond to the Commission's questionnaire. The Commission after expiry of the time period given to respond, informed it through a letter of August 24, 2004 that given a nil reply the Commission would be constrained to reach preliminary determination based on the 'Best Information Available' in terms of Section 32 of the Ordinance and Article 6.8 and Annex II of the Agreement on Antidumping. The embassy of Korea in Pakistan was also informed accordingly.

6.7 Advocate of the Iran Petrochemical Commercial Company (“IPCC”) met the officers of the Commission on July 31, 2004 at the offices of the Commission and made, *inter alia*, the following points:

- i. IPCC and Bandar Imam Petrochemical Company (“BIPC”) both are state owned companies and are considered one entity under the control of National Petrochemical Company (“NPC”), a subsidiary of Iranian Petroleum Ministry.
- ii. BIPC is a producer of a number of products including PVC Resin while IPCC is responsible for marketing and sales of the products of BIPC and other companies of the NPC. Under Iranian law any correspondence for the marketing and sales or other issues relating to the products of the companies under NPC will only be done by IPCC. So there will be one response to the questionnaire from both the companies (IPCC and BIPC) and that will be from IPCC. The response will contain all the information, which the Commission has sought from both the companies.
- iii. IPCC is responsible for marketing and sale of PVC Resin in its domestic

(Iranian) market as well as in export market.

- iv. The Government of Iran fixes sales price for PVC Resin on a quarterly basis for domestic market and during that quarter no further change is made. IPCC is bound to sell (in its domestic market) on the prices fixed by the Government.
- v. All sales data for domestic market (Iran) is in Farsi language and there are a large number of sales transactions during the POI. IPCC has around 10,000 customers in Iran. It is not possible for IPCC to supply all the details of domestic sales in English language on a transaction-by-transaction basis. However, if the Commission desires, these details can be supplied in Farsi language on a CD.
- vi. The Applicant has used a different exchange rate from that actually applied in calculating normal value for Iran. On the basis of exchange rate actually applied, dumping margin works out to less than 2 percent (*de minimis*).

6.8 Advocate of IPCC also sought some clarifications on the questionnaire. The officers of the Commission explained the questionnaire and clarified that as regards the supply of information/data on domestic sales, IPCC may submit the following:

- i. Major sales on transaction-by-transaction basis;
- ii. Total quantity sold during the POI and weighted average price for entire sales;
- iii. The price lists issued by the Government of Iran for each quarter during the POI; and
- iv. All details of domestic sales on transaction-by-transaction basis in Farsi language on a CD.

6.9 IPCC requested for extension in time limit of seven working days to submit information/data in response to the questionnaire through its letter of July 28, 2004. The Commission acceded to the request of IPCC and the time limit for submission of information/data was extended up to August 9, 2004.

6.10 A response to the questionnaire from IPCC was received on August 9, 2004. The information received was analyzed and it was found deficient in respect of the following:

- i. Information/data on exports transactions as per S.No. C 3 of the questionnaire.
- ii. Information/data on all Pakistani customers (importers) as per S.No. C 3 of the questionnaire.
- iii. Information/data on domestic sales as per S.No. D of the questionnaire.
- iv. Information/data on operating statistics as per S.No. E of the questionnaire.
- v. Information/data on cost of production as per S.No. F of the questionnaire.
- vi. Information/data on quantity and value of total sales in Appendix No.1 of the questionnaire.
- vii. Information/data on cost of production in Appendix No. 2 of the questionnaire.
- viii. Catalogues and brochures mentioned at S.No. B 2.4 of the questionnaire were not enclosed.

6.11 The Commission conveyed these deficiencies to IPCC through its letter of August 16, 2004 and asked it to supply the requisite information/data latest by August 31, 2004.

6.12 On August 31, 2004 the Commission received Information/data mentioned at sub-paragraphs (i), (ii), and (viii) of paragraph 6.9 supra, while IPCC stated that remaining information/data (mentioned at sub-paragraphs (iii) to (vii) of paragraph 6.9) will be submitted later. IPCC did not furnish the information. However, this information/data, necessary for this investigation, was obtained during on-the-spot investigation conducted at the premises of IPCC (see paragraph 6.14 infra).

6.13 The Commission accepted the information/data submitted by IPCC for the purposes of this investigation and the preliminary determination for dumping is based on the same. The information was also verified during subsequent 'on-the-spot investigation/verification' conducted at the premises of IPCC and BIPC.

6.14 The Commission maintains a database of import statistics, obtained on quarterly basis, from Pakistan Revenue Automation Limited ("PRAL"), the data processing arm of the Central Board of Revenue, Government of Pakistan. For the purpose of this

preliminary determination the Commission has used import data obtained from PRAL in addition to the information provided by the Applicant and IPCC.

6.15 Thus the Commission has sought from all available sources the relevant data and information deemed necessary for the purposes of determination of dumping and injury caused therefrom. In terms of Rule 12 of the Rules, the Commission, during the course of the investigation, is required to satisfy itself as to the accuracy of information supplied by the interested parties. In this connection, on-the-spot investigations were conducted at the premises of the Applicant from July 19 to 21, 2004, and at the premises of IPCC and BIPC from September 24 to 29, 2004 in order to verify the information provided respectively by the Applicant and the Iranian exporter/producer, and to obtain further information.

## **7. Public File**

The Commission, in accordance with Rule 7 of the Rules, has established and maintained a public file at its offices. This file remains available to the interested parties for review and copying from Monday to Thursday between 1100 hours to 1300 hours throughout the investigation. This file contains non-confidential versions of the application, submissions, notices, correspondence and other documents for disclosure to the interested parties. In terms of Section 31 of the Ordinance, any information, which is marked confidential by the interested parties in their submissions and considered confidential by the Commission, shall, during and after the investigation, be kept confidential.

## **8. Period of Investigation**

8.1 In terms of Section 36 of the Ordinance, period of investigation (hereinafter referred to as the "POI") is:

- i. "for the purposes of an investigation of dumping, an investigation period shall normally cover twelve months preceding the month of initiation of the investigation for which data is available and in no case the investigation period shall be shorter than six months".
- ii. "for the purposes of an investigation of injury, the investigation period shall normally cover thirty-six months:

Provided that the Commission may at its sole discretion, select a shorter or longer period if it deems it appropriate in view of available information regarding domestic industry and an investigated product”.

8.2 The POI selected for dumping and injury, are therefore, respectively, as follows:

Investigation of dumping	from January 01, 2003 to March 31, 2004;
Investigation of injury	from January 01, 2001 to March 31, 2004.

**9. Investigated Product, Like Product, Domestic Like Product**

9.1 Section 2 of the Ordinance defines the “investigated product”, the “like product” and the “domestic like product” as follows:

Investigated Product:

“a product, which is subject to an antidumping investigation as described in the notice of initiation of the investigation”.

Like Product:

“a product, which is alike in all respects to an investigated product, or, in the absence of such a product, another product, which although not alike in all respects, has characteristics closely resembling to those of the investigated product”.

Domestic Like Product:

“the domestically produced product, which is a like product to an investigated product”.

9.2 For the purposes of this investigation and given the definitions set out above, these products are identified as follows:

i. Investigated Product

The investigated product is PVC Resin, produced by the Producers and exported by the Exporters. It is classified under HS Code 3904.1000.

ii. Domestic Like Product

The domestic like product is PVC Resin produced by the domestic industry (the Applicant). It is classified under the same HS Code 3904.1000 as the investigated product.

9.3 In order to establish whether the investigated product and the domestic like product are like products, as contended by the Applicant, the Commission reviewed all the relevant information received/obtained from various sources including the Applicant, IPCC, the websites of Korean producer/exporter (LG Chem, Ltd., and LG International Corporation), and PRAL in the following terms:

- i. The basic raw materials used in the production of both, the investigated product and the domestic like product, is Vinyl Chloride Monomer (“VCM”), which is a petrochemical.
- ii. Both, the investigated product and domestic like product are produced with the same manufacturing process.
- iii. Both, the investigated product and domestic like product have same colour and appearance. It is a fine flowing powder. It is highly compatible with many additives. It is highly stable in storage under normal light and weather conditions. It is least hygroscopic and does not absorb moisture. It is non-inflammable and is considered self-extinguishable. Its properties vary with the additives.
- iv. Both, the investigated product and domestic like product are substitutable in use. It is mainly used as raw material in the manufacturing of PVC pipes. It is also used in the production of shoes, artificial leather, film, insulation cables, ducts, doors and window profiles, plastic chairs and tables.
- v. Both, the investigated product and domestic like product are sold and marketed in 25 kilograms (“Kg”) bags in Pakistan.
- vi. Both, the investigated product and the domestic like product are classified under the same HS Code 2904.1000.

In light of the above, the Commission has therefore, determined that the investigated product and the domestic like product are “like products”.

**10. Negligible Volume of Imports**

In terms of Section 41(3) of the Ordinance, the volume of imports shall normally be regarded as negligible if the volume of imports of an investigated product is found to account for less than three percent of total imports of the like product. In this regard, data and information received from PRAL reveals that the volume of imports of the investigated product accounts for 53.40 percent and 27.87 percent from Korea and Iran respectively of the total imports of PVC Resin during the POI. The total imports of the investigated product from the Exporters were eighty-one percent (81.27%) of the total imports of PVC Resin into Pakistan during the POI. Thus this percentage is above the negligible volume (less than three percent) of imports of the like product.

**11. Submissions by the Exporters and the Producers**

As stated in paragraphs 6.2 and 6.6 supra, the Commission did not receive any response from the Korean exporter/producer (LG International Corporation and LG Chem, Ltd.). The Iranian exporter/producer (IPCC) responded to the Commission's questionnaire (paragraphs 6.9 to 6.11 supra) and submitted its views/comments. Extracts germane to this investigation from the submissions of IPCC are reproduced below:

**“DUMPING MARGIN:**

Dumping margin of 10.24% claimed by applicant is incorrect and based on false exchange rate of IR 7,960 = US \$1, where is actual exchange rate of Iranian Rial has been around 8,365 per US \$ during POI.

For the purpose of determining normal value of our PVC Resin in domestic market of Iran, the price of 4,697,000 Iranian Rials per ton is correct but actual exchange rate during POI was 8,365 IR per US dollar, therefore gross price per ton should be around US \$ 561. Inland freight is 2,500,000 Iranian Rials per 20 tons i.e. 125,000 IR per ton which is around US \$ 15 per ton. On this basis adjusted normal value comes to around US \$ 546 per dollar.

For establishing dumping margin if we accept their adjusted C&F export price that later we should deduct export price from the normal value. So, the dumping margin in the case will be as per Section 12 (1) of Anti-dumping Ordinance 2000.

**US \$ 546 – US \$537 = US \$ 9 Per ton**

As percentage of C&F value accepted for purposes of customs valuation in Pakistan, actual dumping margin could be approximately 1.7% which is below the demines of 2%.

## **INJURY TO DOMESTIC INDUSTRY**

Our comments on the Injury Factor raised by the applicant industry are as under:

### **a. VOLUME OF DUMPER IMPORTS**

As admitted by the applicant that the imports from IPCC-Iran were 135 mt & 108 mt respectively in 3<sup>rd</sup> & 4<sup>th</sup> qtr 2003 against the import of 891 mt in 2<sup>nd</sup> qtr of 2003, so there was no increase in the dumped imports rather there was a constant decrease and since 1<sup>st</sup> qtr 2004 till today there is nil export from IPCC- Iran.

### **b. PRICE EFFECTS**

#### **i. PRICE UNDERCUTTING**

The applicant has not discussed the landed cost of imports form IPCC-Iran which proves that the price undercutting was done by imports from other sources.

#### **ii. PRICE SUPPRESSION**

The applicant has been selling its product at prices higher than its cost of production throughout the POI and has related its price fixation with the landed cost of imports, hence imports from IPCC have not caused any price suppression.

#### **iii. PRICE DEPRESSION**

In Para 7.16 the applicant has only given comparative import prices of LG Korea which indicates that there was no price depression on account of imports from IPCC.

### **3. NAGTIVE EFFECTS ON SALE**

The applicant has alleged that there were imports of 4033 ton in 2002 which increased to 4362 ton in 2003, representing on increase of 15% has negatively effected its sales.

Firstly the increase comes to around **8% and not 15%** . Secondly there were no imports during 2002 from IPCC –Iran hence negative

effects if any was not on a/c of increased sales from IPCC during 2003 over last year.

**4. LOSS OF MARKET SHARE**

The applicant industries sales during 2003 were higher than its sales during 2002, hence it did not suffer any injury on this account. In addition the imports from Iran during this period were around 1300 tons against total imports of more than 4000 tons, hence most of the imports were sources other than IPCC.

**5. DECLINE IN GROSS PROFIT AND OPERATING PROFITS**

Apparently there is slight decrease in overall profitability of the applicant during 2003 as compared to 2002. It is pertinent to mention during this period the applicant has increased its exports tremendously and decrease in profit is because of increased exports at lesser prices than its domestic sale price.

It is learnt that the applicant has increased its domestic prices tremendously from Rs. 56,000/- per ton in 2002 to Rs. 72,000/- per ton in first quarter of 2004, which is part of POI and now the official prices around Rs. 78,100/- and open market is around Rs. 85,000/- per ton. It is also learnt they are overbooked with order for next few months with payment in advance, hence **Monopolizing** the situation.

**ERRATIC INVENTORY MOVEMENT**

The applicant has discussed the quarterly changes in the inventory level which for every industry changes from quarter to quarter. If the figures given by the applicant are taken and according to them inventory was 5543 MT as on 31-12-2002 and it decreased to 3432 MT as on 31-12-2003. So this erratic movement in inventory if seen on yearly basis was in favour of the applicant.

**RETURN ON INVESTMENT**

During 2001 the return on investment as calculated by the applicant was negative 10.33%. In year 2002 the positive return on investment was 10.39% which a tremendous favorable increase. During next i.e. 2003 the return on investment was 9.75% which was marginally less than previous year and its main cause was higher export at lower price which should not be attributed to alleged dumping.

**NEGATIVE EFFECT ON ABILITY TO RAISE CAPITAL**

In this part the applicant first discussed his plans which are not in black and white and these cannot be attributed to alleged dumping because the applicant is doing well and its capacity utilization is nearing 100%.

**NEGATIVE EFFECT ON INVESTMENT**

The applicant plant is having capacity of 100,000 MT against domestic market of around 75,000 MT/year till 2003. Hence there can be no negative effect on investment plan of the applicant with alleged dumped imports of about 4000 tons from all sources, **which also has now seized**".

**12. Submissions by the Importers/Industrial Users**

None of the importers responded to the questionnaire (paragraph 6.2 supra). However, the Commission received comments/views from three parties namely: (i) Artificial Leather & PVC Sheet Mfg. Association, (ii) Noorani Agency, and (iii) Darvesh & Sons. Noorani Agency, and Darvesh & Sons submitted same comments/views. Views/comments received from the above mentioned three parties are set out below:

**i. Artificial Leather & PVC Sheet Mfg. Association**

"We would like to point out that our Industry is facing lot of problems due to over protection given to M/s. **Engro Asahi Polymer and Chemicals Ltd, Karachi.**

Our industry is suffering due to high custom duty on our raw material, i.e. PVC Resin (Suspension Grade) which is 25% being the major Raw Material whereas custom duty on the finished product is also 25%.

Due to over protection we are not in a position to compete with imported PVC Film & Artificial Leather.

There was 5 years agreement of Engro Asahi with the Government of Pakistan to give protection of 20% in custom duty i.e. on their Raw Material (VCM) duty is 5%, whereas the custom duty on imported PVC Resin (Suspension Grade) is 25%.

In the recent budget the Government of Pakistan had announced to reduce the custom duty on PVC Resin (Suspension Grade) with effect from 1st January, 2005 (After expiry of the agreement).

The protection of 20% given to Engro Asahi was quite substantial at the cost of local consumers of PVC Resin (Suspension Grade).

We are very much surprised to know that after expiry of the agreement between Engro Asahi and the Government of Pakistan, still they will get 15% protection, which is again against the spirit of cascading formula which is as under:-

- ?? Finished product custom duty 25%.
- ?? Intermediate product PVC Resin (Suspension Grade) produced locally custom duty 15%.
- ?? 5% custom duty on Raw Material (VCM) of Intermediate product not produced locally.

Engro Asahi have already enjoyed over protection for 5 years, but now protection should not be given more than 10%.

The custom duty on another Polymers i.e. Polyethylene & Polypropylene etc is reduced in the recent budget to 10%.

PVC Resin (Suspension Grade) is being used in PVC Drainage Pipes, Garden Pipes, Gas Pipes, PVC Film, PVC Flooring, Artificial Leather, Insulation Tape, Shoes, Ducts, Doors, Windows, Profiles, Plastic Chairs, Tables & Packing Material etc. PVC products are mainly used by Common Man as well as for exports.

Imported PVC Resin (Suspension Grade) always being sold at the International prices and the custom duty charged by customs on the Scan Price (The valuation of plastic polymers is based on Scan which is publication for plastic polymers prices), so there is no possibility of dumping PVC Resin (Suspension Grade) from South Korea and Iran. According to our information there is not major import of PVC Resin (Suspension Grade) from South Korea & Iran during the last year.

By imposing ANTI Dumping duty on PVC Resin (Suspension Grade) from South Korea and Iran. Engro Asahi wants to increase their price to that extent as of Anti Dumping duty if imposed.

1. So there is no justification for imposing Anti Dumping duty on the PVC Resin (Suspension Grade) imported from South Korea and Iran.
2. Kindly reduce the duty of PVC Resin (Suspension Grade) from 20% to 15% if not 10% with effect from 1st January 2005”.

**ii. Noorani Agency/ Darvesh & Sons**

“The initiation of antidumping investigation against PVC Resin (suspension grade) into Pakistan originating from Korea is simply out of place & a meaningless propaganda by local producer of PVC resin M/s. Engro Asahi Chemicals & Polymers (pvt.) Ltd, for reasons as follows:

- 1) Two year back we had made a contract with LG Korea for PVC Resin Suspension Grade at USD 500/MT CFR Karachi L/C at sight. The Platts Polymer Scan price at that time for SE Asia was CFR USD 480/MT – USD 500/MT. Copy of PolymerScan is enclosed.

Through out the world plastic raw materials including PVC resin is priced according to Weekly Platts Polymer Scan. Polymer scan shows region wise prevailing prices of plastic resin irrespective of plastic resin producer/exporter. Major contracts are made on the basis of PolymerScan. International market as well as Pakistan market follows the price trends as indicated by PolymerScan. Pakistan follows the price trend for SE Asia region & keeping in view the price indicated by PolymerScan all producers offers the same price to Pakistan. On top of everything, Govt. Of Pakistan duly accepts this business manner. Even assessment of valuation by custom authorities is based on Platts PolymerScan.

Refusal to accept the Polymerscan price and its price trends raises serious questions about the intentions of local producer. Off course the intentions seems malign.

- 2) Moreover, the quantity of PVC Suspension Grade imported two years back from Korea was very nominal that it even does not qualifies the criteria of minimum quantity considered to be dumped, according to Anti-Dumping Rules & regulations.
- 3) Local producer's plea that import of PVC Suspension resin from Korea has caused & is causing material losses to domestic industry is baseless. Local producer already enjoys the concession of 25% as import duty on import of PVC resin is 25%. Whereas the raw material of PVC, namely VCM, is imported by the local producer on zero import duty!! Now local producer has selfishly applied to initiate antidumping investigation against PVC resin imported from Korea.
- 4) The plea of local industry that it has incurred losses due to import of PVC is baseless. The actual fear / concern that has haunted the local industry is that from 1st January 2005, the import duty on import of PVC resin will be reduced to 20% from 25%. The local producer in an attempt to curb this concession form local importers has misinformed NTC and has applied to initiate an unjustified investigation".

### **13. Examination of the Materials Available with the Commission**

Submissions filed before the Commission by the Applicant, information/data received from IPCC, from the importers/industrial users, data/information obtained from the websites of Korean exporter/producer (LG International Corporation and LG Chem, Ltd.), data/information obtained during on-the-spot investigations, and data/information obtained from PRAL have been examined, analyzed and, wherever appropriate, have been considered in making this preliminary determination.

**B. DUMPING**

**14. Determination of Dumping**

In terms of the Section 4 of the Ordinance, “an investigated product shall be considered to be dumped if it is introduced into the commerce of Pakistan at a price which is less than its normal value”.

**15. Normal Value**

15.1 In terms of Section 5 of the Ordinance “normal value” is defined as follows:

“a comparable price paid or payable, in the ordinary course of trade, for sales of a like product when destined for consumption in an exporting country”.

However, Section 6 of the Ordinance states:

“when there are no sales of like product in the ordinary course of trade in domestic market of an exporting country, or when such sales do not permit a proper comparison because of any particular market situation or low volume of the sales in the domestic market of the exporting country, the Commission shall establish normal value of an investigated product on the basis of either:

- a) the comparable price of the like product when exported to an appropriate third country provided that this price is representative; or
- b) the cost of production in the exporting country plus a reasonable amount for administrative, selling and general costs and for profits”.

15.2 As stated in paragraph 6.1 supra the Commission sent questionnaires to the Exporters and to the Producers to gather information/data including data relating to

their sales in the domestic market. Korean exporter/producer did not respond to the questionnaires at all (see paragraphs 6.2 and 6.6 supra). Thus, the normal value for the purposes of this preliminary determination for Korean exporter is determined on the basis of the best information available in terms of Section 32 of the Ordinance and Article 6.8 and Annex II of the Agreement on Antidumping. Section 32 of the Ordinance provides as follows:

“If, at any time during an investigation, any interested party

- (a) refuses access to, or otherwise does not provide, necessary information within the period of time as may be prescribed; or
- (b) otherwise significantly impedes the investigation, the Commission may reach preliminary and final determinations, whether affirmative or negative, on the basis of the best information available”.

15.3 It is important to identify here that the Commission had duly informed the Korean exporter/producer of its constrained reliance on the best information available in its letters of August 13, 2004 and August 24, 2004 (Paragraphs 6.2 and 6.6 supra).

15.4 Iranian exporter (IPCC) responded to the Commission’s questionnaire. Normal value for the purposes of this preliminary determination for IPCC is determined on the basis of information/data provided by it.

15.5 **Determination of Normal Value for Korean Exporter:**

15.5.1 In order to determine normal value for Korean exporter, information/data submitted by the Applicant in its application is used. The Commission considered the information and found that, at the time of making this preliminary determination, it is the best information available with the Commission in this regard.

15.5.2 For the purposes of determination of normal value for Korean exporter, the Applicant submitted prices of PVC Resin in Korea based on a Chemical Journal Harriman Chemsult Limited, published on monthly basis from London, which publishes prices of PVC Resin prevailing in different countries including Korea. This journal publishes a range of prices of petrochemical products including PVC Resin in a large number of countries. The Commission accepted this information and the normal value for Korean exporter is determined on the basis of the prices of PVC Resin published in ‘Harriman Chemsult Limited’ prevailed in Korea during the POI.

15.5.3 Harriman Chemsult Limited publishes a range of PVC Resin prices prevailing in different countries including Korea. For the purposes of determination of normal value, minimum monthly price published in Harriman Chemsult Limited for Korean market was taken to work out the average price of PVC Resin during the POI.

15.5.4 To arrive at ex-factory price level, adjustments have been made on account of in-land freight and value added tax (@ 10%<sup>4</sup>). As PVC Resin is an industrial raw material and is mostly sold directly to the end users, adjustment on account of whole seller/retailer margin has not been taken into account. After making above mentioned adjustments, the Commission arrived at ex-factory normal value.

15.6 **Determination of Normal Value for Iranian Exporter:**

15.6.1 The Iranian exporter (IPCC) responded to the Commission's questionnaire but did not provide information on its domestic sales and cost of production of PVC Resin during the POI. However, the Commission obtained this information during on-the-spot investigation conducted at the premises of IPCC and BIPC (paragraph 6.11 supra). Thus the normal value for IPCC is determined on the basis of the information provided by IPCC and BIPC.

15.6.2 IPCC sold \*\*\*\*\*<sup>5</sup> Metric Tone ("MT") of PVC Resin in its domestic market during the POI. All sales were made at loss (below cost). The investigation showed that the sales at loss (below cost) were:

- i. For an extended period of time (throughout the POI);
- ii. in substantial quantities (all quantities sold during the POI); and
- iii. at prices which did not provide for the recovery of all costs within a reasonable period of time;

15.6.3 The Commission determined that during the POI, IPCC sales of PVC Resin in its domestic market were not in the ordinary course of trade in terms of Section 7 of the Ordinance and hence disregarded all these sales for the purposes of determination of normal value. Section 7 of the Ordinance provides as follows:

“(1) The Commission may treat sales of a like product in domestic market of an exporting country or sales to a third country at prices below per

---

<sup>4</sup> The rate of 10% was obtained from Korea Asset Management Corporation's website: [www.Kamco.or.kr](http://www.Kamco.or.kr)

<sup>5</sup> Actual figures have been omitted to maintain confidentiality.

unit, fixed and variable, cost of production plus administrative, selling and other costs as not being in the ordinary course of trade by reason of price and may disregard such sales in determining normal value only if the Commission determines that such sales were made –

- (a) within an extended period of time which shall normally be a period of one year and in no case less than a period of six months;
- (b) in substantial quantities; and
- (c) at prices which do not provide for the recovery of all costs within a reasonable period of time.

(2) For the purposes of sub-clause (b) of sub-section (1), sales below per unit cost shall be deemed to be in substantial quantities if the Commission establishes that–

- (a) a weighted average selling price of transactions under consideration for the determination of normal value is below a weighted average cost; or
- (b) the volume of sales below per unit cost represents twenty per cent or more of the volume sold in transactions under consideration for the determination of normal value.

(3) If prices which are below per unit cost at the time of sale are above the weighted average cost for the period of investigation, the Commission shall consider such prices as providing for recovery of costs within a reasonable period of time.”

15.6.4 Therefore, the Commission has established normal value for IPCC on the basis of cost to make and sell (cost of production plus administrative, selling, general costs and profit) of PVC Resin in Iran in terms of Section 6 of the Ordinance (paragraph 15.1 supra). The cost to make and sell of PVC Resin in Iran was obtained during on-the-spot investigation conducted at the premises of BIPC.

## **16. Export Price**

16.1 The “export price” is defined in Section 10 of the Ordinance as “a price actually paid or payable for an investigated product when sold for export from an exporting country to Pakistan”.

### **16.2 Determination of Export Price for Korean Exporter:**

16.2.1 As stated in paragraphs 6.2 and 6.6 supra, the Korean exporter did not respond to the questionnaire. Therefore, the export price for the investigated product exported by the Korean exporter during the POI, for the purposes of this preliminary determination, is based on the best information available to the Commission.

16.2.2 To determine export price charged by the Korean exporter from Pakistani importers during the POI, the Commission used the import data obtained from PRAL.

16.2.3 To arrive at ex-factory export price, the weighted average CIF export price is adjusted for maritime freight and inland freight. For maritime freight, the Applicant submitted quotation from a shipping company namely 'Inshiping (Pvt) Ltd., Karachi. The Commission accepted the quotation as evidence for maritime freight. For cost of insurance, the Applicant submitted quotations from an insurance company namely 'Adamjee Insurance Company Ltd. The Commission accepted this evidence of insurance expense. The Applicant gave information on inland freight, which is the same as the Applicant incurred on account of its export sales during the POI. The Commission accepted this amount for inland freight for Korean exports of PVC Resin to Pakistan. After making the above mentioned adjustments, the Commission arrived at weighted average adjusted export price at ex-factory level.

### **16.3 Determination of Export Price for Iranian Exporter:**

16.3.1 To determine export price charged by the Iranian exporter (IPCC) from Pakistani importers during the POI, the Commission has used the information provided by IPCC in its response to the questionnaire and further information obtained during on-the-spot investigation.

16.3.2 To arrive at the level of ex-factory export price, IPCC reported adjustments on account of: (i) commission paid to the agent, (ii) handling cost, (iii) bank charges, and (iv) maritime freight. After making these adjustments, the Commission arrived at weighted average adjusted export price at ex-factory level.

## **17 Dumping Margin**

17.1 Section 12 of the Ordinance provides three methods for fair comparison of normal value and export price in order to establish dumping margin. The Commission has established dumping margin by comparing weighted average normal value with weighted average export price at ex-factory level.

17.2 The Ordinance defines “dumping margin” in relation to a product as “the amount by which its normal value exceeds its export price”. In terms of Section 14 of the Ordinance the Commission shall determine an individual dumping margin for each known exporter or producer of an investigated product. In this case, none of the Korean exporter/producer responded. Therefore a single dumping margin is determined for Korean exporter/producer on the basis of constructed normal value and weighted average export price for the total exports from Korea during the POI. In the case of Iranian exporter/producer there was only one exporter (IPCC) during the POI, the dumping margin has been calculated for the said exporter.

17.3 The Commission has also complied with the requirements of Section 11 of the Ordinance which states that “the Commission shall, where possible, compare export price and normal value with the same characteristics in terms of level of trade, time of sale, quantities, taxes, physical characteristics, conditions and terms of sale and delivery at the same place”.

17.4 Taking into account all the requirements set out above, the dumping margin has been calculated 40.18 percent of C&F export price for Korean exporter and 31.06 percent of C&F export price for Iranian exporter.

### **C. INJURY TO THE DOMESTIC INDUSTRY**

#### **18. Determination of Injury**

18.1 Section 15 of the Ordinance sets out the principles for determination of material injury to the domestic industry and provides as follows:

“A determination of injury shall be based on an objective examination of all relevant factors by the Commission which may include but shall not be limited to:

- a. volume of dumped imports;
- b. effect of dumped imports on prices in domestic market for like products; and
- c. consequent impact of dumped imports on domestic producers of such products...”

Section 15 of the Ordinance further provides that:

“ No one or several of the factors identified ..... shall be deemed to necessarily give decisive guidance and the Commission may take into account such factors as it considers relevant for the determination of injury”.

18.2 The Commission has taken into account all known and relevant factors in order to determine whether the domestic industry suffered material injury during the POI.

18.3 Material injury to the domestic industry has been analyzed in the following paragraphs in accordance with Part VI of the Ordinance.

**19. The Domestic Industry**

19.1 In terms of Section 2(d) of the Ordinance, domestic industry is defined as:  
“domestic producers as a whole of a domestic like product or those of them whose collective output of that product constitutes a major proportion of the total domestic production of that product.”

19.2 The Applicant, being the only producer of PVC Resin in Pakistan, represents 100 percent of the domestic production) of domestic like product and hence the entire domestic industry. It started commercial production on December 1, 1999.

**20. Cumulation of Dumped Imports**

20.1 Section 16 of the Ordinance states that:

“where imports of a like product from more than one country are the subject of simultaneous investigation under this Ordinance, the Commission may cumulatively assess the effects of such imports on the domestic industry only if it determines that

- (a) dumping margin in relation to an investigated product from each country is more than the negligible amount as specified....., and volume of dumped imports from each investigated country is not less than the negligible quantity as specified.....; and
- (b) a cumulative assessment of the effects of the imports is appropriate in the light of

- (i) the conditions of competition between the imports; and
- (ii) the conditions of competition between the imports and a domestic like product”.

20.2 As mentioned in paragraph 10 supra, the volume of imports of the investigated product from Korea and Iran are not less than the negligible quantity (i.e. less than 3 percent of total imports of PVC Resin). Further, dumping margins for Korean as well as Iranian exporters are also more than the negligible amount (i.e. less than 2 percent of export price) (paragraph 17.4 supra).

20.3 It is evident from the weighted average export price charged by the Korean exporter and weighted average export price charged by the Iranian exporter during POI (paragraphs 16.2 and 16.3 supra) that there is a price competition between the imports of investigated product from both the dumped sources.

20.4 The conditions of competition between imports of the investigated product and the domestic like product are discussed in detail in paragraphs 22.2 to 22.4 and 23 infra.

20.5 For the reasons given above, the Commission has cumulatively assessed the effects of dumped imports on the domestic industry as stated in following paragraphs.

## **21. Volume of Dumped Imports**

### **Facts**

21.1 In order to ascertain the volume of dumped imports of the investigated product, the Commission obtained import data from PRAL.

21.2 With regard to the volume of dumped imports, in terms of Section 15(2) of the Ordinance, the Commission considered whether there has been a significant increase in dumped imports, either in absolute terms or relative to the consumption or production of the domestic like product by the domestic industry. The following table shows imports of the investigated product and production of the domestic like product by the domestic industry during the POI:

(MT)

Period	Dumped Imports*	Domestic Production*
2001	0	82
2002	100	100
2003	1161	108
Jan-Mar 2004	0	28

\* Actual figures are indexed by taking 2002 as base year

## **Analysis**

21.3 It is evident from the above table that there were no imports of the investigated product in the year 2001. In the year 2003, the volume of dumped imports increased 1061 percent over the imports of the year 2002. However, there were no imports during the first quarter of the year 2004 (January-March 2004).

21.4 The production of domestic like product increased by 22 percent in the year 2002 over the year 2001 and 8.00 percent in the year 2003 as compared with the production in the year 2002. The increase in production of domestic like product during the first quarter of the year 2004 (on annualized basis) was 3.65 percent.

## **Conclusion**

21.5 On the basis of the above analysis, the Commission has concluded that the dumped imports increased in relative terms as compared with the production of domestic like product in the year 2003 and the Applicant suffered material injury on this account.

## **22. Price Effects**

22.1 The effect of dumped imports on the prices of domestic like product has been examined in terms of Section 15(3) of the Ordinance, by considering whether there has been significant price undercutting (the extent to which the price of the investigated product is lower than the price of domestic like product), price depression (the extent to which the domestic industry experiences a decrease in its selling prices), and price suppression (the extent to which an increase in the cost of production cannot be recovered by way of an increase in selling price).

### **Price Undercutting**

#### **Facts**

22.2 Data relating to the weighted average ex-factory price of the domestic like product was submitted by the Applicant and the landed cost of the investigated product was calculated from the import data obtained from PRAL. Comparison of weighted average ex-factory price of the domestic like product with the weighted average landed cost of the investigated product during the POI is given in following table:

Preliminary Determination and Levy of Provisional Antidumping Duty on Import of PVC Resin (Suspension Grade) into Pakistan Originating in and/or Exported from the Republic of Korea and the Islamic Republic of Iran

(Rs./MT)

Period	Weighted Average ex-factory price of domestic like product*	Weighted Average landed cost of investigated product	Price under-cutting
2001	100	-	-
2002	102	95	7.86%
2003	114	97	14.91%
Jan-Mar 2004	149	-	-

\* Actual figures are indexed by taking 2001 as base year

**Analysis**

22.3 It appears that the investigated product undercut the average ex-factory price of the domestic like product in the years 2002 and 2003. In the year 2003 the price undercutting peaked at 14.91 percent. However, there was no price undercutting in first quarter of the year 2004, as there was no import of the investigated product into Pakistan during this period.

**Conclusion**

22.4 On the basis of the above, the Commission has concluded that the investigated product undercut the prices of domestic like product in the year 2003, and the Applicant suffered material injury on this account.

Price Depression

**Facts**

22.5 The weighted average ex-factory price of the domestic like product during the POI is given in the table below:

(Rs./MT)

Period	Weighted Average ex-factory price of domestic like product*	Price depression
2001	100	-
2002	102	-
2003	114	-
Jan-Mar 2004	149	-

\* Actual figures are indexed by taking 2001 as base year

**Analysis**

22.6 Analysis of the above facts shows that weighted average ex-factory price of domestic like product increased in every successive year during the POI.

**Conclusion**

22.7 The Commission has concluded on the basis of the above analysis that the domestic industry did not suffer material injury on this account, as it did not experience price depression during the POI.

Price Suppression

**Facts**

22.9 The following table shows the weighted average cost of production (“COP”) and the weighted average ex-factory sales price of the domestic like product:

(Rs./MT)

Period	Weighted Average COP of domestic like product*	Weighted Average ex-factory price of domestic like product*	Price Suppression		
			Increase/ (decrease) in COP*	Increase in price*	Price suppression
2001	100	100*	-	-	-
2002	96	102	(4)	2	-
2003	110	114	14	12	-
Jan-Mar 2004	134	149	24	35	-

\* Actual figures are indexed by taking 2001 as base year

**Analysis**

22.10 The above table shows that the average COP of domestic like product decreased by 4.16 percent in the year 2002 vis-à-vis previous year’s COP. However, the COP increased by 15 percent in the year 2003 and 22 percent during the period from January to March 2004 vis-à-vis previous year’s COP.

22.11 The weighted average ex-factory price of the domestic like product increased by 2 percent, 12 percent, and 31 percent during the years 2002, 2003, and first quarter of the year 2004 respectively.

**Conclusion**

22.12 In the year 2003 in percentage terms, selling price of the domestic like product increased relatively less than the increase in its COP but this increase in price was enough to recover increased COP in absolute terms. On the basis of the above analysis, the Commission has concluded that the domestic industry did not suffer on account of price suppression during the POI, as it was able to recover increased COP by way of an increase in selling price.

**23. Market Share and Sales**

**Facts**

23.1 The domestic demand of PVC Resin in Pakistan is met through sales by the domestic industry and by imports. The domestic consumption of PVC Resin is ascertained by combining the domestic industry's sales and total imports, and this is referred to here as the total domestic market. The domestic market for PVC Resin during the POI is given in following table:

(MT)

Period	Imports from		Sales by Domestic Industry	Total Domestic Market*
	Dumped Sources	Other Sources		
2001	00.00	0.77	99.23	100.00
2002	0.57	2.97	112.82	116.36
2003	6.67	1.54	114.30	122.51
Jan-Mar 2004	00.00	00.00	24.39	24.39

\* Actual figures are indexed by taking 2001 as base year

**Analysis**

23.2 The above table reveals that the total domestic market of PVC Resin grew by 16.36 percent, and 5.28 percent during the years 2002 and 2003, respectively. However, the total domestic market for PVC Resin decreased by 20.35 percent in the first quarter of the year 2004 (on annualized basis).

23.3 The above table shows that the market share of domestic industry decreased from 99.23 percent in the year 2001 to 93.30 percent in the year 2003. However, in first quarter of the year 2004 since there were no imports of PVC Resin into Pakistan, the entire domestic market (100 percent) was taken by the domestic industry. Market share of dumped imports increased from 0.49 percent in the year 2002 to 5.44 percent in the year 2003.

**Conclusion**

23.4 On the basis of the above analysis, the Commission has concluded that the domestic industry suffered material injury in terms of market share from dumped imports in the year 2003.

**24. Production and Capacity Utilization**

**Facts**

24.1 The installed production capacity of the domestic industry to produce domestic like product is 100,000 MT per annum. The quantity produced and the capacity utilized during the POI is given in the table below:

Period	Capacity utilization (%)
2001	69
2002	84
2003	90
Jan-Mar 2004	94

**Analysis**

24.2 It may be noted from the table above that the production of domestic like product increased throughout POI. Arguably, production and capacity utilization would have been higher in absence of dumping. During the POI, the domestic industry achieved its highest capacity utilization in the first quarter of the year 2004.

**Conclusion**

24.3 On the basis of the above analysis, the Commission has concluded that the domestic industry did not suffer material injury on account of production and capacity utilization.

**25. Effects on Inventories**

**Facts**

25.1 The Applicant provided data relating to accumulation of inventories during the POI. The data for opening and closing inventories for the domestic like product is given in the table below:

Preliminary Determination and Levy of Provisional Antidumping Duty on Import of PVC Resin (Suspension Grade) into Pakistan Originating in and/or Exported from the Republic of Korea and the Islamic Republic of Iran

(MT)

Period	Opening Inventory*	Closing Inventory
2001	100	79
2002	79	105
2003	105	65
Jan-Mar 2004	65	103

\* Actual figures are indexed by taking 2001 as base year

### **Analysis**

25.2 The data given in table above shows that inventory level of the domestic like product increased in the year 2002 and during the period from January to March 2004.

### **Conclusion**

25.3 The Commission has concluded the domestic industry suffered material injury on account of increase in inventories over the year 2002 and in the first quarter of the year 2004.

## **26. Effects on Profits/Loss**

### **Facts**

26.1 The Applicant provided Profit and Loss Account Statement (which reconciled with the audited accounts) for the domestic like product. The table below shows the Profit and Loss figures of the domestic industry for the POI:

Period	Profit/(Loss)* (Rs)
2001	(100)
2002	100.09
2003	94.13
Jan-Mar, 2004	76.16

\* Actual figures are indexed by taking 2001 as base year

### **Analysis**

26.2 The domestic industry suffered heavy losses on production and sale of the domestic like product in the year 2001. However, from the year 2002 onwards it earned profits on its operations. Profitability of the domestic industry decreased in the year 2003, but it increased sharply in the first quarter of the year 2004.

26.3 As it is mentioned earlier that the price of domestic like product increased during the POI and the Applicant was able to recover increased cost of production by way of increase in price (paragraph 22.9 supra). In these circumstances there should have been an increase in profits during the POI.

### **Conclusion**

26.4 The Commission has concluded that the domestic industry was injured in the year 2003 on account of profitability.

## **27. Effects on Employment, Productivity and Wages**

### **Facts**

27.1 The number of employees of the domestic industry did not change materially during the POI, as, according to the Applicant, the same number of employees was required to run the plant. The effects on productivity, salaries and wages of the domestic industry were as follows:

Period	No. of Employees*	Total salaries and wages* (RS)	Domestic production* (MT)	Productivity per worker* (MT)	Salaries & wages Rs. per MT*
2001	100	100	100	100	100
2002	104	116	122	117	95
2003	103	132	132	127	101
Jan-Mar, 2004	103**	39	34	132	114

\* Actual figures are indexed by taking 2001 as base year

\*\* Number of employees is taken one forth (30.75) for a quarter (January-March) for reasons of making useful comparison.

### **Analysis**

27.2 The above table shows that the productivity per worker increased during the POI. Similarly the cost of salaries and wages per MT for production of domestic like product also increased during the POI.

### **Conclusion**

27.3 Based on the above analysis, the Commission has concluded that the domestic industry was not materially injured during the POI on account of productivity, as the productivity per worker increased.

**28. Effects on Cash Flow**

**Facts**

28.1 The Applicant provided the following data relating to cash inflow from its operating activities during POI:

Period	Cash inflow from operations (Rs)*
2001	100
2002	67
2003	30

\* Actual figures are indexed by taking 2001 as base year

**Analysis**

28.2 Examination of the data in the above table shows that the cash inflow position of the domestic industry deteriorated during the POI. As mentioned earlier, the price of domestic like product increased during the POI and the Applicant was able to recover increased cost of production by way of an increase in price (paragraph 22.9 supra). Further the market share (in absolute terms) of the Applicant also increased during the POI (paragraph 23.1 supra). In these circumstances there should have been an increase in cash inflow during the POI.

28.3 The Commission's investigation revealed that there were other reasons for decline in cash inflow. One such reason was payment of deferred customs duty payable under the Customs Act, 1969 to the Central Board of Revenue, Government of Pakistan.

**Conclusion**

28.4 The Commission has concluded that there was a negative effect on the cash inflow of the domestic industry during the POI. But this negative effect was due to factors other than dumped imports. On the basis of the above, the Commission has concluded that the domestic industry did not suffer material injury in terms of cash flow due to dumped imports of the investigated product.

**29. Magnitude of Dumping Margin**

As regards the impact on the domestic industry of the magnitude of the dumping margin set out in paragraph 17 supra, this impact is not considered negligible.

**30. CONCLUSION OF MATERIAL INJURY ANALYSIS**

The Commission has concluded on the basis of the above analysis that the domestic industry suffered material injury in the year 2003 on account of volume of dumped imports, price undercutting loss in market share and increase in inventories in terms of Section 15 and 17 of the Ordinance due to dumped imports of investigated product.

**31. Other Factors**

31.1 In accordance with Section 18(2) of the Ordinance, the Commission also examined factors, other than dumped imports, which could at the same time cause injury to the domestic industry, in order to ensure that possible injury caused by other factors is not attributed to the injury caused by dumped imports.

31.2 The investigation of the Commission revealed that the domestic industry suffered injury on account of decline in profits in the year 2003 and decline in cash inflow during the POI. One such reason for this injury was payment of deferred customs duty in the years 2002 and 2003.

**D. CONCLUSIONS**

32. The conclusions, after taking into account all considerations for this preliminary determination, are as follows:

- i. the Applicant represents the domestic industry being the sole producer of domestic like product;
- ii. the investigated product and the domestic like product are like products;
- iii. during the POI, the investigated product was exported to Pakistan by the Exporters, at prices below its normal value;
- iv. the volume of dumped imports of the investigated product and the dumping margins established on the basis of the foregoing analysis, are above the *de minimis* levels;
- v. the domestic industry suffered injury in the year 2003 on account of volume of dumped imports, price undercutting, loss in market share, and increase in inventories in terms of Section 15 and 17 of the Ordinance; and

- vi. the dumping margin expressed as a percentage of weighted average C&F export price works out 40.18 percent for Korean exporter and 31.06 percent for Iranian exporter.

**E. IMPOSITION OF PROVISIONAL ANTIDUMPING DUTY**

33. In terms of Section 43 of the Ordinance, “The Commission may impose provisional measures if it makes an affirmative preliminary determination of dumping and injury, and determines that provisional measures are necessary to prevent injury being caused during the course of an investigation”.

34. In view of the analysis and conclusions with regard to dumping, material injury, and causation, imposition of provisional antidumping duty on the investigated product is required to prevent further injury to the domestic industry by dumped imports.

35. In terms of Section 43 of the Ordinance, provisional antidumping duties are hereby imposed on the investigated product (PVC Resin suspension grade) @ 40.18 percent ad val and @ 31.06 percent of C&F price imported from the LG International Corporation, Korea and Iran Petrochemical Commercial Company, Iran respectively, for a period of four months effective from October 26, 2004. The investigated product is classified under HS code No. 3904.1000. The provisional antidumping duties at the rates given above are equivalent to the provisional dumping margins determined at ex-factory price level.

36. In accordance with Section 44 of the Ordinance, the provisional antidumping duty shall take the form of security by way of cash deposit in a non-lapsable personal ledger account established and maintained by the Commission for the purpose. Release of the investigated product for free circulation in Pakistan shall be subject to provision of such security by way of cash deposit.

37. Producers/exporters of PVC Resin from Korea and Iran other than the Exporters specified in paragraph 3 supra would not be subject to this provisional antidumping duty.

38. Provisional antidumping duty levied would be in addition to other taxes and duties leviable on import of investigated product under any other law.

Preliminary Determination and Levy of Provisional Antidumping Duty on Import of PVC Resin (Suspension Grade)  
into Pakistan Originating in and/or Exported from the Republic of Korea and the Islamic Republic of Iran

39. The provisional antidumping duty would be collected in the same manner as customs duty is collected under the Customs Act, 1969 (IV of 1969) and would be deposited in Commission's Non-lapsable PLD account No. 187 with Federal Treasury Office Islamabad.

(Muhammad Ikram Arif)  
Member  
October 23, 2004

(Faizullah Khilji)  
Chairman  
October 23, 2004