

UNOFFICIAL TRANSLATION

**APPLICATION FOR EXTENSION OF SAFEGUARD
MEASURE ON THE GLASSWARE IMPORT FROM
ISLAMIC REPUBLIC OF IRAN
- NONCONFIDENTIAL SUMMARY-**

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1. INFORMATION ABOUT THE APPLICANT

1.1. The applicant

The applicant is Paşabahçe Cam Sanayi ve Ticaret A.Ş.

1.2. The rate of representation of domestic production by the applicant

The applicant realizes a major part of domestic production of the product subject to application.

2. INFORMATION ABOUT THE PRODUCT SUBJECT TO APPLICATION

2.1. Product description

Glassware for table, kitchen, toilet, office, home equipment and like works classified under heading 70.13 (except for those under headings 70.10 and 70.18)

2.2. Information on production process

The glass prepared in glass melting furnaces is taken through various hand tools from sections where glass hand production is performed and is shaped and as generally applied is formed into several household glassware in automatic production lines. Major processes in automatic production, which is determinant in household glassware production, are the ones such as pressing, press-blowing, blowing-blowing, spinning, step glasses (glasses with drawing and attaching steps) press-blowing food containers. In accordance with classification, which is mostly used and is based on difference in chemical composition are divided into four major groups such as soda-lime, led glass, borosilicate glass and alumino-silicate glass.

Most of glasses produced industrially are known collectively soda-lime glasses. As their name implies, the great part of raw materials of soda-lime glass are constituted by sand, the basic material and, soda and lime stone. Many glasses, cups, sauce containers, dishes and various products for household use made up of the soda base glass composition, by means of automatically machines by using shaping methods such as press, press-blowing, blowing-blowing, spinning are called automatic “soda household glassware”. Said products are tempered in order to make them resistant against impacts. In shaping soda-lime glasses, if labour intensive technologies such as hand blowing, hand press etc are used, they are called as “hand made soda household glassware”.

Leaded glasses with lead oxide base are defined as "crystal household glassware". Crystal glasses are grouped as hand manufacturing or automatic ones by used shaping technology. Borcam products which are made up of glass with boric acid, soda and silicate base and of which extension coefficient is low and which are shaped by means of automatic press or blowing technology are called “heatproof household glassware”. Glass ceramics, which are defined as Alumino silicate glass of which extension coefficient is low, are used as furnace containers.

2.3. Fields of use

Table and kitchenware made up of soda glass are used in both home section and catering section. Under the automatic production scope, there are products such as glass with or without step, cup, dish, bowl, storing containers, fruit containers, pitchers and dispensers and vases, ashtrays etc. Within the automatic production, additionally there are table and kitchen commodities that are heatproof (Borcam) made up of borosilicate glass. Said group includes round/square/oval trays and bowls, casserole with cover, cake moulds, soufflé and milky rice desert containers.

2.4. Assessment of like or direct competitive product

It has been established that regarding the product concerned, those manufactured by domestic producers and imported ones have the same properties in terms of sale channels and fields of usage and hence they may be deemed to be directly competitive products.

3. DEVELOPMENTS IN THE PERIOD OF QUANTITY RESTRICTION WAS APPLIED IN RELATION TO GLASSWARE OF IRAN ORIGIN

3.1. Course of imports

3.1.1. General imports

IMPORTS				RATE OF CHANGE (%)		
Years	Million Pieces	Million Dollars	Unit Price (\$/Piece)	Piece	Dollars	Unit Price
2002	27,2	17,1	0,63	-	-	-
2003	46,4	21,4	0,46	71	25	(27)
2004	56,1	34,6	0,62	21	62	34
2005	112,7	49,8	0,44	101	44	(29)
2006	167,0	73,4	0,44	48	48	-
2006(1- 11)	155,3	68,4	0,44	-	-	-
2007(1- 11)	147,8	65,2	0,44	(5)	(5)	-

General imports of the product subject to application have continuously increased during period under examination. While said imports were 27 million pieces in 2002, they have reached 167 million in the year of 2006. In the year of 2005, imports have increased by 101%. A drop of 5% rate was witnessed in imports in initial 11-month period of the year of 2007 when compared to the same period of previous year.

3.1.2. Imports of Iran origin

IMPORTS				RATE OF CHANGE (%)		
Years	Million Pieces	Thousand Dollars	Unit Price (\$/Piece)	Piece	Dollars	Unit Price
2002	3,9	619	0,16	-	-	-
2003	4,6	450	0,10	19	(27)	(39)
2004	3,3	224	0,07	(28)	(50)	(31)
2005	3,5	396	0,11	5	77	69
2006	4,1	470	0,12	17	19	2
2006(1- 11)	3,9	454	0,12	-	-	-
2007(1- 11)	0,6	109	0,20	(85)	(76)	67

The quantity restriction, which started in 2002 in importation of table kitchen commodities made up of glass of Iran origin, prevented potential import increase and kept the imports at a certain level. For this reason, it would not be a sound analysis to interpret about import increase by considering import figures.

3.1.3. Import prices

Import Unit Price (\$/Piece)	2002	2003	2004	2005	2006	2006(1-11)	2007(1-11)
Total import	0,6	0,5	0,6	0,4	0,4	0,4	0,4
Bulgaria	0,9	0,6	0,3	0,3	0,3	0,3	0,3
P.R.C.	0,6	0,5	0,5	0,4	0,5	0,5	0,5
Indonesia	0,3	0,2	0,6	0,3	0,3	0,3	0,2
India	0,5	0,3	0,3	0,4	1,0	0,9	0,3
France	0,9	0,9	1,4	1,3	0,9	1,0	2,3
Iran	0,2	0,1	0,1	0,1	0,1	0,1	0,2

Average unit prices of imported product have a tendency of depreciation during the period under examination. Unit prices of Iran originated products have dropped by 50% in the year of 2003 and afterwards, it has continued at this level. In addition to this, it is seen that unit prices remained far below the average import prices in imports of Iran origin.

3.2. Market share of imports

Market share index	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Imports of Iran origin	100	108	73	65	67	76	15
General imports	100	156	177	299	392	400	393

It is seen that market share of Iran origin imports has considerable dropped regarding the product subject to application due to the quantity restriction during the period under examination, and that market share of general imports has increased.

3.3. Rate of imports to domestic production

Index	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Imports of Iran origin	100	112	79	79	100	118	18
General imports	100	200	200	400	700	700	600

The ratio of import of the product subject to application to the domestic production, had a course, which is parallel to market share. The index for ratio of imports of Iran origin to domestic production decreased from 100 (for 2002) to 18 during the initial nine-month period of the year of 2007 while the index for the ratio of general imports to domestic production increased up to 600.

4. CLAIM FOR SERIOUS INJURY AND SERIOUS INJURY THREAT IN DOMESTIC PRODUCTION OF THE PRODUCT SUBJECT TO APPLICATION

4.1. Consumption

	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Index	100	109	116	139	156	100	91

The consumption index of the product subject to application (2002=100) has risen up to 156 in 2006. The index, which showed a certain level of decrease in initial nine-month of the year of 2007, dropped back to 91.

4.2. Domestic production

	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Index	100	104	109	112	103	100	104

The domestic production of the product subject to application has increased gradually until 2006 and dropped at a small rate in the year of 2006. During the first nine-month period of the year of 2007, 4 point increase was observed in production index compared to the same period of previous year.

4.3. Market share of domestic production

	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Index	100	97	95	88	83	82	83

Market share of domestic production, which was observed to be relatively high, decreased during the examination period. The market share index of domestic production (2002=100) has decreased to 83 in the first nine-month period of 2007.

4.4. Capacity and capacity utilization rate

	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Capacity index	100	108	110	110	103	100	102
CUR index	100	97	98	101	102	100	101

In the domestic production capacity of the product subject to application, no considerable change was observed during the examination period. The production capacity index (2002=100) has increased up to 110 in 2004 and decreased to 103 in 2006. No considerable change was observed in capacity utilization index in the period under examination.

4.5. Domestic sales volume

	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Index	100	106	111	123	130	100	91

Domestic sales volume of domestic producer has increased at a certain level in the period under examination. Domestic sales index (2002=100) increased up to 130 in 2006. The index dropped by 9 points in the first 9-month of 2007 compared to the same period of 2006.

4.6. Exports

	2002	2003	2004	2005	2006	2006 (1-6)	2007 (1-6)
Index	100	109	104	96	99	100	104

The applicant has huge exports both in terms of absolute value and compared to domestic production. However, exports of the firm had a fluctuated course during the period under examination.

4.7. Stocks

	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Index	100	64	74	91	88	100	105
Stocks/ Domestic sales (%)	66	60	66	75	68	86	99

The index of stock of the applicant (2002=100) dropped to 64 in 2003 and reached to 91 in 2005. In 2006, the stock index dropped down to 88, and in the first 9-month of 2007 it has increased 5 points compared to the same period of 2006. It was observed that stock level was considerably high during the examination period. In addition to this, stocks of the firm is also considerably high compared to domestic sales. The ratio of stock to domestic sales, which was at 66% in 2002, has increased up to 99% because stocks have increased in the first nine-month period of 2007 and that domestic sales have considerably decreased.

4.8. Employment

	2002	2003	2004	2005	2006	2006(1-9)	2007(1-9)
Index	100	109	106	102	100	100	101

The number of workers employed in glassware production reached its highest level in 2003 and has decreased in following periods. The employment index (2002=100) increased up to 109 in 2003 and returned to its starting level at the end of the examination period. Additionally, it is obvious that the production of glassware is a considerably important sector in terms of employment.

4.9. Profitability

	2002	2003	2004	2005	2006	2006 (1-9)	2007 (1-9)
Index	100	110	80	60	50	30	40

The profitability of domestic producers considerably dropped during the period under examination. The profitability index, which increased up to 110 in the year of 2003, went down to 30 in initial 9-month period of 2006 year and increased up to 40 by an increase in the first 9-month period of 2007.

4.10. Price undercutting

	Polished Bowl	Polished Glass	Mixed Glass	Barq. Glass	Colby Glass	Polished Bowl
Price undercutting in imports of Iran origin (%)	85	73	66	47	55	85

Price undercutting rates for 2002 in terms of major products produced by the applicant, which were calculated by means of data provided by domestic producer firm, are given above. Accordingly, it is seen that products of Iran origin has undercut the price of domestic products with a range from 47% to 85%.

5. ASSESSMENT OF CAUSALITY

5.1. Imports of Iran origin

Important state incentives, tax exemption granted for export incomes and other advantages increased the export of household glassware under the heading 70.13 that was performed by Iranian household glassware producers from the end of the years of 90's and such import increase caused a serious injury on domestic producers. As a result of the implementation of quantity restriction in May 2002 and the extension of the application in 2005; the injury effect of imports of Iran origin was slowed down for a while and imports were disciplined. Due to the reasons such as incentives provided and maintained by the state, tax facilities/exemptions etc., household glassware capacities increased and new investments continued to be performed. Such a case forms a greater threat of injury compared to previous periods.

5.2. Capacity increases in Iran

Present and new capacities of major producers of Iran, which were currently commissioned, the firms newly entering into the sector and data obtained regarding investments continued are given below:

- Kaveh Group: The group commissioned its new furnace with a capacity of 110 ton/days that has an importance to provide a reasonable contribution at the 60% present in Yazd in addition to glassware plants present in Tehran and Yazd in May 2007. The firm, by means of such investment, became one of the big scale producers by upgrading from middle scale. It became one of the biggest producers in near markets.
- Shisheh va Gas: The construction, of new furnace with 50+150 ton/days capacity in Şems-Abad Organized Industry zone, which is 1-hour distance from Tehran in addition to the glassware plant of firm, which is next to Tehran airport, was stopped in May 2002. Such furnace investments still wait in this manner.
- Noritazeh: In addition to the first furnace, which is present, and with capacity of 40 ton/days, second furnace with 160-165 ton/days capacity and with six lines was commissioned as of February of the year of 2004.

- Esfahan Glass: In addition to the first furnace with 65 ton/days capacity, its second furnace with 85-100 ton/days capacity and four lines was started about 2-3 years ago. It is known that firm might make a new furnace investment.
- Maghsoud Porcelain: It is one of the most important porcelain producers of Iran. Firm invested in Mashad where it was present in order to be included in household glassware in the year of 2007. Firm made two furnace investments. One of them is opal glass furnace with 25 ton/days capacity in this furnace, it shall produce products such as plate, bowl, coffee cups, cups etc. The other new furnace of firm has a capacity of 20 ton/days. In this furnace, it shall produce furnace containers (like Borcam) resistant versus heat by borosilicate composition and heatproof cups and pitchers.

6. REQUESTED SAFEGUARD MEASURE

It is claimed by the domestic producer that Iranian producers have increased their capacity at the rate of 35% only at current period by means of new investments supported by important investment incentives and this caused a greater threat of injury compared to previous periods. The producer demands the extension of the quantity restriction for three years from May 2008, which is the end of the quantity restriction.