

**NON-CONFIDENTIAL SUMMARY OF  
THE APPLICATION FOR  
IMPLEMENTATION OF A  
SAFEGUARD MEASURE ON  
IMPORTS OF PET**

**ANKARA  
Mart 2011**

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## SECTION ONE

### 1. APPLICATION DETAILS

#### 1.1 Applicant

The domestic producer, Artenius Turkpet Kimyevi Maddeler ve Pet Amb. Mlz. San. A.Ş., filed a petition for application of a safeguard measure on imports of “Polyethylene terephthalate, having a viscosity number of 78 ml/g or higher”, in short “PET”.

#### 1.2 Representation of domestic production

The mentioned domestic producer represents majority of the domestic production of PET as of the application date.

#### 1.3 Definition and customs tariff subheading of the subject good

The subject good is defined as, “Polyethylene terephthalate, having a viscosity number of 78 ml/g or higher”. PET is a polymer which is constructed by mixing of Pure Terephthalic Acid (PTA), Mono Ethylene Glicol (MEG), Isophatalic Acid (IPA), some additives and catalysts.

The subject good is classified under the custom tarif schedule “3907.60.20.00.00”.

#### 1.4 Uses of the subject good

PET is classified as high viscosity ones and low viscosity ones, and the latter one is especially used in:

- Packaging of food and beverages (like PET bottle, PET Jar, PET Butt eg.)
- Packaging of cosmetic, detergent and some chemicals
- Production of photographic and radiographic films
- Production of polyester based fiber and yarn
- Production of plastic plaques
- 

#### 1.5 Production Process of the Product Subject to Application

PET is a thermoplastic polyester resin and captured by processing the emulsion of PTA, MEG and IPA with heat and pressure. Production process consists of stages named esterification, polymerisation, cutting ve solid polymerisation.

#### 1.6 Important Factors influencing User/Consumer preferences in the subject good

Price is the most important factor. Cheap PET originating in Iran, Pakistan ve Far East is easily sold in Turkish market.

On the other side, for PET used in food and beverage packages, quality is important. Industrial users also pay attention to stability of viscosity, colour, level of aetaldehit in PET.

## 1.7 Comparison of Domestic and Imported Products

There is no difference between the uses and distribution channels of imported and domestic PET. Besides, their technical and physical specifications are also same.

As a result, imported and domestic PET are determined as like products.

## 1.8 Legislation

Custom Duty and Value Added Tax (VAT) in importation of the subject good are presented below. For the imports from Pakistan and Iran which take the first and second position in total Turkish imports, the custom duty and VAT rates are 3% and 18% respectively in 2010.

CN Code	Unit	VAT(%)	ÖTV	Custom Duty (%)				
				EU,EFTA,ISRAEL,MACEDONIA, CROATIA, BOSNIA HERZ., MOROCCO, PALESTINE, TUNISIA, SYRIA, EGYPT, GEORGIA, ARGENTINA, KOSOVO			GPS Countries	
				LDC	ÖTDÜ	GYÜ	DÜ	
3907.60.20.00.00	-	18	-	0	0	0	3	6,5

Furthermore, the dumping duty for the subject good against India, Thailand, Chinese Taipei, Malaysia, PR of China, S. Korea and Indonesia at a rate of 6,5% of CIF was revoked on Jan. 27, 2011.

## SECTION II

### 2. INFORMATION ABOUT THE IMPORTATION OF THE GOOD SUBJECT TO APPLICATION

#### 2.1 Development of Imports

Progress regarding the absolute and relative importation of the good subject to application, share of imported goods in domestic industry, and distribution of imports by years and countries are as follows. Foreign trade statistics of the product subject to application are provided for on kilogram basis.

#### Absolute Imports

Imports	2006	2007	2008	2009	2010	2009 January- September	2010 January- September
Tonnage	64.785	87.396	104.761	127.912	156.405	102.152	113.556
Change	-	35%	20%	22%	22%	-	11%

While the PET importation of Turkey in 2006, the first year of the period of investigation, was 65.000 tons, in the following years, it has continuously increased and reached to the level of 156.405 tons in 2010. During the investigation period, the imports of the product in question have increased 141 %.

## Relative Imports

Due to the fact that domestic industry's economic indicators are provided for January-September period of 2010, statistics on imports are also provided for the same period. Additionally, because Meltem Kimya's, which began its economic activities in 2009, production indicators are negligible when compared to those of Artenius's, the former has been excluded from the evaluations.

	2006	2007	2008	2009	2010 January- September
Imports/Domestic production	61%	75%	106%	106%	125%

It's seen that, during the investigation period, the ratio of imports to domestic production has considerably increased. While this ratio was 61 % in 2006, it reached to the level of 75 % in 2007, to the level of 125 % in 2008 and 2009, and to the level of 125 % in the January-September period of 2010.

## 2.2 Market Share of Imports

	2006	2007	2008	2009	2010 Jan.-Sept.
Mrk. Shr. Of Imp.	38%	43%	51%	51%	56%

It's seen that, during the investigation period, the ratio of imports in Turkey's PET market has continuously increased. Imported products which have a share of 38 % in 2006 have continuously increased their market share and dominated 56 % of the domestic market in the period of January-September 2010

## 2.3 Imports by countries

COUNTRY NAME	2006	2007	2008	2009	2010
PAKISTAN	21,94%	22,04%	14,87%	19,40%	35,36%
IRAN	13,88%	15,88%	4,81%	14,50%	28,65%
VIETNAM	35,95%	27,97%	24,62%	16,02%	1,36%
UAE	0,00%	1,54%	22,05%	14,80%	7,23%
SPAIN	9,91%	6,54%	10,55%	0,33%	2,11%
CHINA	3,55%	7,38%	5,06%	6,45%	4,05%
OMAN	0,00%	0,00%	0,00%	9,94%	7,14%
MALAYSIA	0,00%	0,00%	5,71%	6,88%	4,95%
INDIA	2,97%	1,59%	7,12%	5,46%	3,37%
ITALY	1,05%	7,35%	3,92%	0,19%	0,16%
SAUDI ARABIA	1,99%	2,45%	0,37%	3,23%	2,57%
SOUTH KOREA	0,00%	0,59%	0,50%	2,33%	1,37%
GREECE	2,71%	3,40%	0,00%	0,00%	0,53%
GERMANY	4,32%	0,12%	0,01%	0,02%	0,01%
TAIWAN	0,32%	0,00%	0,00%	0,00%	0,97%
INDONESIA	0,00%	1,15%	0,00%	0,17%	0,00%
EFTA	0,00%	1,28%	0,00%	0,00%	0,00%
THAILAND	0,00%	0,05%	0,02%	0,00%	0,07%
Other Countries	1,39%	0,68%	0,39%	0,27%	0,10%
Total amount	100,00%	100,00%	100,00%	100,00%	100,00%

The table above contains the distribution of Turkey's absolute imports by countries of origin. Accordingly, the ratios of the abovementioned countries on imports of PET have considerably differed during the investigation period. For instance, Iran, by realising 14 % of imports in 2006 and 28,65 % of imports in 2010; similarly Pakistan, by realising 22% of imports in 2006 and 35,36 % of imports in 2010 have increased their market shares. Yet, in the same period, market share of Vietnam has decreased from the level of 36% to the level of 1,36%; similarly market share of Spain has decreased from the level of 10% to the level of 2,11 %. Statistics on imports by countries on quantity and dollar basis are provided within the Annex-1.

### THIRD SECTION

#### 3. GENERAL INDICATORS OF THE DOMESTIC INDUSTRY

Economic indicators are based on the data submitted by the applicant firms who represent the significant part of the domestic industry. Economic indicators of domestic production for 2010 consist of the term between January and September, so the figures of 2010 as a whole are calculated by the estimation using first 9 months of 2010.

##### 3.1 Consumption

Consumption	Unit	2006	2007	2008	2009	2010 (T)	2009 (1-9)	2010 (1-9)
Quantity	Ton	100	119	119	145	162	100	109
Change	%	-	18,6%	0,4%	22,1%	11,3%	-	9,3%

As can be seen, domestic market has been realised a growth of 62% during the investigation period. This kind of a big growth is seemed to attract the exporters to our domestic market.

##### 3.2 Production

Production	Unit	2006	2007	2008	2009	2010 (T)	2009 (1-9)	2010 (1-9)
Quantity	Ton	100	109	93	114	113	100	99,7
Change	%	-	8,7%	-14,4%	22,1%	-0,3%	-	-0,3%

As can be seen, the increase of the domestic production branch has not been developed as reflecting the increase in demand in the internal market. As the internal market has grown regularly, domestic production fell by 14,4% in 2008. In the investigation period, increase in the domestic production has remained at 13%.

### 3.3 Domestic Sales

Domestic Sales	Unit	2006	2007	2008	2009	2010 (T)	2009 (1-9)	2010 (1-9)
Quantity	Ton	100	109	93	114	113	100	107
Change	%		8,7%	-14,4%	22,1%	-0,3%		7,1%

Domestic sales of the domestic product has been floated during the investigation period and considering the estimated figures of 2010 it is decreased as compared with the previous year.

### 3.4 Capacity and Capacity Utilization Ratios (CUR)

Capacity/CUR	Unit	2006	2007	2008	2009	2010 (T)	2009 (1-9)	2010 (1-9)
Quantity	Ton	100	100	100	107	107	100	100
CUR	%	%88	%96	%82	%93	%93	%93	%93

Domestic production branch has never caught the CUR of 2007 for PET production again.

### 3.5 Inventories

Inventories	Unit	2006	2007	2008	2009	2010	2009 (1-9)	2010 (1-9)
Quantity	Ton	100	243	74	103		100	70
Change	%	-	%143	-%69	%39	-	-	-%30

Inventory changes have been irregular during the investigation period.

### 3.6 Employment

Employment	Unit	2006	2007	2008	2009	2010
Employee	Person	100	102	95	84	102
Change	%	-	%2	-%7	-%11	%21

As compared with 2006, in 2010 despite the fact that Turkey PET market has been grown by 59%, the quantity of working persons has not showed a significant change.

### 3.7 Productivity

Productivity	Birim	2006	2007	2008	2009	2010 (T)
Productivity of workforce	Ton/ Person	100	106	98	134	111
Change	%	-	%6	-%8	%37	-%17

Changes in productivity of workforce have been irregular during the investigation period.

### 3.8 Profitability

Profitability	Unit	2006	2007	2008	2009	2010	2009 (1-9)	2010 (1-9)
	%	-%8	-%9	-%12	-%6	-%2	-%4	-%2

The firm has not been in a profitable structure during the investigation period.

## SECTION FOUR

### 4. CAUSAL LINK

In this section, the causality link between the increase in the imports of the products subject to application and the injury in the economic indicators of the domestic production is examined. In this framework, the simultaneity of the increase in imports of the products subject to application with the injury in the economic indicators of the domestic production, the market conditions of the product subject to investigation and like domestic product, and effects of other factors on serious injury or threat of serious injury were examined.

The trend of the imports of the product subject to investigation and economic indicators are already examined in the previous sections. It is observed that the growth of the domestic market was met by imports, so the growth trend was reflected to the economic indicators of the domestic production only at a limited level. In the related period, the growth of domestic market is 62 %, however the sales of domestic producers increased only 13 %. It is concluded that despite growth in the market, domestic producers haven't been able to increase their capacity as a consequence of import pressure.

#### 4.1 Price Comparison

It is obvious that price is one of the leading factors determining consumers' demand in the supply chain of the product. The table comparing domestic and imported PET prices on the same stage is given below. In the table below, imported product's price, which is constructed by adding other expenses (6 % of the CIF value) to the weighted average import price, indicates the price of the imported product whose customs process is finished. "Domestic product price 1" shows the weighted average domestic sale price of the domestic industry, in other words ex-factory price of the domestic product. Besides, taking into account



that the domestic industry operated with negative profitability from 2006 to 2008, “domestic product price 2” is constructed to indicate the “standard” price of the domestic product. “Domestic product price 2” was calculated by adding a reasonable profit (5 %) to the industrial cost of the domestic product.

	<b>Birim</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010 (1-9)</b>
Imported Product Price	USD/Kg	1,36	1,46	1,57	1,09	1,36
Domestic Product Price 1	USD/Kg	1,49	1,48	1,57	1,25	1,43
Domestic Product Price 2	USD/Kg	1,72	1,70	1,85	1,39	1,52
Difference 1	USD	-0,13	-0,02	0,00	-0,16	-0,07
Difference 2	USD	-0,36	-0,24	-0,28	-0,30	-0,16

From January 2006 to September 2008, the price of imported product was below both “Domestic Product Price 1” and “Domestic Product Price 2”. In this regard, it is seen that the imported products have caused price undercutting and price suppression on the domestic products.

#### **4.2 Effect of Other Factors**

In this section, the effect of other factors than imports on serious injury are examined. Firstly, the trend of domestic demand is examined in the investigation period. It is observed that domestic demand of PET was 171,278 tons in 2006, in consequent years it increased regularly on a yearly basis, and it reached to the peak in 2010 with 277,192 tons. In this regard, it is not possible to say that the demand conditions have had effects on the injury of the domestic industry.

Furthermore, the production capacity and labor productivity of domestic producers are also examined. Taking into consideration the fact that the capacity of domestic industry increased only at a negligible level and demand was higher than the production in the period concerned, it is not possible to evaluate the excess capacity as a factor causing injury. Additionally, labor productivity was 503 tons/worker in 2006, it has increased regularly in the period 2007-2009 and reached to its peak in 2009. Although it has decreased a little bit, to 1,163 tons/worker in 2010, it was still higher than the level of 2006. For that reason, it is seen that the domestic industry did not experience any problem resulted from labor productivity in the period concerned.

Considering that there has not been any significant new comer in the PET production industry, it is concluded that the competition between domestic producers did not cause injury.

Moreover, the trend of exports sales and weight of exports sales in total sales indicate that exports have not caused injury on the domestic industry in the period concerned.

## SECTION FIVE

### 5. CONCLUSION

Imports of PET significantly increased in absolute value and relative to domestic production in the period concerned. This increase can be described as sudden, recent and sharp within the framework of the term 'importation in increased quantities' which is mentioned in WTO Safeguards Agreement. Besides, it is determined that economic figures of domestic producers do not reflect the positive developments in the market in the presence of a dumping measure since 2006.

Dumping measure was applied to 60% of imports of PET to Turkey in the period in which measure was initiated. In the following years, imports of the product from the countries to which dumping measure was applied decreased by 87%. As a natural consequence of dumping measure, sources of import shifted to the countries to which dumping measure was not applied. Thus positive effects of dumping measure to foster domestic production couldn't be realized enough.

Taking into consideration large production capacities and lower product price in the countries to which dumping measure was applied, it is highly probable to start importation of PET from these countries in large quantities after the end of dumping measure in 27 January 2011. Despite dumping measure, proportion of imports to domestic production increased 2 times in the period of examination. In this respect, it is assessed that this ratio would go up further and thus domestically produced PET would get a smaller share in the market by facing a harder price-competition. Besides, profitability of domestic producer has been negative in the period of examination, despite dumping measure.

It is understood that unit prices of imported products have had effects on serious injury of domestic production. In addition, as other factors is assessed not to have an influence on injury, it is concluded that domestic production would face serious injury or threat of serious injury in coming period as a result of the end of dumping measure.

## IMPORT STATISTICS BY COUNTRY

COUNTRY	2008		2009		2010	
	Quantity	Value	Quantity	Value	Quantity	Value
PAKISTAN	15.577.000	23.040.218	24.815.000	24.337.891	55.311.100	71.806.674
IRAN	5.040.000	7.097.086	18.547.000	19.007.541	44.811.985	55.925.185
UAE	23.101.300	33.818.363	18.931.200	19.779.462	11.307.000	14.722.461
OMAN	0	0	12.714.000	13.859.090	11.160.000	14.695.273
MALASIA	5.984.000	8.130.397	8.800.000	9.088.963	7.744.000	9.869.012
CHINA	5.297.000	7.123.729	8.253.000	8.426.422	6.342.075	8.850.908
INDIA	7.457.000	10.192.530	6.988.000	7.122.395	5.277.171	6.420.844
SAUDI ARABIA	384.200	557.218	4.130.000	4.500.688	4.014.120	5.357.711
SPAIN	11.056.700	18.684.488	424.800	451.590	3.301.200	4.497.540
S. KOREA	524.650	790.585	2.974.000	2.991.098	2.145.250	2.847.637
VIETNAM	25.791.150	38.375.644	20.492.850	21.039.216	2.121.000	2.949.416
TAIWAN	1.000	2.396	0	0	1.518.000	1.832.341
GREECE	0	0	0	0	836.000	1.246.740
ITALY	4.103.838	6.846.093	244.850	269.721	248.000	395.452
THAILAND	22.000	33.440	0	0	110.000	115.500
USA	69.951	255.390	0	0	61.425	156.546
ISRAEL	0	0	0	0	59.073	72.460
AUSTRALIA	0	0	0	0	22.000	27.280
GERMANY	14.680	21.722	23.881	31.371	10.812	22.353
CZECH REP..	0	0	0	0	3.025	5.272
UK	0	0	0	0	1.015	2.336
ROMENIA	0	0	0	0	500	1.282
LOUXEMBOURG	0	0	0	0	400	6.685
SWITZERLAND	7.037	97.461	5.070	15.936	50	1.920
FRANCE	0	0	308.000	376.392	0	0
PORTUGAL	308.014	607.140	40.000	63.678	0	0
LITHUANIA	21.000	33.584	0	0	0	0
INDONESIA	0	0	220.000	259.136	0	0
TOTAL	104.760.520	155.707.484	127.911.651	131.620.590	156.405.201	201.828.828