

**NON-CONFIDENTIAL SUMMARY
OF SAFEGUARD MEASURE APPLICATION
FILED BY DOMESTIC MANUFACTURERS
REGARDING IMPORTS OF PVC
OF PEOPLE'S REPUBLIC OF CHINA ORIGIN**

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1. PREAMBLE

In the following sections, the application for safeguard measures relating to polyvinyl chloride (PVC) of People's Republic of China (PRC) origin imports filed by domestic manufacturers with Undersecretariat of the Prime Ministry for Foreign Trade dated 17/04/2006, no. 22115 is summarized and certain details are indexed. Claims and requests in the application listed in the summary will be reviewed under the framework of the safeguard measure inquiry to be conducted by Undersecretariat of the Prime Ministry for Foreign Trade.

2. GENERAL DETAILS ON APPLICATION

2.1. Subject matter of application

Polyvinyl chloride (PVC) of People's Republic of China origin.

2.2. Applicants

Petkim Petrokimya Holding A.Ş.

2.3. Percentage of representation of domestic production by applicants

The applicant is the sole manufacturer of the product under inquiry and represents the entirety of domestic production.

3. BACKGROUND ON SUBJECT PRODUCT

3.1. Product description

The product, which is the subject matter of the application, is polyvinyl chloride-PVC.

3.2. Customs Code

The subject product is classified under Customs Code 3904.10.00.00.19 in the Customs Tariff Schedule.

3.3. Background on production process

Polyvinyl Chloride (PVC) is a polymer, the basic raw material of which is vinyl chloride monomer (VCM). Under VCM production methods, PVC has two traditional production methods as calcium carbide or acetylene based and ethylene based.

In acetylene based PVC production, first of all carbide is derived using coke derived from coal and calcium oxide. Afterwards, calcium carbide goes into reaction with hydrogen chloride to produce VCM and derived VCM is then used in production of PVC. In ethylene based PVC production, on the other hand, first VCM is produced from ethylene derived from petroleum and subsequently, PVC is derived from VCM monomer.

3.4. Fields of application

PVC, which has a broad field of application, is used in areas like pipe manufacturing, profile manufacturing (window and door profiles, building interior covering materials, strips,

gaskets, foams), cable manufacturing, rigid film manufacturing (foils, hard transparent films, stationery, injection molding) (soles for slippers and shoes, toys), plain sheet manufacturing (floor coverings), bottles, serum bags and the like.

3.5. Like or directly competitive product

It has been established that regarding the subject article, those manufactured by local firms and imported ones have the same properties in terms of sale channels and fields of application and hence they may be deemed to be directly competitive products.

3.6. Regulations

3.6.1. Customs duties

Customs duties applied under 2006 Import Regime in the imports of the subject product are given in the table below.

CUSTOMS CODE	NAME OF ARTICLE	CUSTOMS DUTY RATE (%)				
		EU,EFTA,ISR,RUM, BUL, TUN, MOR, MAC, CRO, B.-HER., WEST BANK AND GAZA STRIP	GSP COUNTRIES			OTHER COUNTRIES
			L.D.C.	S.I.A.C	D.C.	
3904.10.00.00.19	Others	0	0	0	3	6,5

The List of Sectors outside the Generalized System of Preferences in Annex No. 4 to year 2006 Import Regime covers the subject article. Therefore, the customs duty rate applied to other countries is considered for goods of People's Republic of China origin.

3.6.2. Other regulations

The importation of only those in solution form in organic solvents of the subject article (save those in solid state) is carried out using a compliance certificate to be issued by Ministry of Employment and Social Security in accordance with Import Directive no. 2006/13 on Importing of Certain Materials Affecting Occupational Health and Occupational Safety. Furthermore, the importation of only those used in food industry and/or which are in contact with food is subject to supervision of Ministry of Agriculture and Rural Affairs in accordance with Directive no. 2006/5 on Standardization in Foreign Trade.

On the other hand, under Directive no. 2003/3 on Prevention of Unfair Competition in Imports, dumping tax is imposed on imports made from the below listed countries at the rates specified across them.

3904.10	POLYVINYL CHLORIDE	GERMANY	25\$/TON-45\$/TON
		USA	45\$/TON
		BELGIUM	25\$/TON-45\$/TON
		FINLAND	45\$/TON
		HOLLAND	45\$/TON
		ISRAEL	25\$/TON-45\$/TON
		ITALY	25\$/TON-45\$/TON
		HUNGARY	45\$/TON
		RUMANIA	25\$/TON-45\$/TON
		GREECE	45\$/TON

4. UNFORESEEN DEVELOPMENTS

PRC has become the largest PVC manufacturer and exporter in the world in 2006 especially with the acetylene based additional capacity increases. In 2005, Turkey ranked second with 13 % share in PRC's exports and in January-February period of 2006, Turkey has taken first place with 33 % share. Hence, Turkey has become the strategic market of acetylene based cheap PVC of PRC origin. In January-April period of 2006, PRC has moved to second place with 13.04 shares in the imports of Turkey.

5. COURSE OF IMPORTS

5.1. Course of imports

5.1.1. Overall imports

The annual and quarterly import statistics from 2002 to 2006 for the product subject to application are given below in terms of volume and value.

YEARS	IMPORTS			CHANGE			QUARTERLY IMPORTS			
	TON	DOLLAR	U.P.	TON	DOLLAR	B.F.	TON	TON	DOLLAR	B.F.
2002	245.954	151.790.582	617	-	-	-	2002(1- 4)	87.379	46.377.019	531
2003	261.086	183.470.665	703	6,2 %	20,9%	13,9 %	2003(1- 4)	68.950	48.686.244	706
2004	328.594	313.680.528	955	25,8 %	71%	35,8 %	2004(1- 4)	98.658	83.289.528	844
2005	407.842	397.280.404	974	24,1 %	26,7%	-5,9 %	2005(1-4)	123.450	132.606.301	1.074
2006(1-4)	138.900	127.284.050	916	-	-	-	2006(1-4)	138.900	127.284.050	916

As it will be seen from the review of the table, the imports of the subject article in terms of volume shows a regular trend of increase during the period under examination. Total imports, which were 245,954 tons in 2002, has risen by 6.2 % in 2003 and, the highest rate of increase has taken place for the period under examination in 2004 with an increase of 25.8 %. Imports have reached 407,842 tons in 2005 with an increase of 24.1 %.

The periodical (January-April) PVC imports by years also show an increase trend in parallel with annual imports. In January-April period of 2006, PVC imports have risen by 12.5 % compared to the same period in 2005.

5.1.2. Imports of PRC origin

Data on PVC imports from PRC are listed below:

IMPORTS				CHANGE			QUARTERLY IMPORTS			
YEARS	TON	DOLLAR	YEARS	TON	DOLLAR	YEARS	TON	DOLLAR	YEARS	TON
2002	-	-	-	-	-	-	2002(1- 4)	-	-	-
2003	-	-	-	-	-	-	2003(1- 4)	-	-	-
2004	660	607.200	920	-	-	-	2004(1- 4)	-	-	-
2005	2.378	2.256.704	949	260 %	272 %	3,2%	2005(1-4)	22	20.543	934
2006 (1-4)	18.125	15.638.085	863	-	-	-9,1%	2006(1-4)	18.125	15.638.085	863

PVC imports of PRC origin, starting from low levels in 2004, have reached 2,378 tons in 2005 with an increase of 260 % compared to the previous year. This high increase trend is continuing in 2006 and in the first four months of 2006; the total imports originated from PRC in entirety of 2005 was surpassed with PVC imports of 18,125 tons.

Imports	2002	2003	2004	2005	2004 (01-04)	2005 (01-04)	2006 (01-04)
Total Imports (Ton)	245.954	261.086	328.594	407.842	120.666	123.450	138.900
PRC (Ton)	-	-	660	2.378	-	22	18.125
Non-PRC Total Imports (Ton)	245.954	261.086	327.604	405.464	120.666	123.428	120.775
Share of PRC in Total Imports (%)	-	-	0,2	0,6	-	-	13

The total imports made from Non-PRC countries in January-April period in 2006 has declined to 120,775 tons with a drop of 2.1 %; yet imports made from PRC in the same period have become 18,125 tons with a very high increase.

5.2. Ratio of imports to domestic production

% Index	2002	2003	2004	2005	2006(01-04)
Imports/Production	100	119	134	195	193
PRC Imports/Production	-	-	100	423	9.393

The index for the ratio of imports to domestic production has increased steadily over the years and has become 195 in 2005 with an approximately twofold increase compared to its level in 2002. Imports, in the first four months of 2006 have come to approximately twice the level in 2002.

The index for the ratio of imports from PRC to domestic production has shown a high increase of 94-fold between the said periods; since in the year 2004 when imports started, the import volume from PRC was low and a major leap occurred in imports in 2006.

5.3. Market share of imports

% Index	2002	2003	2004	2005	2006 (01-04)
Market share of total imports	100	107	113	123	124
Market share of imports of PRC origin	-	-	100	306	8.056

The index for the share of the domestic market of total imports which was 100 in 2002 has increased steadily, going up to 123 in 2005 and to 124 in the first four months of 2006.

Since no imports were made from PRC in 2002 and 2003, the said country has not taken any share from the market in those years; yet in 2004, imports have started and the index for the share of imports of PRC origin in the domestic market in 2005 has become 306 (2004 = 100). However, in January-April period of 2006, PRC's market share index has risen to 8,056 with rather a high increase.

5.4. Unit prices in imports

CIF (\$/ton)	2002	2003	2004	2005	2005 (01-04)	2006 (01-04)
Total Imports	617	703	955	974	1.074	916
PRC	-	-	920	949	934	863

CIF import unit prices by years are shown in the table above. It is observed that unit prices for overall imports of the product under examination increased by 14 %, 36 % and 2 % respectively in 2003, 2004 and 2005. The import unit price dropped by 15 % in January-April period of 2006, compared to the same period in 2005.

It is observed that, during the period under examination, unit prices of imports of PRC origin remained under the unit prices for overall imports since they were launched in the market.

6. DETERMINATION OF MARKET DISRUPTION AND THREAT OF MARKET DISRUPTION

6.1. Consumption

Consumption (Ton/Index)	2002	2003	2004	2005	2004 (01-04)	2005 (01-04)	2006 (01-04)
	100	100	121	134	100	127	122

PVC consumption has shown an increase during the period under examination. The consumption index, which was 100 in 2002, has reached 134 to in 2005, increasing by 21 % in 2004 and 11 % in 2005.

Periodical consumption also shows an increasing trend in parallel with general consumption. The consumption index, which was 100 in 2004 January-April period, went up to 122 in the same period of 2006.

6.2. Production

Production (Ton/Index)	2002	2003	2004	2005	2004 (01-04)	2005 (01-04)	2006 (01-04)
	100	89	100	85	100	64	93

However, the production data of domestic manufacturers have run a fluctuating course in contrast to consumption. The production index, which was 100 in 2002, has become 89 and 100 in subsequent years, declining to 85 in 2005. The periodical production has also fluctuated, the index which was 100 in the first four months of 2004, becoming 64 in 2005 and 93 in 2006.

6.3. Market share of domestic production

Market share of production (% Index)	2002	2003	2004	2005	2004 (01-04)	2005 (01-04)	2006 (01-04)
	100	90	85	63	100	50	71

The market share of domestic production shows a steady declining trend over the years. The market share index, which was 100 in 2002, has come down to 63 in 2005, with drops of 10 %, 6 % and 26 % respectively. A fluctuating course is observed on the data for the first four months. The index, which was 100 in the first 4 months of 2004, has become 50 in 2005 and 71 in 2006.

6.4. Capacity and capacity utilization rate (CUR)

% Index	2002	2003	2004	2005	2006 (01-04)
Capacity	100	100	100	100	100
Capacity utilization rate	100	89	100	86	89

The production capacity of the domestic manufacturer has remained unchanged during the period under examination. Still, changes are observed in capacity utilization rates. The index, which was 100 in 2002, has fluctuated by years, going back to 86 in 2005.

6.5. Domestic sales

Domestic Sales (Ton/Index)	2002	2003	2004	2005	2004 (01-04)	2005 (01-04)	2006 (01-04)
	100	89	94	87	100	82	81

A fluctuating course is observed in the domestic sales of the domestic manufacturer. The domestic sales index, which was 100 in 2002, has dropped by 11 % in 2003, has gone up by 6 % in 2004, reaching 87 in 2005, with a drop of 7 %. Periodical sales, on the other hand, are in a declining trend. The sales index, which was 100 in 2004 January-April period, has declined to 81, with a drop of 29 % in the same period in 2006.

6.6. Foreign sales

Foreign sales (Ton/Index)	2002	2003	2004	2005	2004 (01-04)	2005 (01-04)
	100	68	93	164	100	586

The foreign sales of the domestic manufacturer are in a rising trend in recent years. The export sales index, which was 100 in 2002, has dropped to 68 in 2003; however, it has started to increase starting from that year, and with an increase of 37 % in 2004 and 76 % in 2005 has reached 164. The same trend is continuing in periodical data as well. The foreign sales index, which was 100 in 2004 January-April period, has risen to 586 in 2005.

6.7. Inventories

Inventories (Ton/Index)	2002	2003	2004	2005	2006 (01-04)
	100	95	243	136	200

The inventories of the domestic manufacturers have increased in 2006. The inventory index, which was 100 in 2002, has gone up to 243 in 2004, becoming 136 in 2005. The inventory figures in the first 4 months of 2006 have reached 200 with an increase of 100 %, compared to 2002.

6.8. Employment

Employment (Person/Index)	2002	2003	2004	2005	2006 (01-04)
	100	89	92	89	94

There is a declining trend in employment data as well. The employment index, which was 100 in 2002, has dropped back to 89 in 2005.

6.9. Productivity

Productivity (Ton/Person Index)	2002	2003	2004	2005
	100	101	108	96

The productivity of the domestic manufacturers has not fluctuated much. The productivity index, which was 100 in 2002, has become 96 in 2005.

6.10. Profitability

Profitability (% Index)	2002	2003	2004	2005	2006 (01-04)
	100	-348	141	-920	-753

Although the profitability index has run a fluctuating course in the period under examination; especially in the last period, significant impairment has occurred in the profitability of the domestic manufacturer. The index, which was 100 in 2002 when the domestic manufacturer derived positive net income, declined to -920 in 2005 and -753 in the first 4 months of 2006.

6.11. Price undercutting

Price Undercutting (%)	2002	2003	2004	2005	2006 (01-04)
	-	-	-	10,4	11,7

Price undercutting was started to be calculated as of 2005 when the imports of PVC of PRC origin started to be made intensively. This calculation was made by comparing the

import price calculated as adding reasonable freight and customs expenses to PRC export prices of the product under examination and domestic average sale price of the domestic product. Price undercutting has been 10.4 % in 2005 and 11.7 % in the first 4 months of 2006.

7. EVALUATION OF LINK OF CAUSATION

7.1. Foreign sales

The exports by the domestic manufacturer of subject PVC has started to increase in the last two-year period, showing an increase of 586 % in the first 4 months of 2006, compared to the same period in 2005. Therefore, it is believed that the export performance of the domestic manufacturer has not played a role on the impairment on economic indices.

7.2. Domestic market

Turkey's PVC consumption index has remained unchanged in 2002 and 2003, increasing by 21 % and 11 % in the following two years. Therefore, it is believed that the impairment on the economic indices of the domestic manufacturer has not stemmed from the contraction in the domestic market.

7.3. Domestic competition

The applicant is the sole manufacturer of the subject product domestically. Therefore, domestic competition does not have any impact on the impairment on economic indices.

7.4. Productivity

The productivity values of the domestic manufacturer have run a straight course during the period under examination. Therefore, it is believed that the changes occurring in productivity did not have any impact on the impairment on the economic indices of the domestic manufacturer.

7.5. Financial expenses

The net financial expenses of the domestic manufacturer have remained negative in the period under examination, save for 2005. Therefore, it is believed that the net financial expenses did not have any impact on the impairment on the economic indices of the domestic manufacturer.

7.6. Development of alternate products

No alternate product for PVC has developed; furthermore, in specific areas (plastic pipe manufacturing, certain packaging products, toy and film manufacturing, building materials, etc.), PVC may be substituted for high density polyethylene (HDPE). It is believed that in the current period when petroleum prices are rising rapidly and therefore, PVC prices are quite lower than HDPE prices, PVC will gain a share of the HDPE market in various final consumption areas and PVC demand will increase.

8. REQUESTED MEASURE

In light of the above made evaluations; it is requested that to prevent the market disruption and threat of market disruption created on the sector by the increase in imports of

PRC origin which gained speed in recent years, a safeguard measure is adopted in the form of joint application of quantity restriction (quota) and tax increase for a term of three years to be directed towards People's Republic of China under Decree on Surveillance and Safeguard Measures on Imports of Goods of People's Republic of China origin (2003/5567) (OG Date and No: 25.05.2003 – 25121) and Regulation on Safeguard Measures on Imports of Goods of People's Republic of China origin (OG Date and No: 12.06.2003 – 25136) regarding imports of the said product.