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2020
Rec'd dti

28 August 2020

H.E. HOÀNG HUY CHUNG

Ambassador

Embassy of the Socialist Republic
of Vietnam in Philippines

670 Pablo Ocampo St.

Malate, Manila

Dear Ambassador Chung:

This is to advise you that the Department received a petition from JG Summit Petrochemical Corporation (JGSPC) to impose safeguard measures on the importation of High-Density Polyethylene (HDPE) pellets and granules and Linear Low-Density Polyethylene (LLDPE) pellets and granules from various countries. After a review of the evidence adduced in the petition, the Department has determined the existence of a prima facie case to justify the initiation of preliminary investigations. HDPE pellets and granules are classified under ASEAN Harmonized Tariff Nomenclature (AHTN) Code 3901.20.00 and LLDPE pellets and granules are classified under AHTN Codes 3901.10.12, 3901.10.92, 3901.40.00, 3901.90.90.

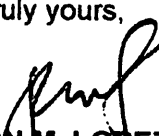
As provided under RA 8800, The Philippine Safeguard Measures Act, the Department, after making a decision to initiate a preliminary investigation shall notify all interested parties and require them to submit within five (5) working days from receipt of such notice their response or comments and other evidence and information relevant to the said investigation.

In view thereof, we would like to request your assistance in notifying the affected Vietnamese exporters of the initiation of this investigation. You may also submit your views on the matter to the Bureau of Import Services (BIS), Department of Trade and Industry (DTI), 3rd floor, Tara Building, #389 Senator Gil Puyat Avenue, Makati City, or through electronic submission to bis_irmd@dti.gov.ph, within the same period indicated above.

Attached is the public version of the initiation report prepared by the Department.

Thank you for your cooperation.

Very truly yours,


RAMON M. LOPEZ
Secretary



OFFICE OF THE SECRETARY

**NOTICE OF THE INITIATION OF A PRELIMINARY INVESTIGATION ON THE
APPLICATION FOR SAFEGUARD MEASURES ON THE IMPORTATION OF HIGH-
DENSITY POLYETHYLENE (HDPE) AND LINEAR LOW-DENSITY POLYETHYLENE
(LLDPE) PELLETS AND GRANULES FROM VARIOUS COUNTRIES
(SG CASE NOS. SG05-2020 & SG06-2020)**

Notice is hereby given that the Department of Trade and Industry has officially received properly documented applications from JG Summit Petrochemical Corporation (JGSPC) for the imposition of safeguard measures on the importation of High-Density Polyethylene (HDPE) and Linear Low-Density Polyethylene (LLDPE) pellets and granules from various countries. The applications allege that HDPE and LLDPE are being imported into the country in increased quantities as to be a substantial cause of serious injury to the local industry.

The Department acting under Section 6 of RA 8800, the Safeguard Measures Act, reviewed the evidence adduced in the application and has determined the existence of a prima facie case to justify the initiation of preliminary investigations. The products covered by the investigations are HDPE pellets and granules classified under AHTN Code 3901.20.00, and LLDPE pellets and granules classified under AHTN Codes 3901.10.12, 3901.10.92, 3901.40.00 and 3901.90.90. The period of investigation (POI) covers the years 2015 to 2019.

Rule 5.2 of the Implementing Rules and Regulations (IRR) of RA 8800 provides that *"the Secretary when establishing that the application of a safeguard measure will be in the public interest shall take into consideration the following factors; among others: (i) whether the imposition of the provisional measure will result in political and economic crisis; and (ii) the extent to which such imposition will cause a shortage of a product under consideration in the domestic market"*.

WHEREFORE, IN VIEW THEREOF, interested parties are invited to submit their views on the matter, including on whether the imposition of a safeguard measure on the aforementioned products is in the public interest. Submissions may be made to the Bureau of Import Services (BIS), Department of Trade and Industry, 3rd Floor, Tara Building, #389 Senator Gil Puyat Avenue, Makati City, or through electronic submission to bis_irmd@dti.gov.ph within five (5) days from the date of publication of this notice.

The Non-Confidential Reports on the Initiation of a Preliminary Investigation can be accessed at the DTI web page: https://bit.ly/SGM_ldpe-hdpe

28 August 2020



RAMON M. LOPEZ
Secretary

DEPARTMENT OF TRADE AND INDUSTRY

SAFEGUARD MEASURES CASE NAME:

APPLICATION OF PETROCHEMICALS INDUSTRY

PUBLIC VERSION

SGM CASE NO. : SG05-2020

DATE : 28 August 2020

**REPORT ON THE INITIATION OF A PRELIMINARY
INVESTIGATION ON THE APPLICATION FOR
SAFEGUARD MEASURES ON THE IMPORTATION OF
HIGH-DENSITY POLYETHYLENE (HDPE) FROM
VARIOUS COUNTRIES**

REPORT ON THE INITIATION OF A PRELIMINARY INVESTIGATION ON THE APPLICATION FOR SAFEGUARD MEASURES ON THE IMPORTATION OF HIGH-DENSITY POLYETHYLENE (HDPE) FROM VARIOUS COUNTRIES

I. INTRODUCTION

This is an evaluation report on the evidence submitted by the petrochemical industry represented by JG Summit Petrochemical Corporation (JGSPC). The industry filed an application for the imposition of safeguard measures on the importation of High-Density Polyethylene (HDPE) pellets and granules from various countries.

JGSPC alleged that serious injury to the domestic industry was caused by the increased import volume of HDPE which is classified under ASEAN Harmonized Tariff Nomenclature (AHTN) Code 3901.20.00

A. The Philippine Industry's Petition

A.1 Parties to the Petition - Domestic Industry/Petitioner

Section 4 (f) of RA 8800 defines "domestic industry" as referring to the *"domestic producers, as a whole, of like or directly competitive products manufactured or produced in the Philippines or those whose collective output of like or directly competitive products constitutes a major proportion of the total production of those products"*.

Rule 4.1 of the Implementing Rules and Regulations (IRRs) of RA 8800 further provides that: *"(1) in the case of a domestic producer which also imports the product under consideration, only its domestic production of the like or directly competitive product shall be treated as part of the domestic production, or (2) in the case of a domestic producer which produces more than one product, only that portion of its production of the like or directly competitive product may be treated as part of such domestic industry"*.

JGSPC was incorporated in 1994 as a joint venture between JG Summit Holdings, Inc. and Marubeni Corporation. Today, JGSPC is the largest manufacturer of polyolefins in the Philippines. It is the first and only integrated PE and PP resin manufacturer in the country. They produce HDPE, LLDPE, PP-H, and PP-R resins marketed under the EVALENE® brand using the world-renowned UNIPOL™ technology.¹

JGSPC's in-house fabrication capabilities allow it to understand the customers' technical, operational, and performance requirements. The Product R&D laboratory has the following equipment that enables it to conduct lab-scale fabrication and analysis: blown film line, tubular water quench/IPP film line, cast film line, injection molding, blow molding, compression molding, compounding using a single screw or twin-screw extruder.²

¹ <https://jgspetrochem.com/jg-summit-petrochemical-corporation/company-overview/>
² <https://jgspetrochem.com/about-us/>

According to JGSPC, for their local and indirect export sales, they primarily sell its HDPE resins directly to over 200 local plastic products manufacturers and secondarily through distributors. While for export sales, JGSPC mainly sells through accredited distributors and trading partners. Since 1998, JGSPC has sold its products to over thirty (30) countries worldwide.

Pursuant to Rule 4.1 cited above, JGSPC meets the legal requirement to be considered a domestic industry since JGSPC accounts for a 100% share of the total domestic production of HDPE.

A.2. Importers and Exporters of HDPE

Annexes A and B are the lists of importers and exporters of HDPE products during the period of the investigation.

A.3. Industry Overview

Petrochemicals is a strategic sector of the economy that could anchor the country's industrial development. Because of its strong linkages upstream, midstream and downstream, the sector provides robust multiplier effects on other main sectors of the economy such as construction, electronics and computer, medical services, transportation and automotive, packaging, education, telecommunications, electrical and water distribution, agriculture and fishery, and furniture, among others³.

The industry's objective is to achieve self-sufficiency in strategic resin supply and increase the petrochemical sector's contribution to total Philippine GDP from Php 44 B in 2010 to Php 113 B in 2018 and Php 215 B by 2025 through the progressive integration of upstream, midstream and downstream components of the sector. Such progressive integration will involve the entry into various other petrochemical branches that will provide exponential value addition in different industries, spurring domestic and export growth and potentially contributing up to 5-10% of GDP by 2025.

B. Role of the DTI under RA 8800 (The Safeguard Measures Act)

B.1 Examination of Evidence to Justify Initiation of Investigation

In establishing whether there is sufficient evidence to justify the initiation of the investigation, the Secretary relied on Section 6 paragraph 3 of RA 8800 and its IRRs. The said provision provides, *"the Secretary shall review the accuracy and adequacy of the evidence adduced in the petition to determine the existence of a prima facie case that will justify the initiation of a preliminary investigation within five (5) days from receipt of the petition."*

³ <http://industry.gov.ph/industry/petrochemicals/>

B.2 Documents Received/Gathered by DTI

On 09 March 2020, DTI received an application from JGSPC for the initiation of a safeguard measures investigation on the importation of HDPE from various countries.

DTI evaluated the initial documents and informed JGSPC to submit additional data. On 27 May 2020, additional data were submitted by the industry, i.e. product description, raw materials used, export information, among others

II. THE PROCESS OF INITIATION OF INVESTIGATION

A. Acceptance of the Petition

In accepting the petition, the Secretary relied on the following provisions of the IRRs of RA 8800:

Rule 6.3 b provides, *"the Secretary shall preliminary screen the application if the following conditions are met:*

- i. The application is signed;*
- ii. All relevant questions are answered or the reasons for the absence of information are given; and*
- iii. The attachments to the application are complete".*

Rule 6.3 c provides, *"failure to supply all the information sought in the application will lead to the non-acceptance thereof. The Secretary shall check the consistency of the information provided in the application against other information available to him. The Secretary shall clarify any unclear or ambiguous statement with the applicant".*

Rule 6.3 d provides, *"as soon as the requirements are completed, the Secretary shall acknowledge in writing that he has already accepted a properly documented application. The date of the Secretary's letter shall be considered as day zero (0) of the five (5) calendar days within which he is required to determine whether there is sufficient evidence to justify the initiation of an investigation. The Secretary shall issue the letter as soon as practicable from his receipt of a properly documented application. If the applicant decides to give the Secretary further information in support of an application, the five (5) day period herein mentioned shall commence from the date of the submission of the new information. After this period, the Secretary shall no longer entertain any information that may be provided by the applicant".*

On 24 August 2020, the Secretary officially informed JG Summit Petrochemical Corporation (JGSPC) that their petition has been accepted as a properly documented application.

3. Decision to Initiate

Rule 6.4 a of the IRRs of RA 8800 provides that *"the Secretary shall, within five (5) calendar days from the date of his letter of acceptance of the properly documented application referred to in Rule 6.3.d, examine the accuracy and adequacy of the evidence submitted to determine the existence of a prima facie case that will justify the*

If the applicant decides to give the Secretary further information in support of an application, the five (5) day period herein mentioned shall commence from the date of

IV. THE EVIDENCE PRESENTED BY THE INDUSTRY

A. The Product Subject to the Petition

Section 4 (h) of RA 8800 defines like product as *"a domestic product which is identical, i.e. alike in all respects to the imported product under consideration, or in the absence of such a product, another domestic product which, although not alike in all respects, has characteristics closely resembling those of the imported product under consideration"*.

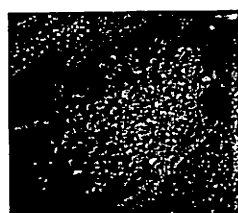
Section 4 (e) of RA 8800 further provides, *"directly competitive product shall mean domestically produced substitutable products"*.

A comparison of the imported HDPE with the locally produced HDPE is required to determine if these are like or directly competitive products.

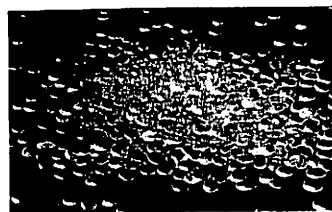
A.1 Domestic Product

High-Density Polyethylene (HDPE) is a type of polyethylene resin with densities from 941kg/cubic meter or greater and also having a specific gravity of 0.94 or more. Primarily sold as translucent white pellets or in granular form.

HDPE is made by polymerizing ethylene monomer using organometallic catalysts. It is also called a polyolefin since its main monomer ethylene is an olefin, and it also may be copolymerized with other linear alpha olefin copolymers such as 1-butane or 1-hexene.



Actual Size



Pellets



Granules

A.2. Product Specification

Physical Characteristics	Evalene® Grade Name	Melt Index (190°C/2.6kg, g/10 min)	Density (g/cm³)	Characteristics
Translucent white pellets in sold form	HF09522	0.75/9	0.952	Good puncture resistance, high stiffness, and tensile strength, high molecular weight.
	HF14522	0.12/14	0.952	Good puncture resistance, High stiffness, Medium molecular weight
	HJ04551	4	0.955	Outstanding low-temperature impact strength, UV-stabilized

	HJ04601	4	0.96	Excellent impact strength, High stiffness, UV-stabilized
	HJ04602	4	0.96	Organoleptic-certified
	HJ08601	8	0.96	Good impact strength, UV-stabilized, Organoleptic-certified
	HJ20571	20	0.957	Excellent processability
	HB09521	0.075/9	0.952	Outstanding Environmental Stress Crack Resistance (ESCR >700 hrs). High stiffness, High molecular weight
	HB23551	0.27/23	0.955	Good ESCR, High stiffness
	HB33531	0.39/33	0.953	Good processability
	HP10441	0.08/10	0.944	High Oxidation-Induction Time (OIT), PE 80-certified
	HP10441	0.08/10	0.944	High Oxidation-Induction Time (OIT), PE 80-certified
	HP10491	0.02/6	0.949	PE100-certified, Excellent sag resistance, Excellent slow crack and rapid crack growth resistance, High Oxidation-Induction Time (OIT)
	HM10561	1	0.956	Excellent tenacity, High stretchability

Source: Domestic Industry

A.3. Uses and Applications

HDPE grades exhibit a superior balance of stiffness, impact strength and chemical resistance, making them ideal for a broad range of applications such as:

Evaluated Grade Name	Typical Application
HF09522	Grocery bags, Supermarket produce bags, carrier bags, trash bags, sack liners
HF14522	Produce bags on a roll, supermarket produce bags, wet market bags, sando bags, laundry bags, carrier bags, trash bags, sack liners, flexible packaging
HJ04551	Pallets and crates for cold storage applications
HJ04601	Pallets, Dunnage trays, crates, Industrial parts
HJ04602	Beverage caps for mineral water, juice and tea drinks
HJ08601	Crates and cases, caps for still and mineral water
HJ20571	Housewares, caps, pails, toys
HB09521	Medium size extrusion blow molded containers (10-50 liters) for household and industrial chemicals (HIC) condiments and cooking oil.

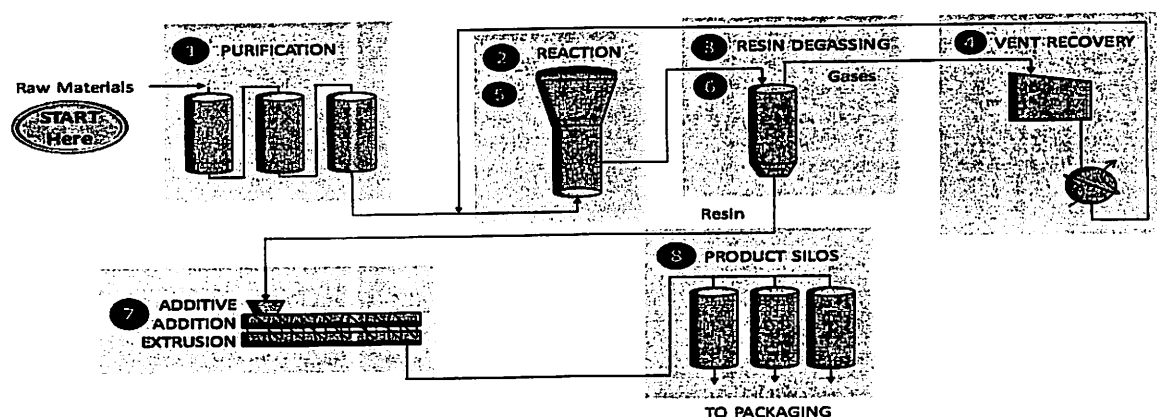
HB23551	Rigid packaging, food beverage and condiment packaging, Bottles for personal care product, Bottles for household and industrial chemicals (HIC)
HB33531	Rigid packaging, food, beverage and condiment packaging, bottles for personal care products, Bottles for household and industrial chemicals (HIC)
HP10441	Pressure pipe applications (PE 80), pipes for building & construction, smooth wall and corrugated pipes for electrical conduits, telecommunications, irrigation and sewage
HP10491	Pressure pipe application (PE100), small large diameter pipes for water, sewage, irrigation, industrial and mining
HM10561	Commercial and industrial ropes and nets (fishing net, agricultural net, mosquito nets), non-woven filament applications

A.4. Manufacturing Process

UNIPOL™ PE Gas Technology – Existing 320 kilotons per annum(kTA) plant is one of the world's most widely used PE technology, having more than 165 licensed reactor lines in 28 countries, with a total capacity of more than 48 Million MTA.

According to JGPSCC, HDPE resins product are produced using the two world's most widely used PE Process technologies and as such are similar and substitutable with other imported HDPE resin products, especially those used for the same end-use applications

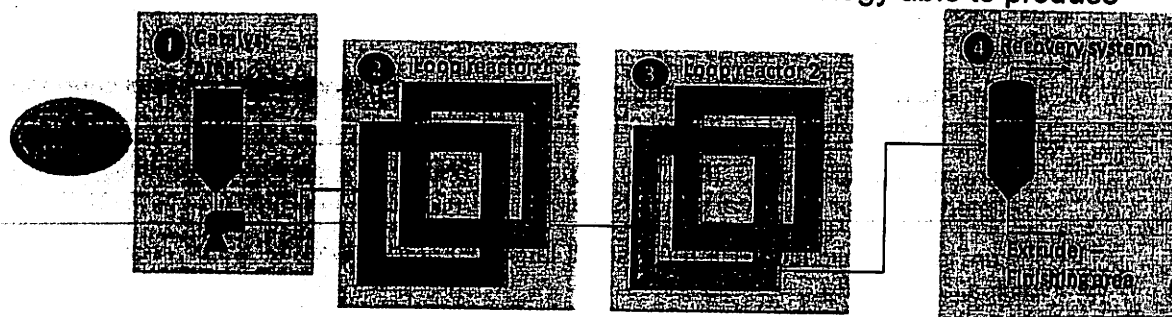
a) Univation UNIPOL™ PE Process Technology



Source: Domestic Industry

JGSPC will start to operate its third PE line using US-based Chevron Phillips MarTECH ADL™ PE production technology. The line, which has a rated production capacity of 250kTA, will be able to produce bimodal, metallocene, and bimodal metallocene HDPE resins, for which there is no local production. The new PE line will have an initially planned grade slate of 8 new grades for HDPE, thereby bringing the total number of HDPE grades to 21 by end-2020.

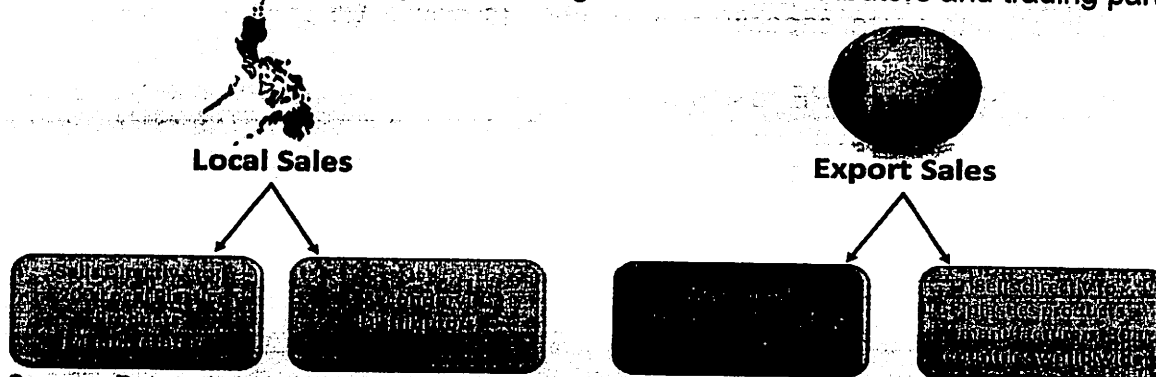
b) Chevron Phillips MarTech™ ADL PE Process: Technology able to produce



Source: Domestic Industry

A.5. Distribution Channel

For local and indirect export sales, JGSPC primarily sells its HDPE resins directly to over 200 local plastic products manufacturers and secondarily through distributors. While for export sales, JGSPC mainly sells through accredited distributors and trading partners.



Source: Domestic Industry

B. Imported Product

B.1 Physical Dimensions of Imported Products

Resin Type	Grade Name	Melt Index (g/10 min)	Density (g/cm³)
	EL-LENE™ H5604F	0.04/10	0.956
	MARLEX® TRB-115	0.06/10	0.950
	DOW™ HDPE KT 10000 UE	8.0/10 or 22/10	0.964
	HD2408J	7.5/10	0.964
	EL-LENE™ H568JA	0.8/10	0.956
	TITANZEX HB6200	0.45/10	0.956

Resin Type	Grade Name	Melt Index (g/10 min)	Density (g/cm³)
	TITANVENE™ HD5502GA	0.38/10	0.953
	HD8100M	0.25/10	0.952
	MARLEX® TRB-490	8.0/10	0.950
	TITANZEX HM5000	0.8/10	0.951
	8010	1.0/10	0.958
	8012	1.1/10	0.957
	SEETEC SP380	0.6/10	0.955

Source: Domestic Industry

B.2. Product Description under the Tariff and Customs Code 3901 (HDPE)

AHTN	Description	MFN	ACFTA		AANZFTA		AJCEPA						AKFTA	ATIGA
			2015 - 2017	2018	2015 - 2019	2020	2015	2016	2017	2018	2019	2020	2006	
3901	Polymers of ethylene, in primary forms.													
3901.20.00	- Polyethylene having a specific gravity of 0.94 or more	10	10	5	15	12	13.39	13.12	1.86	12.59	12.32	12.05	12	0

Source: Classification based on The Philippine Tariff Finder (PTF) of the Tariff Commission. Retrieved from <http://tariffcommission.gov.ph/finder>

AHTN ASEAN Harmonized Tariff Nomenclature

MFN Most Favoured Nation

AANZFTA ASEAN-Australia/New Zealand Free Trade Agreement

ACFTA ASEAN-China Free Trade Agreement

AJCEPA ASEAN-Japan Comprehensive Economic Partnership Agreement

AKFTA ASEAN-Korea Free Trade Agreement

PJEPA Philippines-Japan Economic Partnership Agreement

C. Comparison between Imported and Domestic Product

Locally produced and imported HDPE products are like products on the following because of the subsequent characteristics:

- i. Same end-use applications
- ii. Same Tariff Classifications
- iii. Have the same applications and functions
- iv. Same manufacturing process

D. Period of Investigation

The POI covers imports of HDPE from 2015 to 2019. The domestic Petrochemical industry's overall performance during the POI is also evaluated to establish whether the increased imports are the substantial cause of the serious injury to the domestic industry.

E. Determination of Increased Volume of Imports

Rule 7.2 a of the IRRs of RA 8800 provides that *"the Secretary shall essentially determine whether there has been an increase in the volume of imports, in particular, either in absolute terms or relative to production in the Philippines, The Secretary shall evaluate import data for the last five (5) years preceding the application to substantiate claims of a significant increase in import volume. Provided, however, that in some cases, the period may be adjusted to cover a shorter period, if necessary, in order to take into account other considerations that will ensure the appropriateness of the chosen period, e.g. seasonality of product, availability of data or facility in the verification of data."*

E.1. Absolute Terms

The period of investigation covers HDPE imported into the Philippines from 2015 to 2019. All data were sourced from the Bureau of Customs (BOC), Single Administrative Document-Import Entry and Internal Revenue Document (SAD-IEIRD). For the analysis of import volume, DTI removed imports made by the domestic industry as well as products with different commodity descriptions from the product subject to the investigation (i.e. polyethylene wax, ethylene acrylic acid copolymer, polypropylene, et al) to determine whether the increase in imports is the principal cause of serious injury to the industry.

1.a Import Volume

Figure 1a: Import Volume of High-Density Polyethylene (2015 – April 2020) in MT

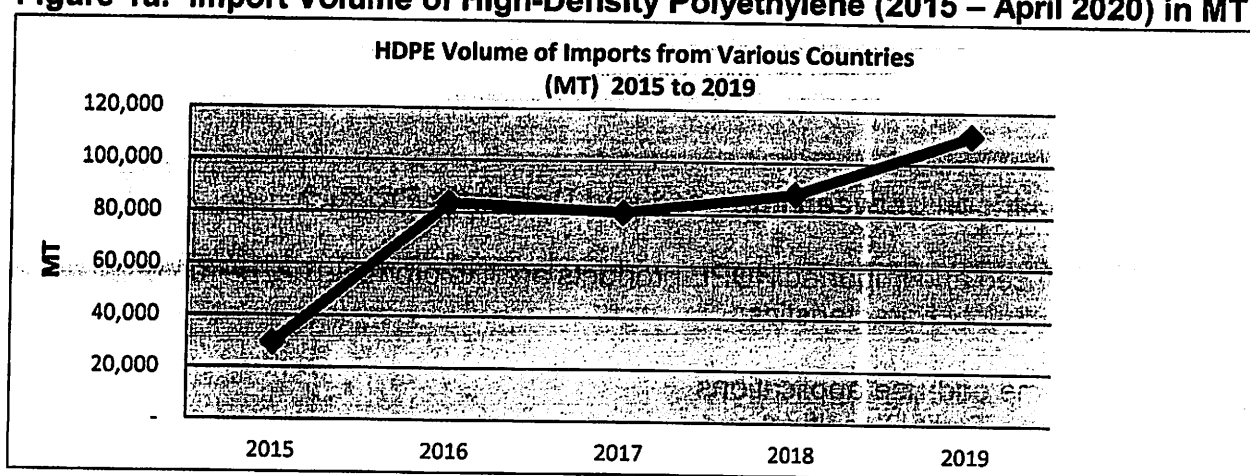


Table 1: Import Volume of High-Density Polyethylene - HDPE (2015 – 2019) in MT

Year	Period of Investigation (POI)					2020 (Jan-April)
	2015	2016	2017	2018	2019	
Imports	29,692	83,553	80,672	88,268	111,124	40,282
Absolute Increase Decrease	-	53,860	(2,881)	7,596	22,856	3,365
Growth	-	181%	(3%)	9%	26%	-

Source: Bureau of Customs (SAD-IEIRD)

The HDPE growth rate of imports for the five (5)-year period was recorded at 274%. Over the five (5)-year period, there were two significant surges in imports, one in 2016 and the other in 2019.

The importation of HDPE recorded at 29,692MT in 2015. Imports rose by 53,860MT or 181% in 2016. It slightly declined by 2,881MT or 3% in 2017. Imports increased by 7,596MT or 9% in 2018. In 2019, imports significantly increased by 22,856MT or by 26% compared to the previous year. For January-April 2020, imported HDPE is already 36% of the 2019 level.