

1. b. Share of Imports (by Country)

Table 2.a: Share of Imports (by Country) HDPE (2015 – 2019) in MT

COUNTRY	2015	% Share	2016	% Share	2017	% Share	2018	% Share	2019	% Share
Thailand	13,600	45.80	32,957	39.44	25,914	32.12	31,177	35.32	32,372	29.13
Malaysia	4,757	16.02	12,977	15.53	10,175	12.61	19,972	22.63	31,596	28.43
Singapore	7,905	26.62	23,134	27.69	19,804	4.55	16,789	19.02	22,506	20.25
Saudi Arabia	1,188	4.00	6,107	7.31	14,966	18.55	13,384	15.16	12,513	11.26
Total: Major Suppliers	27,450	92.45	75,175	89.97	70,859	87.84	81,322	92.13	98,987	89.08
Other Suppliers	2,243	7.55	8,378	10.03	9,813	12.16	6,946	7.87	12,136	10.92
Total: Major & Other Sources	29,693	100.00	83,553	100.00	80,672	100	88,268	100.00	111,123	100.00

Source: Bureau of Customs (SAD-IEIRD)

The Philippine major suppliers of HDPE are Thailand, Malaysia, Singapore, and Saudi Arabia throughout the POI.

OTHER SOURCES

Table 2.b: Share of Imports (by Country) HDPE (2015 – 2019) in MT

Country	2015	% Share	2016	% Share	2017	% Share	2018	% Share	2019	% Share
United Arab Emirates	1,430	4.82	866	1.04	1,095	1.36	829	0.94	867	0.78
Japan	124	0.42	116	0.14	280	0.35	410	0.46	339	0.31
United States	14	0.05	1,659	1.99	1,853	2.30	910	1.03	4,655	4.19
Republic of Korea	53	0.18	502	0.60	-	0.00	74	0.08	237	0.21
Indonesia	315	1.06	1,360	1.63	2,393	2.97	805	0.91	1,402	1.26
PROC	172	0.58	1,235	1.48	124	0.15	368	0.42	949	0.85
Kuwait	101	0.34	198	0.24	149	0.18	-	0.00	50	0.04
Austria	1	0.00	1	0.00	-	-	-	0.00	-	-
Chinese Taipei	5	0.02	537	0.64	3,560	4.41	1,817	2.06	2,318	2.09
Belgium	28	0.09	-	-	-	-	-	-	-	-
India	1	0.00	-	-	-	-	-	-	-	-
Finland	-	-	6	0.01	-	-	-	-	21	0.02
Netherlands	-	-	192	0.23	44	0.05	44	0.05	69	0.06
Qatar	-	-	271	0.32	67	0.08	1,036	1.17	934	0.84
Germany	-	-	1	0.00	-	-	22	0.02	-	-
Russia	-	-	1,436	1.72	-	-	-	-	-	-
Hong Kong	-	-	-	-	250	0.31	372	0.42	243	0.22
Viet Nam	-	-	-	-	-	-	161	0.18	24	0.02
Brazil	-	-	-	-	-	-	99	0.11	6	0.005
Egypt	-	-	-	-	-	-	-	-	24	0.02
Total: Other Suppliers	2,243	7.55	8,378	10.03	9,813	12.16	6,946	7.87	12,136	10.92

Source: Bureau of Customs (SAD-IEIRD)

E.2. Relative Terms

Table 3: Comparison of Volume of Imports to Domestic Production of HDPE

Country		Imports (thousand metric tons)	Domestic Production (thousand metric tons)	Imports as % of Domestic Production
Algeria		1.0	0.0	100.0
Angola		0.0	0.0	0.0
Argentina		0.0	0.0	0.0
Australia		0.0	0.0	0.0
Austria		0.0	0.0	0.0
Bangladesh		0.0	0.0	0.0
Belgium		0.0	0.0	0.0
Bolivia		0.0	0.0	0.0
Brazil		0.0	0.0	0.0
Bulgaria		0.0	0.0	0.0
Canada		0.0	0.0	0.0
Chad		0.0	0.0	0.0
China		0.0	0.0	0.0
Colombia		0.0	0.0	0.0
Congo		0.0	0.0	0.0
Czechia		0.0	0.0	0.0
Denmark		0.0	0.0	0.0
Ecuador		0.0	0.0	0.0
Egypt		0.0	0.0	0.0
El Salvador		0.0	0.0	0.0
France		0.0	0.0	0.0
Germany		0.0	0.0	0.0
Ghana		0.0	0.0	0.0
Greece		0.0	0.0	0.0
Guatemala		0.0	0.0	0.0
Honduras		0.0	0.0	0.0
Hungary		0.0	0.0	0.0
India		0.0	0.0	0.0
Indonesia		0.0	0.0	0.0
Italy		0.0	0.0	0.0
Japan		0.0	0.0	0.0
Jordan		0.0	0.0	0.0
Kazakhstan		0.0	0.0	0.0
Kenya		0.0	0.0	0.0
Korea, Rep.		0.0	0.0	0.0
Kuwait		0.0	0.0	0.0
Kyrgyzstan		0.0	0.0	0.0
Laos		0.0	0.0	0.0
Latvia		0.0	0.0	0.0
Lebanon		0.0	0.0	0.0
Lithuania		0.0	0.0	0.0
Luxembourg		0.0	0.0	0.0
Madagascar		0.0	0.0	0.0
Malaysia		0.0	0.0	0.0
Maldives		0.0	0.0	0.0
Mali		0.0	0.0	0.0
Malta		0.0	0.0	0.0
Marshall Islands		0.0	0.0	0.0
Mauritius		0.0	0.0	0.0
Mexico		0.0	0.0	0.0
Moldova		0.0	0.0	0.0
Monaco		0.0	0.0	0.0
Mongolia		0.0	0.0	0.0
Montenegro		0.0	0.0	0.0
Morocco		0.0	0.0	0.0
Mozambique		0.0	0.0	0.0
Myanmar		0.0	0.0	0.0
Namibia		0.0	0.0	0.0
Nepal		0.0	0.0	0.0
Netherlands		0.0	0.0	0.0
New Zealand		0.0	0.0	0.0
Nicaragua		0.0	0.0	0.0
Niger		0.0	0.0	0.0
Nigeria		0.0	0.0	0.0
Norway		0.0	0.0	0.0
Oman		0.0	0.0	0.0
Pakistan		0.0	0.0	0.0
Panama		0.0	0.0	0.0
Papua New Guinea		0.0	0.0	0.0
Paraguay		0.0	0.0	0.0
Peru		0.0	0.0	0.0
Philippines		0.0	0.0	0.0
Poland		0.0	0.0	0.0
Portugal		0.0	0.0	0.0
Romania		0.0	0.0	0.0
Russia		0.0	0.0	0.0
Rwanda		0.0	0.0	0.0
Saudi Arabia		0.0	0.0	0.0
Senegal		0.0	0.0	0.0
Serbia		0.0	0.0	0.0
Sierra Leone		0.0	0.0	0.0
Singapore		0.0	0.0	0.0
Slovakia		0.0	0.0	0.0
Slovenia		0.0	0.0	0.0
Somalia		0.0	0.0	0.0
South Africa		0.0	0.0	0.0
South Korea		0.0	0.0	0.0
Spain		0.0	0.0	0.0
Sri Lanka		0.0	0.0	0.0
Sweden		0.0	0.0	0.0
Switzerland		0.0	0.0	0.0
Tajikistan		0.0	0.0	0.0
Tanzania		0.0	0.0	0.0
Thailand		0.0	0.0	0.0
Togo		0.0	0.0	0.0
Tonga		0.0	0.0	0.0
Trinidad and Tobago		0.0	0.0	0.0
Tunisia		0.0	0.0	0.0
Turkey		0.0	0.0	0.0
Uganda		0.0	0.0	0.0
Ukraine		0.0	0.0	0.0
United Arab Emirates		0.0	0.0	0.0
United Kingdom		0.0	0.0	0.0
United States		0.0	0.0	0.0
Uruguay		0.0	0.0	0.0
Uzbekistan		0.0	0.0	0.0
Vanuatu		0.0	0.0	0.0
Venezuela		0.0	0.0	0.0
Vietnam		0.0	0.0	0.0
Yemen		0.0	0.0	0.0
Zambia		0.0	0.0	0.0
Zimbabwe		0.0	0.0	0.0

Such positive determination shall not be made unless the investigation demonstrates on the basis of objective evidence, the existence of the causal link between the increased imports of the product under consideration and serious injury or threat thereof to the domestic industry. When factors other than increased imports are causing injury, such injury shall not be attributed to increased imports."

A. Share of the Domestic Industry and Market Share

A.1 Philippine Market (size and share)

Table 4: Total Apparent Philippine Market (MT) – HDPE

Year	Imports		Domestic Sales Volume*	Total Apparent Philippine Market*	% Increase Decrease	Market Share		
	Non-Manufacturers	Manufacturers				Imports		Domestic Sales
						Non-Manufacturers	Manufacturers	
2015	29,692	-	100	100	-	xxx	xxx	xxx
2016	83,553	3	119	154	54%	xxx	xxx	xxx
2017	80,672	7	138	167	8%	xxx	xxx	xxx
2018	88,268	-	136	171	3%	xxx	xxx	xxx
2019	111,124	1	120	175	2%	xxx	xxx	xxx

Sources: Bureau of Customs (BOC-SAD-IEIRD) – Import Volume

Domestic Industry – Domestic Sales Volume

*Figures indexed due to confidentiality

Table 4 shows the total apparent Philippine market for HDPE from 2015 to 2019.

The total Philippine apparent market continuously increased during the POI. In 2016, the apparent Philippine market increased by 54%, as imports increased by 181%, while the domestic sales volume increased by 19%. It continued to increase by 8% in 2017. In 2018, apparent consumption grew by 3% as imports increased by 9% while domestic sales slightly declined by 1%. In 2019, there was a 2% growth in the apparent demand due to the 26% increase in imports while the domestic industry's share dropped by 12%.

The share of HDPE imports (non-manufacturers) relative to the total Philippine market increased significantly from 2015 to 2019 while the domestic industry's imports accounted for less than one percent during the POI.

The share of domestic sales volume to the Philippine market declined from 2015 to 2016 and improved in 2017. However, the share of domestic sales declined in 2018 and further declined in 2019. According to the domestic industry, in 2018, for them to compete and defend their market share, the industry tried to keep their production volumes at a certain level. By 2019, production volumes had to be reduced to mitigate further losses.

Thus, the industry's market share shrank as the share of imports increased during the POI.

B.1. Domestic Sales

Table 5: Domestic Sales Volume and Value

Year	Sales Volume (MT)	% Increase (Decrease)	Sales Value (Php Million)	% Increase (Decrease)
2015	100	-	100	-
2016	119	18.86	112	12.50
2017	138	15.98	141	25.15
2018	136	(1.11)	164	16.48
2019	120	(11.98)	126	(22.92)

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's domestic sales volume increased from 2015 to 2017 by 19% and 16%, respectively. However, sales volume declined by 2% in 2018 and further declined by 12% in 2019. Meanwhile, domestic sales value increased from 2015 to 2018 by 13%, 25%, and 17%, respectively. However, in 2019 sales value declined by 23%.

According to the domestic industry, they have been steadily losing substantial sales volume from its existing customers since 2017 due to an increase in the volume of importation of competing products that are being sold at much lower prices, even lower than the industry's own cost to produce and sell.

B.2. Export Sales

Table 6: Export Sales Volume and Value

Year	Sales Volume (MT)	% Increase (Decrease)	Sales Value (Php Million)	% Increase (Decrease)
2015	100	-	100	-
2016	113	13.41	108	8.24
2017	82	(28.06)	83	(23.53)
2018	61	(24.80)	74	(10.00)
2019	62	1.65	62	(16.73)

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's export sales volume and value increased in 2016 by 14% and 8%, respectively. However, sales volume declined by 28% in 2017 and further by 25% in 2018 while sales value decreased by 24% and 10%, respectively. Despite the increase in sales volume by 2% in 2019, sales value declined by 17% in the same year.

According to the domestic industry, they sell mainly through accredited distributors and trading partners but may also sell directly to plastic product manufacturers. Since 1998, they sold their products to over 30 countries worldwide.

C. Production

Table 7: Total Production

Year	2015	2016	2017	2018	2019
Production (MT)*	100	110	114	115	94
% Increase (Decrease)	-	9.82	3.73	0.71	(17.73)

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's production volume increased from 2015 to 2018 by 10%, 4%, and 1%, respectively. However, production volume declined by 18% in 2019 which is the lowest level of production during the POI.

According to the domestic industry, they tried to maintain a certain production volume in 2018 to maintain its market share. However, production volume was reduced in 2019 to mitigate any further losses.

D. Capacity Utilization

Table 8: Capacity Utilization

Year	Installed/Rated Capacity (MT)*	Actual Production (MT)*	Capacity Utilization Rate (%)	% Increase (Decrease)
2015	100	100	77.29	-
2016	100	107	83.01	7.40
2017	100	121	93.76	12.95
2018	100	100	77.32	(17.54)
2019	100	87	67.42	(12.80)

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry operates two (2) PE, both of which can produce HDPE and LLDPE. Since the capacity is not mutually exclusive for the two products, the table above represents combined data for both HDPE and LLDPE.

The capacity utilization rate exhibited an increasing trend from 2015 to 2017 by 7% and 13%, respectively. It began to decline in 2018 by 18% and further by 13% in 2019. The highest capacity was registered in 2017 at 94%, almost at full capacity.

According to the domestic industry, they are currently expanding capacity (upcoming x x kTA) in response to increasing local market volume demand but has been finding it difficult to compete for the past three (3) years as the import volume have surged and continue to surge, affecting the operations and financial performance.

E. Finished Goods Inventory

Table 9: Finished Goods Inventory

Year	Volume (MT)	% Increase (Decrease)	Value (Php Million)	% Increase (Decrease)
2015	100	-	100	-
2016	93	(6.93)	99	(1.12)
2017	79	(14.99)	138	39.30
2018	213	169.26	348	151.97
2019	183	(14.16)	240	(30.90)

Source: Domestic Industry

*Figures indexed due to confidentiality

The finished goods inventory volume declined from 2015 to 2017 by 7% and 15%, respectively, while inventory value slightly declined by 1% in 2016 but increased by 39% in 2017. In 2018, both volume and value increased by 169% and 152%, respectively as the industry tried to maintain production volume. In 2019, the inventory volume and value declined by 14% and 31%, respectively as the industry managed their production output to mitigate further losses.

According to the domestic industry, the remaining inventory year on year has been increasing since 2017, which reflects the increasing difficulty to reduce inventory by year-end due to an increase in the volume of lower-priced imports in the market.

F. Cost to Produce

Table 10: Cost to Produce

Particulars	2015	2016	2017	2018	2019
Raw Materials*	94.2	93.9	90.1	93.6	92.7
Direct Labor*	0.6	0.7	0.2	0.2	0.2
Manufacturing Overhead*	5.2	5.4	9.8	6.2	7.1
Cost to Produce (per MT)*	100	100	100	100	100
% Increase (Decrease)**	-	(9.93)	12.37	12.04	(5.30)

Source: Domestic Industry

*Figures in percentage to the cost to produce per MT

**Computed based on the absolute figures of cost to produce per MT

The industry's production cost per unit declined in 2016 by 10%, increased in 2017 by 12%, and an additional increase of 12% in 2018. In 2019, it declined by 5%.

According to the domestic industry, the primary raw material component for HDPE is the olefin ethylene and comonomers butene and hexene which contributes to approximately 95% of the average overall raw material cost. The primary raw material ethylene is sourced mainly from the upstream naphtha cracker operated by JG Summit Olefins Corporation (JGSOC), a JGSPC's affiliate company. The secondary raw materials (catalysts and additives), the comonomers hexene-1 and butene-1 are 100% imported. A formula of conversion which specifically shows the breakdown of raw material usage and wastage per product grade from the Department of Science and Technology are secured for various HDPE products.

G. Profit and Loss

Table 11: Earnings Before Interest and Taxes

Particulars	2015	2016	2017	2018	2019	% Increase (Decrease) (2015 vs.2016)	% Increase (Decrease) (2016 vs.2017)	% Increase (Decrease) (2017 vs.2018)	% Increase (Decrease) (2018 vs.2019)
Sales*	100	112	141	164	126	12.50	25.15	16.48	(22.92)
Cost of Goods Sold*	100	112	143	168	133	11.69	28.15	17.13	(20.64)
Gross Profit*	100	132	85	77	(32)	31.88	(35.69)	(9.61)	(141.98)
Selling, General and Administrative Expenses*	100	137	68	86	31	36.69	(50.19)	25.86	(64.43)
Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA)*	100	83	248	(13)	(648)	(15.64)	196.07	(104.97)	5,133.57
Depreciation and Amortization*	100	81	158	238	186	(19.03)	94.65	51.66	(21.95)
EBIT*	(100)	(80)	(135)	(298)	(385)	(19.83)	69.32	120.05	28.93

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's gross profit increased in 2016 by 32% but declined from 2017 to 2019 by 36%, 10%, and 142%, respectively. The industry had resulted in a negative gross profit in 2019 while it showed already negative earnings before interests, taxes, depreciation, and amortization (EBITDA) for 2018 and 2019. Throughout the POI, the industry exhibited losses in earnings before interest and taxes (EBIT). In 2016, an improvement of 20% was recorded in EBIT which means their loss was reduced by 20%. However, their losses worsen by 70% in 2017, 120% in 2018, and 29% further in 2019.

According to the domestic industry, the low prices of imported HDPE have affected the gross profit on the domestic sales of locally produced HDPE. In order to compete and defend its market share, the producer is forced to adopt a policy of import parity pricing, and as such is forced to sell its products at a price below its cost to produce and sell plus a reasonable margin to recover the investment.

In addition, the local producer, in trying to maintain market share, has tried to produce volume greater than a certain level despite the poor financial returns that have started to be experienced from 2017 onwards.

H. Return on Sales

Table 12: Return on Sales

Particulars	2015	2016	2017	2018	2019
Sales (Million)*	100	112	141	164	126
EBITDA (Million)*	100	83	248	(13)	(649)
Return on Sales	xxx	xxx	xxx	xxx	xxx
% Increase (Decrease)	-	(25.01)	136.58	(104.27)	(6,689.38)

Source: Domestic Industry

*Figures Indexed due to confidentiality

Return on sales (ROS) based on EBITDA reflected a declining trend throughout the POI except for an increase in 2017. ROS were positive from 2015 to 2017, however, loss on sales were recorded in 2018 and 2019.

I. Employment

Table 13: Employment

Year	Employees for Production	% Increase (Decrease)	Salaries and Wages (Million)	% Increase (Decrease)
2015	100	-	100	-
2016	115	15.05	97	(2.35)
2017	127	10.66	121	24.42
2018	141	10.91	129	5.88
2019	168	18.85	180	40.18

Source: Domestic Industry

*Figures indexed due to confidentiality

The table above shows the direct labor personnel for the entire operation of both HDPE and LLDPE products as the operation is shared in the same facility where personnel can handle either product.

Employment throughout the POI increased yearly by 15% in 2016, 11% in 2017 and 2018, and 19% in 2019. While salaries and wages declined by 2% in 2016 and continuously increased from 2017 to 2019 by 24%, 6%, and 40%, respectively.

According to the domestic industry, despite the reduced production volume in the past two years, the industry continues to hire skilled workers, such as engineering, science, or technical vocational graduates, thus, contributing to reducing the need for these skilled workers to find overseas employment. Despite weakening production, continuous hiring is important to ensure that there is sufficient buffer for the current operational

requirements plus some pre-hiring of those to be trained for the upcoming new builds which will start operations in the last quarter of 2020.

J. Productivity

Table 14: Productivity

Year	Production Volume (MT)*	Employees for Production*	Labor Productivity (MT/employees)	% Increase (Decrease)
2015	100	100	xxx	-
2016	107	115	xxx	(6.64)
2017	121	127	xxx	2.07
2018	100	141	xxx	(25.65)
2019	87	168	xxx	(26.64)

Source: Domestic Industry

*Figures indexed due to confidentiality

The labor productivity decreased by 7% in 2016, increased slightly by 2% in 2017 but declined from 2018 to 2019 by 26% and further by 27% due to the hiring of additional employees despite the reduced production.

K. Price Effects

1. Price Undercutting

Table 15: Ex-Work Price of Domestic Product vs. Landed Cost of Imported Product for 2019 (P in MT)

Country	Wtd. Ave. Landed Cost (P / MT) (a)	% Share to Total Imports	Ex-work Price of Domestic Industry (P / MT) (b)	% Undercutting (b-a)/b*100 % Undercutting (b-a)/b*100
Major Sources:				
Thailand	xxx	29.44	xxx	1.14
Malaysia	xxx	28.73		0.39
Singapore	xxx	20.21		(0.71)
Saudi Arabia	xxx	11.38		(3.40)
United States	xxx	3.70		7.36
Other Sources	xxx	6.53		(8.01)
Wtd. Average (from all Sources)	xxx	100.00		(0.33)

Sources: Wtd. Ave. Landed Cost- BOC-SAD-IERD
Ex-Work Price - Domestic Industry

Price undercutting refers to the extent at which the imported product is consistently sold at a price below the domestic selling price of the like product.

Based on BOC-IEDs for 2019, the top five (5) major source countries of HDPE were Thailand, Malaysia, Singapore, Saudi Arabia, and the United States.

Price undercutting was recorded from Thailand, Malaysia, and the USA at 1%, 0.39%, and 7%, respectively.

2. Price Suppression

Table 16: Average Ex-Work Price of Domestic Product vs. Cost of Production for 2019

Year	Ex-Work Price of Domestic Industry (P / MT) (A)	Cost of Production (P / MT) (B)	Difference (P / MT) (A-B)	% Price Suppression -(A-B)/B * 100
2015	100	100	100	(4.81)
2016	95	90	(13)	0.70
2017	104	101	50	(2.38)
2018	122	113	(51)	2.17
2019	107	107	124	(5.57)

Source: Domestic Industry

*Figures indexed due to confidentiality

Price suppression refers to the extent by which the imported product prevents the domestic producer from increasing its selling price to a level that will allow full recovery of its cost of production

Price suppression was recorded during the POI, 5% in 2015, 2% in 2017, and 6% in 2019.

3. Price Depression

Table 17: Domestic Selling Price of Locally Manufactured HDPE (P in MT)

Year	Ex-Work Price of Domestic Industry (P / MT)	% Increase/ (Decrease)
2015	100	-
2016	95	(4.71)
2017	104	8.93
2018	122	17.26
2019	107	(12.47)

Source: Domestic Industry

*Figures indexed due to confidentiality

Price depression reflects the extent to which the domestic producer decreases its selling price in order to compete with the imported product.

Price depression was recorded at 5% in 2016 and 12% in 2019.

L. Other Adverse Effects

- The negative financial status of the industry has made it increasingly difficult to get financing for its modernization, expansion, and operational requirements.
- Cash flow has been affected because of the lower return on sales.
- The industry has been unable to increase the wages up to global standards because of the negative financial situation and it is more difficult to hold on and retain its more important technical personnel.

M. Other Matters

Update of JGSPC Operations Amidst the Covid19

- Able to continue with manufacturing operations on skeletal force, following IATF guidelines on proper social distancing, enhanced health monitoring, and safety procedures
- Ongoing expansion projects have completely stopped during the ECQ period but with GCQ in effect in Batangas since May 16, their BOI-registered projects including the PE project is set to resume construction, following DPWH guidelines and under LGU monitoring.
- Severely impacted by the COVID health pandemic due to lockdowns causing the shutdown of customers' plants, sudden dive in prices and drop in demand, not just locally but worldwide
- Significantly affected by recently enacted EO 113, effective for the duration of Bayanihan Heal as One Act, which adds 10% duty to naphtha and LPG that they use as raw materials to produce petrochemical products. Thus, making them even more uncompetitive compared to imported products who are not likewise being imposed with additional tariffs during this pandemic period by their respective governments.

VI.1 FINDINGS AND CONCLUSIONS

A. Volume of Imports

A.1 In Absolute Terms

- Between 2015-2016, imports significantly increased by about 54,000MT or 181%, slightly declined by about 3,000MT or 3% in 2017. Imports were up again by 9% in 2018 and 26% in 2019.
- Imported HDPE recorded a 274% growth rate over the five (5)-year period
- Imports in 2020 (Jan– April) increased by 9% from 2019 (Jan – April) level.
- Thailand, Singapore, Malaysia, and Saudi Arabia are the major suppliers during the POI

A.2 In Relative Terms

- Share of imports to domestic production increased from 17% in 2015 to 45% in 2016.
- Slightly declined to 42% in 2017; increased again to 45% in 2018 and further to 69% in 2019.

B. Serious Injury

B.1. Market Size

- Total apparent consumption grew by 54% in 2016, 8% in 2017, 3% in 2018 and 2% in 2019.

B.2. Market Share

- The share of imports of non-manufacturers (i.e importers, distributors, etc.) increased from 22% in 2015 to 47% in 2019 while imports of the domestic industry recorded a minimal share.
- The share of the domestic market declined by 78% to 53% in 2019.

B.3. Domestic Sales Volume of Value

- Domestic sales volume declined by 1% in 2018 and further by 12% in 2019.
- Sales Value increased from 2016 to 2018. It went down by 23% in 2019.

B.4. Export Sales Volume of Value

- Export sales volume increased by 13% in 2016 but dropped by 28% in 2017 and further by 25% in 2018.
- In 2019, export sales volume slightly increased by 2%.
- Sales value increased in 2016 but declined from 2017 to 2019 due to the decline in sales volume.

B.5 Production

a. Total Production

- Production volume increased by 10% in 2016. In 2017 and 2018, production increased by 4% and less than 1%, respectively.
- In 2019, it plunged by 18%, as the industry reduced production to mitigate any further losses.

b. Capacity Utilization

- The capacity utilization rate increased from 2015 (77%) to 2017 (94%).
- It declined by 77% in 2018 and recorded its lowest in 2019 at 67%.

c. Inventories

- Inventories declined from 2016 (7%) to 2017 (15%), increased by 169% in 2018 and declined by 14% in 2019 due to decrease in production and sales

d. Cost to Produce

- Declined in 2016 by 10%. Increased by 12% in 2017 due to increases in raw materials by 8% and manufacturing overhead cost by 103%.
- In 2018, it increased again by 12%.

- In 2019, the cost to produce declined further by 5% due to the decrease in raw materials by 6%.

B.5 Profitability

a. Profit and Loss

- Throughout the POI, the industry exhibited losses in EBIT.
- In 2016, an improvement of 20% was recorded in EBIT which means a loss was reduced by 20%. However, losses worsen by 70% in 2017, 120% in 2018, and 29% further in 2019.

b. Return on Sales

- Negative return on sales based on EBITDA incurred in 2018 and 2019.

B.6 Employment and Salaries and Wages

- Employment throughout the POI increased yearly by 15% in 2016, 11% in 2017 and 2018, and 19% in 2019.
- Salaries and wages declined by 2% in 2016 and continuously increased from 2017 to 2019 by 24%, 6%, and 40%, respectively.

B.7 Productivity

- Labor productivity decreased in 2016 by 7%, slightly improved in 2017 by 2%
- Declined from 2018 to 2019 by 26% and 27%, respectively, due to a decrease in production but increase in employment

B.8 Prices

a. Price Undercutting

- Price undercutting was recorded from Thailand, Malaysia, and the USA at 1%, 0.39%, and 7%, respectively.

b. Price Depression

- Price depression was recorded at 5% in 2016 and 12% in 2019.

c. Price Suppression

- Price suppression was recorded during the POI, 5% in 2015, 2% in 2017, and 6% in 2019.

VII. CAUSATION

The above evidence shows that serious injury to the domestic industry was caused by the increased imports based on the following:

- A significant increase in the volume of imported HDPE in 2016 (181%), 2018 (9%), and in 2019 (26%) preceded the serious injury to the industry. There was an abrupt and notably sharp increase in the volume of imports both in absolute terms and relative to domestic production from 2015 to 2019. The industry suffered a loss of market share, declining domestic sales, production, utilization rate, reduction in labor productivity, cost of production, incurred losses, and increase inventory.
- The conditions of competition showed that the market share of the domestic product decreased during the POI from 78% in 2015 to 53% in 2019, as the share of imports in the domestic market significantly increased.

VIII. ADJUSTMENT PLAN

The domestic industry submitted its adjustment plan to undertake improvement to increase production capacity while also improving efficiency and cost of production. JGSPC is currently undertaking or plans to undertake the following projects and initiatives to help optimize existing assets, ensure the viability of upcoming investments, and improve competitiveness versus products for which safeguards are being sought.

A. Improve Economies of Scale and Competitive Advantage

1. New 250,000 MTA PE Plant

- Currently, ongoing construction is an additional 250 kTA PE plant that will be able to produce both HDPE and LLDPE, using US-based Chevron Phillips MarTECH ADL™ PE production technology. This capacity, in addition to currently existing 320 kTA, will bring JGSPC's combined PE production capacity to 570 kTA, in an effort to match projected local market demand in the short to medium term. As the petrochemical complex itself already exists and has many of its utilities outside battery limits available or requiring minimal modification to accommodate increase in capacity, the production economies of scale are improved as well as overall costs to produce and sell.
- In addition, use of the MarTech ADL™ PE production technology will allow JGSPC to produce higher value PE products, such as bimodals and metallocenes, currently not produces its existing PE plants, enabling JGSPC to cover a wider range of HDPE applications currently served by imported products, and increase its domestic market share.

Status	: Construction Ongoing
Date Available	: 4Q 2020

B. Improve on Costs

1. Power – 100 MW Coal-Fired Power Plant

- The petrochemical complex where the HDPE polymer manufacturing plants are located currently source its power requirements primarily from its diesel generators and secondarily from the grid. With power costs making up most of the variable cost, it is imperative to find ways to improve on both reducing the power costs and reducing power consumption. To this end, JGSPC plans to put up a 100 MW coal-fired power plant to provide for its own power requirements, using the latest Circulating Fluidized Bed technology for cost efficiency and even reduced emissions as opposed to current diesel or bunker-fired generation.

Status : Under evaluation
Date Available : 2023

2. Raw Material Cost – Expansion of Cracker (source of ethylene)

- JGSPC's cracking facility is currently also undergoing expansion, again in an effort to improve economies of scale and to help build up capacity to match projected local market demand in the short to medium term. With the 50% increase in cracking capacity, larger bulk shipments of the feedstock naptha and LPG are made possible, which in turn will translate into lower feedstock costs per MT for the production of ethylene, which is the primary raw material for HDPE.

Status : Ongoing Commissioning
Date Available : 1Q 2020

3. Raw Material Costs – Additives and Catalyst Savings

- With the new PE project, JGSPC invested in a catalyst activator which will allow JGSPC to activate its catalyst onsite rather than offsite (abroad), including those catalysts used for its existing plants, thereby helping to reduce on catalyst activation costs.

Status : Construction Ongoing
Date Available : 4Q 2020

- JGSPC also continuously reviews its catalysts and additives portfolio in an effort to find suitable alternative additives at lower cost, as well as higher productivity/efficiency alternatives for its catalysts.

Status : Ongoing

C. Improve Plant Reliability

1. Benchmarking Study on Reliability and Maintenance Performance

- JGSPC is undertaking a maintenance benchmarking study to analyze the primary factors impacting plant reliability and maintenance effectiveness, thereby helping identify key inefficiencies, to enable the maintenance team to focus efforts on specific and measurable improvements and leverage resources to where most needed.

Status : Ongoing

Date Available : 2Q 2020

D. Improve Production Efficiency and Output

1. Purchase of Operator Training Simulator (OTS)

- For the new PE plant, JGSPC has procured an Operator Training Simulator which is a system of networked computers programmed to mimic the actual plant processes and associated control systems. The plant model running in the OTS server is built using the same engineering data that is used in the actual plant, using graphics that are identical to those used in actual control systems. With simulated training, trainees can get operational experience in an environment that closely resembles the actual plant without posing any risk to the actual plant. Thereby helping minimize incidence of plant upsets caused by human-related errors.

Status : Ongoing purchase of software

Date Available : 2H 2020

2. Advanced Process Control (APC) System

- Advanced Process Control (APC) is a technology that uses computers to predict the behavior of the plant and manage the changes that continuously happen in the plant. It attempts to mimic the actions of the most efficient and knowledgeable human control operator, except it works untiringly 24/7, 365 days in a year.

JGSPC uses APC modules to help improve plant control stability, feed, and production maximization, reduce energy consumption, and reduce variability in product quality

Upgrade for Existing PE Plants:

Status : Completed

Date Available : 2020

New APC for New PE Plant:

Status : Data gathering to be initiated once new PE plant is operational

Date Available : Targeting 2024

IX. THE WORLD TRADE ORGANIZATION AGREEMENT ON SAFEGUARDS

Article XIX (Emergency Action on Imports of Particular Products) of the General Agreement on Tariffs and Trade (GATT) 1994 provides that: *"If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession."*

The WTO Appellate Body in **Argentina – Footwear and Korea – Certain Dairy Products** established that safeguard measures may be applied only when the prerequisites of Article XIX of GATT 1994 and the conditions of the Agreement on Safeguards (both Multilateral Trade Agreements and as such are integral parts of the WTO Agreement) are clearly demonstrated.

The investigation is governed by RA 8800, the Safeguard Measures Act, and the terms and conditions of the Agreement on Safeguards.

IX.a. Unforeseen Development

US and Middle East petrochemical plants are heavily cost-advantaged versus Asian petrochemical plants

The US shale gas boom has led to an oversupply of PE, which is primarily intended for export and is expected to flood Asian markets.

The US-China trade war has caused the displacement of usual trade flows, giving rise to increased exports into the Philippines

MOSCOW (MRC)--Prices of HDPE have started to increase in Russia after slipping over the last nine months in Russia due to excess supply, according to the ICIS-MRC Price Report.

Russian HDPE prices began to decrease in October last year mostly because of a significant surge in imports, significantly affecting prices through to June 2020, when levels fell to the lows of 2014. The situation began to change in July amid a significant increase in the cost of polyethylene in foreign markets. Source: Independent commodity Intelligence Services (i.c.i.s) <https://www.icis.com/explore/resources/news/2020/07/16/10530897/russia-hdpe-prices-begin-to-rise-after-long-period-of-falls>

That according to plastic pricing information supplier ChemOrbis, which reports that poor demand from buyers in China has spurred a number of global LLDPE sellers to divert their cargoes to other markets in hopes of achieving greater sales, while some traders inside China are offering their existing LLDPE stocks to other global markets in order to pare down their stock levels. One trader also told ChemOrbis he was offering Chinese LLDPE film to buyers in Southeast Asia in hopes of speeding up his sales.

Source: <https://www.plasticstoday.com/author/PlasticsToday-Staff> Jun 03, 2011

New trade regulations and COVID-19 are having an impact on the supply chain and forcing manufacturing companies to develop new sourcing strategies to avoid disruptions. As a result, many plastics processors are switching to regional supply partners located in North America and Mexico.

For regional reshoring to be a win-win business decision, cost and quality of products must be maintained, explained Chroma Color, adding that many plastics processors are "switching to Chroma Color to achieve" both of these goals. Chroma also attributes the switch to its extensive technical capabilities, geographically diverse manufacturing sites, market-specific expertise, and "relentless pursuit" of cost-effective innovative technologies that bring value to its customers. Source: Clare Goldsberry | Jul 16, 2020, plasticstoday.com

IX.b. Notification Requirement

Article 12.1 of the WTO Agreement on safeguards states that a Member shall immediately notify the Committee on Safeguards upon:

- (a) initiating an investigatory process relating to serious injury or threat thereof and the reasons for it;

IX.c. Articles 11 of the ASEAN Trade in Goods Agreement (ATIGA)

Articles 11 of the ATIGA provide provisions on the Notification as follows:

"Article 11 - Notification Procedures

1. *Unless otherwise provided in this Agreement, Member States shall notify any action or measure that they intend to take:*

- (a) which may nullify or impair any benefit to the other Member States, directly or indirectly under this Agreement; or*
- (b) when the action or measure may impede the attainment of any objective of this Agreement.*

2. *x x x*

3. *A Member State shall make a notification to Senior Economic Officials Meeting (SEOM) and the ASEAN Secretariat before effecting such action or measure referred to in paragraph 1 of this Article. Unless otherwise provided in this Agreement, notification shall be made at least sixty (60) days before such an action or measure is to take effect. A Member State proposing to apply an action or measure shall provide adequate opportunity for prior discussion with those Member States having an interest in the action or measure concerned."*

X. RECOMMENDATIONS


Based on the above findings, there are indications that increased imports of HDPE pellets and granules are the substantial cause of serious injury to the domestic industry in terms of declining domestic sales, production, utilization rate, reduction in labor productivity, incurred losses, suppression, depression and increase inventory.

Wherefore, premises considered, the Department, finds *prima facie* evidence to initiate and conduct a preliminary safeguard investigation to determine whether HDPE pellets and granules are being imported into the Philippines in increased quantities and is causing serious injury to the domestic industry.

Let the notice of initiation of a preliminary safeguards investigation be published in two (2) newspapers of general circulation and individual notices be sent to all interested parties including the country members concerned.

SO ORDERED.

28 August 2020


RAMON M. LOPEZ
Secretary

Annex A

LIST OF IMPORTERS OF 3901

I. IMPORTERS OF PETROCHEMICALS

	IMPORTER		IMPORTER
1.	A L A COMMODITY ENTERPRISES	37.	DOUBLE INFINITY WORLD TRADE INC
2.	ABUNDANCEYIELD TRADING CORPORATION	38.	DRAGONLUCK ENTERPRISES CO
3.	ALCOS GLOBAL CORPORATION	39.	DUNHILL PLASTIC INDUSTRIES INC.
4.	ALPHATECH DEVELOPMENT CORPORATION	40.	EASTERN INTERNATIONAL PLASTIC PACKAGING
5.	APOLLO BAG INDUSTRIAL CORPORATION	41.	EDNARRO TRADING
6.	ARC REFRESHMENTS CORPORATION	42.	ELTA INDUSTRIES INCORPORATED
7.	ARROW PLASTIC INDUSTRIES CORP.	43.	ESSEL PROPACK PHILIPPINES INC.
8.	ARTPACK PHILIPPINES INC.	44.	EURO-MED LABORATORIES PHILS. INC.
9.	ASHLAR INDUSTRIAL CORPORATION	45.	EVERBRIGHT NET & TWINE MFG. CORP.
10.	ASIA BREWERY INCORPORATED	46.	EVERGOOD PLASTIC INDUSTRY INC.
11.	ASIAN PLASTIC CENTER	47.	FILPET INC.
12.	ASTROBAG MANUFACTURING CORP.	48.	FLEXIBLE PACKAGING PRODUCTS CORP.
13.	AXIANTA TRADING CO. LTD.	49.	FLEXO MANUFACTURING CORPORATION
14.	BASIC PACKAGING CORPORATION	50.	FORTUNE INTERNATIONAL TRADING CORP.
15.	BEST AVANTRADE INC	51.	GILVAN PACKAGING CORPORATION
16.	BESTANK MANUFACTURING CORPORATION	52.	GLOBAL COMPAK INC.
17.	BRIGHT GOAL TRADING	53.	GLOWING LINE TRADING
18.	C.B. ANDREW ASIA INC	54.	GOLDENFORTUNE ENTERPRISES CO
19.	CALYPSO PLASTIC CENTER CO.	55.	GOLDSTAR POLYMER TRADING CORP.
20.	CANGCO DOTINGCO ENTERPRISES	56.	GOODYEAR STEEL PIPE CORPORATION
21.	CEBU SENTRA PLASTICS CORP.	57.	GRAND ARRAIER TRADING
22.	CEBU SHERILIN TRADING CORPORATION	58.	GREIF PHILIPPINES INC.
23.	CEED FORMING CORPORATION	59.	GT INDUSTRIAL DEVELOPMENT INC
24.	CENTREUM CORPORATION	60.	HANTEX INTERNATIONAL CORP.
25.	CHEMPLAS COMMERCIAL TRADING INC	61.	HANTEX TRADING CO. INC
26.	CITIPLAS PLASTIC SERVICING CENTER	62.	HYDRO PHIL. ASIA INC.
27.	CLOSURE SYSTEMS INTERNATIONAL	63.	INCON INDUSTRIAL CORPORATION
28.	COEX INC.	64.	INNOVAPLAS PACKAGING CORPORATION
29.	COFTA MOULDINGS CORPORATION	65.	INTEGRATED LOGISTICS PHILS INC
30.	CONSOLIDATED COPOLYPACK CORPORATION	66.	INTEGRATED PACKAGING CORPORATION
31.	CORNERSTONE INTERNATIONAL PHILS.	67.	INTERNATIONAL SYNTHETIC INDS. INC.
32.	CROWN ASIA CHEMICALS CORP.	68.	ISLAND PLASTIC MFG CO INC.
33.	CYBERMANN INDUSTRIAL CORPORATION	69.	JFILM PHILIPPINES INC.
34.	CYBERMATE INDUSTRIAL CORPORATION	70.	JGKS UNIVERSAL PLASTIC CORPORATION
35.	CYGNUS INDUSTRIES INC.	71.	JHAYCOR INDUSTRIES INC.
36.	D & L POLYMER AND COLOURS INC.	72.	JHAYMARTS INDUSTRIES INC

73.	JOSEFINO TRADING	108.	POLYGOLD MANUFACTURING CORPORATION
74.	JUNNI INDUSTRIES INC.	109.	POLYLINE INDUSTRIES INC.
75.	KILOTRADE MARKETING	110.	POSITIVE FAXFAIR TRADING
76.	KRAH PIPES MANILA INC	111.	PREMIER CREATIVE PACKAGING INC.
77.	LEWISTON CONCEPT INDUSTRIAL	112.	PRIMA PLASTIC MANUFACTURING CORP.
78.	LICHT INDUSTRIAL CORPORATION	113.	PROSPERITYLINK MARKETING CO
79.	LICTON INDUSTRIAL CORP.	114.	RIM 21 CORP
80.	LIQUID PACKAGING CORPORATION	115.	ROBTON INDUSTRIES INC.
81.	LONDON INDUSTRIAL PRODUCTS INC.	116.	RPMC PLASTICS PHILS. INC.
82.	LUCKY SAPPHIRE TRADING	117.	SAN MIGUEL YAMAMURA PACKAGING
83.	MACONDRAY PLASTICS PRODUCTS INC	118.	SENCAR INDUSTRIAL CORPORATION
84.	MANLY PLASTICS INC.	119.	SHRINKPACK PHILS. CORP.
85.	MHYLINK TRADING	120.	SILVERMANE MARKETING VENTURES CORP
86.	MICHEM MARKETING INC.	121.	SOLIDPOINT MARKETING
87.	MIESTO INTERNATIONAL FOODS CORP.	123.	SPECTRUM HIGHLANDS MKTG CORP
88.	MILLS & MOTT INTERNATIONAL TRADING	124.	STYROTECH CORPORATION
89.	MOLDEX PRODUCTS INC	125.	SYNERGY SALES INTERNATIONAL CORP
90.	MULTIFLEX RNC PHILS. INC.	126.	SYNTHETIC WORLD CORPORATION
91.	NETTEX MFG. & EXPORT CORP.	127.	TAT RECYCLABLES AND RENEWABLES CORP
92.	NIKKOPLAS INC.	128.	TENKEI PRIME INTL CORP.
93.	OMEGA-VENTURES WL TRADING CORP.	129.	TOP MOST PACKAGING CORPORATON
94.	OUTBACK FIVE STAR CLARK PHILS INC	130.	TRADESPHERE INDUSTRIAL COMMODITIES
95.	PACIFIC TWINE AND NET MFG CO INC	131.	TRANS WORLD TRADING CO.INC.
96.	PAKVITE MFG. CORP.	132.	UNIBAG MANUFACTURING CORPORATION
97.	PARAGONPLATINUM INTERNATIONAL	133.	UNITED POLYRESINS INC.
98.	PHELPS DODGE PHILIPPINES ENERGY PRO	134.	UNITY SYNTHETIC CORPORATION
99.	PHIL VALVE MFG CO	135.	UNIVERSAL ROBINA CORPORATION
100.	PHILIPPINE FISHING GEAR INDUSTRIES INC.	136.	URIGHT RESOURCES CORPORATION
101.	PHILIPPINE GLASS PROCESSING SPECIALIST INC	137.	VITAL MANUFACTURING CO. INC.
102.	PHILIPPINE SPRING WATER RESOURCES INC	138.	WOODSTRALL AND SONS INCORPORATED
103.	PHILIPS WIRE AND CABLE CO	139.	WPC DESU TENSO TRADING
104.	PHILPLASTIC AND POLYMERS INC.	140.	ZELLER PLASTIK PHILIPPINES INC.
105.	PLASTIC CONTAINER PACKAGING CORPORA	141.	ZEST-O CORPORATION
106.	PLASTIMER INDUSTRIAL CORPORATION	142.	ZHONG FU PACKAGING INC.
107.	PLASTMANN INDUSTRIAL CORPORATION	143.	ZHONG FU UNIMAGNA PHILS. INC.

Annex B

LIST OF EXPORTERS OF 3901

II. EXPORTERS OF PETROCHEMICALS

	EXPORTER	COUNTRY
1.	ABU DHABI POLYMERS CO. LTD.	United Arab Emirates
2.	BASELL ASIA PACIFIC LTD	PROC
3.	BASELL SALES & MARKETING CO., B. V.	Germany
4.	BASELL SALES & MARKETING CO., B. V.	Netherlands
5.	BOREALIS AG	Austria
6.	BOREALIS AG	Finland
7.	BOREALIS AG	Netherlands
8.	BOROUGE PTE LTD.	United Arab Emirates
9.	BOROUGE PTE LTD.	PROC
10.	BOROUGE PTE LTD.	Singapore
11.	BRASKEM S.A.	Brazil
12.	CHEVRON PHILLIPS SINGAPORE CHEMICALS PTE. LTD.	Singapore
13.	CHEVRON PHILLIPS CHEMICALS ASIA PTE	United States
14.	DEGUCHI CO LTD	Japan
15.	DOW CHEMICAL PACIFIC (SINGAPORE) PTE LTD	Singapore
16.	DOW CHEMICAL PACIFIC LTD.	Hong Kong
17.	DOW CHEMICAL PACIFIC LTD.	Malaysia
18.	EASTERN PETROCHEMICAL CO. (SHARQ) LTD	Saudi Arabia
19.	ENERGY COMPLEX	Thailand
20.	EQUATE PETROCHEMICAL CO K.S.C.C.	Kuwait
21.	EVER RICH CORPORATION LTD.	Hong Kong
22.	EVER RICH CORPORATION LTD.	Chinese Taipei
23.	EXXONMOBIL CHEMICAL ASIA PACIFIC	Saudi Arabia
24.	FINE SOURCE LIMITED	Chinese Taipei
25.	FORMOSA CHEMICALS & FIBRE CORP	Chinese Taipei
26.	FORMOSA PLASTICS CORPORATION	Chinese Taipei
27.	GULF POLYMERS DISTRIBUTION COMPANY	United Arab Emirates
28.	HORNG JIUH PLASTIC MACHINERY CO., LTD.	Chinese Taipei
29.	INTRACO TRADING PTE LTD	Singapore
30.	ITOCHU PLASTIC PTE LTD.	Singapore
31.	KIN SANG CHEMICAL LIMITED	Hong Kong
33.	KINGFA SCI. & TECH.CO.,LTD.	PROC
34.	KOREA TRADING AND INDUSTRIES CO. LTD	Republic of Korea (South Korea)
35.	LG CHEM LTD.	Republic of Korea (South Korea)
36.	LOTTE CHEMICAL TITAN CORP SDN BHD	Malaysia
37.	LOTTE CHEMICAL TITAN TRADING SDN BH	Malaysia
38.	LOTTE CHEMICAL TITAN TRADING SDN BH	Singapore
39.	M/S. BARODA PACKAGING TECHNOLOGY	India

40.	MTS LOGISTICS, INC.	United States
41.	MTS LOGISTICS, INC.	United States
42.	OPEC PLASTICS JOINT STOCK CO.	Viet Nam
43.	P T LOTTE CHEMICAL TITAN NUSANTARA	Indonesia
44.	PACKAGING ENTERPRISE LLC	United States
45.	PETRONAS CHEMICAL MARKETING	Malaysia
46.	PLASTRADE MATERIALS TECHNOLOGY	Malaysia
47.	PMS CO., LTD.	Chinese Taipei
48.	POLYMER LINK SDN BHD	Malaysia
49.	PT. CHANDRA ASRI PETROCHEMICAL TBK.	Indonesia
50.	PTT POLYMER MARKETING CO. LTD.	Thailand
51.	QATAR CHEMICAL & PETROCHEMICAL MARKETING AND DISTRIBUTION COMPANY	Qatar
52.	RABIGH REFINING & PETROCHEMICAL CO.	Saudi Arabia
53.	RAVAGO DISTRIBUTION CENTER NV	Belgium
54.	SABIC ASIA PACIFIC PTE LTD.	Singapore
55.	SASOL CHEMICALS PACIFIC LTD.	Singapore
56.	SAUDI ARAMCO PRODUCTS TRADING CO.	United Arab Emirates
57.	SAUDI ETHYLENE & POLYEHTYLENE CO.	Saudi Arabia
58.	SAUDI PLASTIC MARKETING EST	Saudi Arabia
59.	SCG PLASTIC CO., LTD.	Thailand
60.	SIAM POLYETHYLENE CO., LTD.	Thailand
61.	SUMITOMO CHEMICAL ASIA PTE LTD.	Singapore
62.	THE DOW CHEMICAL COMPANY	United States
63.	THE EGYPTIAN ETHYLENE & DERIVATIVES CO	Egypt
64.	TOYOTA TSUSHO CORPORATION	Republic of Korea (South Korea)
65.	TRACIMEXCO SUPPLY CHAINS AND AGENCY SERVICES JSC	Viet Nam
66.	UNIT CARGO CONTAINER LINE, INC.	United States
67.	VINMAR OVERSEAS LTD.	United States
68.	XIAMEN ZHONGDAO IMPORT AND EXPORT CO LTD	PROC
69.	YUYAO ZHONGYU ECONOMIC AND TRADE CO LTD	PROC

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DEPARTMENT OF TRADE AND INDUSTRY

SAFEGUARD MEASURES CASE NAME:

**APPLICATION OF
PETROCHEMICALS INDUSTRY**

PUBLIC VERSION

SGM CASE NO. : SG06-2020

DATE : 28 August 2020

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

**REPORT ON THE INITIATION OF A PRELIMINARY INVESTIGATION ON THE
APPLICATION FOR SAFEGUARD MEASURES ON THE IMPORTATION OF LINEAR
LOW-DENSITY POLYETHYLENE (LLDPE) 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). JGSPC filed an application for safeguard measures on the importation Linear Low-Density Polyethylene (LLDPE) pellets and granules from various countries.

JGSPC alleged that serious injury to the domestic industry was caused by the increased import volume of LLDPE which are classified under ASEAN Harmonized Tariff Nomenclature (AHTN) Codes:

LLDPE
3901.10.12
3901.10.92
3901.40.00
3901.90.90

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, they are 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

Their in-house fabrication capabilities allow JGSPC to understand their customers' technical, operational and performance requirements. The Product R&D laboratory has the following equipment that enable them 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 single screw or twin screw extruder.²

According to JGSPC, for local and indirect export sales, JGSPC primarily sells its LLDPE 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 since JGSPC is the sole manufacturer producing x x x metric tons in 2019 which accounted for a 100% share of the total domestic production of LLDPE.

A.2. Importers and Exporters of LLDPE

Annexes A and B are the lists of importers and exporters of LLDPE 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 LLDPE 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, exports 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.

B. 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 initiation of a preliminary investigation. In assessing the sufficiency of evidence provided in the application, the Secretary shall satisfy himself that based on the documents available to him, he can determine that the increased imports of the product under consideration are the substantial cause of the serious injury or threat thereof to the domestic producers of the product under consideration"*.

III. SAFEGUARD MEASURES: PARAMETERS FOR EVALUATION

A. The Concept and Purpose of Safeguards

Section 2 of RA 8800 provides that *"the state shall promote the competitiveness of domestic industries and producers based on sound industrial and agricultural development policies, and the efficient use of human, natural and technical resources. In pursuit of this goal and in the public interest, the state shall provide safeguard measures to protect domestic industries and producers from increased imports which cause or threaten to cause serious injury to those domestic industries and producers."*

B. Relevant Provisions on Initiation of Investigation

Section 6 paragraphs 1 and 2 of RA 8800 states that *"any person, whether natural or juridical, belonging to or representing a domestic industry may file with the Secretary a verified petition requesting that action be taken to remedy the serious injury or prevent the threat thereof to the domestic industry caused by increased imports of the product under consideration."*

The petition shall include documentary evidence supporting the facts that are essential to establish:

- (1) an increase in imports of like or directly competitive products;*
- (2) the existence of serious injury or threat thereof to the domestic industry; and*
- (3) the causal link between the increased imports of the product under consideration and the serious injury or threat thereof".*

Rule 6.2 a of the IRRs of RA 8800 further provides that *"any person whether natural or juridical, belonging to or representing a domestic industry, may file a written application using a proforma protestant's questionnaire which shall include evidence of (i) an increase in the volume of imports of the like or directly competitive products, (ii) the existence of serious injury or threat thereof to the domestic industry; and (iii) causal link between the increased imports of the product under consideration and the serious injury or threat thereof. The applicant shall submit four (4) copies of the application, including annexes, two (2) copies of which shall contain the non-confidential summaries of the information submitted"*.