
Staff Report on
Formal Investigation of Safeguard Measures Case Against
Importations of Sodium Tripolyphosphates – Technical Grade
(STPP-TG)
(SG Investigation No. 04-2006)

September 2006

1 TERMS OF REFERENCE

1.1 The Application for General Safeguard Measure

On 13 February 2006, the Secretary of the Department of Trade and Industry (DTI) officially accepted a properly documented petition for the imposition of safeguard measures against imports of Sodium Tripolyphosphates - Technical Grade (STPP-TG) under Republic Act (RA) 8800 (otherwise known as the "Safeguard Measures Act"). The local industry, represented by CAWC, Inc. (CAWC), alleged that increased imports of STPP-TG had contributed significantly to the serious injury suffered by the local industry which began in 2001 and continued until 2005. CAWC likewise submitted that the deterrent effect of the anti-dumping duty imposed on STPP imported from China had proven to be inadequate.

1.2 The Preliminary Investigation

The Bureau of Import Services (BIS) of DTI initiated the preliminary investigation on 08 March 2006 with the publication of notices of initiation in the *The Philippine Star* and the *Manila Standard Today*.

On 6 July 2006, the DTI issued its report on the preliminary determination on the application. The investigation showed that increased imports of the product under consideration had caused serious injury to the domestic industry, particularly in terms of declining market share, domestic sales, capacity utilization, production, profitability, productivity, price suppression and price undercutting. While there were other factors which contributed to the serious injury suffered by CAWC, the increased volume of imports, both in absolute and relative to production, was found to be the substantial cause of the over-all impairment in the local industry's operations.

Acting under Section 8 of RA 8800, the DTI Secretary ordered on 06 July 2006 the imposition of provisional safeguard measures in the form of a cash bond amounting to ₱14.15/kg on all importations of STPP-TG for a period not exceeding 200 days from the date of the issuance by the Bureau of Customs (BOC) of the relevant Customs Memorandum Order (CMO) or fifteen (15) days after the publication of the DTI Order in two (2) newspapers of general circulation, whichever came earlier. However, imports originating from the developing countries listed in Annex A of said DTI Order and which are covered by Rule 8.8 of the Implementing Rules and Regulations (IRRs) of RA 8800 are not subject to the provisional safeguard measure.

BOC issued CMO No. 168-2006 on 27 July 2006 directing that all importations from all countries, except those from developing countries listed in Annex A of the DTI Order, of STPP-TG classified under AHTN subheading 2835.31.00, were to be imposed, in addition to taxes and duties and other charges,

a provisional safeguard measure in the form of a cash bond amounting to ₱14.15/kg.

On 13 July 2006, the DTI transmitted the records of the STPP safeguard case to the Tariff Commission for the conduct of a formal investigation to determine whether or not there is a need to impose a definitive safeguard measure pursuant to Section 9 of RA 8800 and its IRRs.

2 THE FORMAL INVESTIGATION

Section 9 of RA 8800 provides that:

“Within five (5) working days from receipt of the request from the Secretary, the Commission shall publish the notice of the commencement of the investigation, and public hearings which shall afford interested parties and consumers an opportunity to be present, or to present evidence, to respond to the presentation of other parties and consumers and otherwise be heard. Evidence and positions with respect to the importation of the subject article shall be submitted to the Commission within fifteen (15) days after the initiation of the investigation by the Commission.

The Commission shall complete its investigation and submit its report to the Secretary within one hundred twenty (120) calendar days from receipt of the referral by the Secretary, except when the Secretary certifies that the same is urgent, in which case the Commission shall complete the investigation and submit the report to the Secretary within sixty (60) days.”

2.1 Notifications

2.1.1 Commencement of Formal Investigation

The Notice of Formal Investigation was published on 19 July 2006 in two (2) newspapers, *The Manila Times* and *Manila Standard Today*. Individual notices about the Commission’s initiation of the formal investigation were sent on 19-26 July 2006 to all identified interested parties, i.e., CAWC; importers; exporters; the governments of exporting countries (Japan, Spain, China, Belgium, Vietnam, South Africa, Thailand, Israel, Russia, France) through their respective embassies; the Taiwan Economic and Cultural Office (TECO); industry associations, i.e., Soap and Detergent Association of the Philippines (SDAP), Chemical Industries Association of the Philippines (CIAP) and Federation of Philippine Industries (FPI); the Philippine Mission in Geneva; Philippine Commercial Attaches based in the above-mentioned countries; and concerned government agencies .

Aside from the Commission’s commencement of formal investigation, all identified interested parties were notified about the conduct of a preliminary conference on 28 July 2006.

2.2 Preliminary Conference

On 28 July 2006, a preliminary conference was held at the Commission for the purpose of discussing the schedule and procedure of the public consultations; the nature of administrative and fact-finding proceedings; the non-applicability of the technical rules of procedures in the Rules of Court; the submission of parties’ evidence and position papers; the confidentiality of information; the timeframe of

the formal investigation; and the other related matters necessary for the speedy disposition of the case.

In attendance were representatives from the following: petitioner CAWC; Chemphil Group; SDAP; Nakayama Technology Corporation; Lepanto Ceramics Inc.; Newey Industrial Corporation; Material Resources International Corporation; Procter and Gamble Distributing (Phils.) Inc.; Enzed Trade; Uni Dravo; FMC Foret S.A.; Embassies of Belgium, France, South Africa, Spain and Russia; Pricewaterhouse Coopers; BIS; BOC; and Office of Senator Manuel A. Roxas.

Among the agreements reached during the preliminary conference and contained in an Order issued by the Commission on 01 August 2006 were the following:

- timetable of activities of the investigation;
- schedule of marathon public hearings (18-22 September 2006);
- entry of appearance of interested parties including names of lead/alternate/collaborating counsels;
- accessibility of documents;
- confidentiality of documents; and
- service of pleadings/affidavits.

On the issue of public interest raised by the oppositor SDAP, the Commission allowed that no party is prevented from raising the issue of public interest in the course of the formal investigation by way of pleading or position paper. As clearly pointed out by the Commission, however, said issue will be taken into consideration only by the DTI Secretary when he makes a decision, following the Commission's positive determination, on whether or not to impose a definitive safeguard measure.

The position of the Commission on the foregoing issue is anchored on the provisions of Section 5 of RA 8800 which state that:

“The Secretary shall apply a general safeguard measure upon a positive final determination of the Commission that a product is being imported into the country in increased quantities, whether absolute or relative to the domestic production, so as to be a substantial cause of serious injury or threat thereof to the domestic industry; however, in the case of non-agricultural products, the Secretary shall first establish that the application of such safeguard measures will be in the public interest.”

2.3 Plant Visit

An ocular inspection of the manufacturing facilities of CAWC (located in Pasig City) was conducted on 14 August 2006.

Among the information gathered during the plant visit were the following: production process; production lines; machinery/equipment; quality test results; plant capacities; production levels; employment; inventory levels; company ownership; and the plant shutdown.

3 PARTICIPANTS' VIEWS

3.1 Submissions Received

The DTI endorsed the entire records of the safeguard measure application to the Commission on 13 July 2006. Interested parties were given fifteen (15) days from receipt of the Notice of Formal Investigation to submit their respective preliminary/supplemental position papers, affidavits of witnesses, documentary evidence and other information in support of their position.

All non-confidential submissions, including non-confidential portions of confidential submissions, were made publicly available at the Commission.

3.2 The Domestic Industry's Case

CAWC made the following claims:

- imported STPP and the locally-produced STPP are like products;
- there was a surge of imported STPP during the period of investigation or from 2001 to 2005;
- domestic industry suffered material injury in business operations during the period of investigation;
- there was causal linkage between the continuing surge of imported STPP and the material/serious injury to the domestic industry;
- imposition of safeguard measure in the amount of P14.15 per kilogram of imported STPP will be in the public interest;
- safeguard measure should also be imposed against STPP imported from Thailand, Indonesia, South Korea, Hong Kong and Taiwan; and
- certificates of country of origin should be required for all importations of STPP to assure the proper imposition of the safeguard measure.

Adjustment Plan

Rule 4.1 of the IRRs of R.A. 8800 defines adjustment plan as an *“action plan which a domestic industry is required to submit, that describes a set of quantified goals, specific plans, and timetables that a concerned industry commits to undertake in order to facilitate positive adjustment of the industry to import competition.”*

On 01 September 2006, CAWC, pursuant to the directive contained in the Commission's Order dated 01 August 2006, submitted its adjustment plan which listed the following priority measures that it will adopt to facilitate its positive adjustment to import competition:

- Plant Re-Engineering
 - develop and enhance multi-skilled operators
 - raise level of worker's qualifications and skills
 - reduce labor complement by outsourcing non-critical plant operations
- Cost Savings Initiatives
 - shift fuel use from kerosene to LPG gas
 - heat recovery in the exhaust gas
 - in-house generation of electrical power using special fuel oil for the generator set
 - shift from fluid drive coupling to frequency converter for the exhaust fan and hammer mill
 - installation of rotary kiln cum burner
 - optimization of liquid CO₂ production
 - optimization of P₂O₅ content of STPP
- Establishment of a Fertilizer Facility as an Integrated Part of the Merchant Grade Phosphoric Acid (MGPA)-Fertilizer Project

3.3 The Opposing Case

Oppositors to the application for safeguard action, which included STPP-TG importers and foreign exporters, associations and governments of foreign exporting firms, submitted the following arguments to support their position:

SDAP

- the five (5) requisite elements for the imposition of safeguard measures are completely absent in the instant case;
- there are no sufficient grounds to make a positive preliminary determination;
- there is absolutely no basis to impose provisional safeguard measures on STPP-TG importations; and
- imposition of safeguard duties on importations of STPP-TG is detrimental to the public interest.

Hubei Xingfa Chemicals Group Company Ltd.

- the imposition of provisional safeguard duties for the entire tariff heading is without basis considering the incomplete and insufficient "like product" analysis necessary to determine what constitutes as a "like or directly competitive product" and a "domestic producer";

- the allegedly financial distress of the domestic manufacturer is mainly caused by the lack of vertical integration and the prohibitive cost of major raw material inputs which are mostly imported;
- there is an absence of causal link between the increased import of the product under consideration and the alleged serious injury to the domestic manufacturer;
- the events arising from the WTO obligations resulting in marked reduction in tariffs and the removal of trade barriers have long been foreseen by the domestic manufacturer; and
- the provisional safeguard duties contravene Section 36 of RA 8800 and the 1987 Philippine Constitution as it allows monopolistic practices and is confiscatory.

Nakayama Technology Corporation (NTC) and Nakayama Jyuutaku Co. Ltd. (formerly Nakayama Toso Kogyu Co., Ltd.)

- NTC has not caused nor threatens to cause serious injury to the Philippine industry with its importation of STPP from Nakayama Jyuutaku Co. Ltd., its mother company in Japan. The only reason for its importation is to ensure the quality of the brick tiles that it manufactures.

Government of Spain

- the apparent cause of the import increase is the exports of China;
- the anti-dumping duty on China's exports was reduced; and
- the Philippine government should consider a more thorough investigation on how a revision of anti-dumping mechanisms may adequately curtail the imports of STPP.

Lepanto Ceramics Incorporated

- requested that it be excused from further participating in the proceedings since it imported a minimal volume of STPP-TG and only once during the period 2001 to 2005.

4 THE DOMESTIC INDUSTRY AND MARKET

4.1 The Domestic Product

STPP-TG is a white, slightly hygroscopic powder (or in granular form) with the formula $\text{Na}_5\text{P}_3\text{O}_{10}$. Soluble in water and with pH (1% solution) of 9.75, STPP-TG is a molecularly dehydrated phosphate. As a molecularly dehydrated builder, it has a range of properties particularly directed toward conditioning water.

STPP-TG is an excellent builder for synthetic detergents in that it provides outstanding detergent and anti-redeposition properties as well as excellent sequestering ability in hard water. It has a peptizing effect or the ability to keep finely divided solids in colloidal suspension in liquid which prevents re-deposition of dirt onto the washed clothing.

STPP-TG is used in the manufacture of detergents; as water softeners; for purification of China clay; for conditioning of oil drilling mud; is particularly effective in bar soaps as dispenser of soap curds in hard water and scum eliminator; is a clay dispersant; anti-pitch agent in papermaking and textile processing; and dispersant in cement.

4.2 Government Tariff Policy

The Most Favoured Nation (MFN) rate of duty for STPP was set by Executive Order (EO) No. 334, signed on 03 January 2001, at 7% for 2001 and 5% from 2002 until 2004 (Table 1). The 2004 rate was increased to 7% under EO No. 264 issued on 30 December 2003.

Table 1. Rates of Duty on STPP-TG: 2001 - 2006

AHTN Code	Description	Type of Duty	Rates of Duty (%)					
			2001	2002	2003	2004	2005	2006
28.35	Phosphinates (hypophosphites), phosphonates (phosphites) and phosphates; polyphosphates, whether or not chemically defined.							
2835.31.00	- Polyphosphates: - - Sodium triphosphate (sodium tripolyphosphate)	MFN CEPT	7 3	5 3	5 3	7 5	7 5	7 5

The Common Effective Preferential Tariff (CEPT) rate of duty was set at 3% under EO No. 453 issued on 31 October 1997. On 30 December 2003, the rate was increased from 3% to 5% pursuant to EO 263.

The Philippines did not bind the tariff rate on STPP-TG under the World Trade Organization (WTO).

4.3 Market Participants

Supply of STPP-TG in the Philippine market comes from local production and imports.

4.3.1 Domestic Producer

CAWC is the only local manufacturer of phosphates products, namely, STPP and Tetrasodium Pyrophosphates (TSPP). Total actual production of STPP-TG from 2001 to 2005 was 123,574 metric tons (MT).

Ownership Structure

CAWC is a 100% percent Filipino-owned corporation with 99.67% percent of its outstanding capital stocks owned by Chemical Industries of the Philippines, Inc., a domestic corporation duly organized and existing under the laws of the Republic of the Philippines. The remaining 0.33% is owned by individuals who are all citizens of the Philippines.

CAWC's business as the sole manufacturer and supplier of STPP and TSPP started as early as 1971 when it was established as a pioneering project of the Chemphil Group. Originally named as Polyphosphates, Inc. (PPI), the company was the pioneer in the manufacture of phosphates products not only in the Philippines but also in the South East Asian region. PPI has since changed its corporate name: first, to Chemphil Albright & Wilson Corporation in 1994 and then on 06 April 2004, the Securities and Exchange Commission (SEC) approved the change of name to CAWC Inc.

Production Capacity

CAWC's production capacity for STPP-TG is 150 MT per day or approximately 49,500 MT per year.

Distribution Channels

CAWC's channel of distribution for its manufactured products is via direct selling to end users.

Phosphates and the other manufactured products, being industrial products, are offered and sold directly by the Sales & Marketing Group of CAWC to customers/users. Main markets include soap and detergents and industrial/food manufacturers and processors.

4.3.2 Importers

During the period of investigation, the identified importers of STPP-TG are the following:

ACS Manufacturing Corp.	Leysam Commercial Inc.
Alpha-Novell Int'l. Indl. Corporation	Marchem Inc.
Clarkchem Inc.	Mariwasa-Siam Ceramics Inc.
Colgate Palmolive Phils.	Material Resources Int'l. Corporation
Coolly Int'l. Corporation	Nakayama Tech. Corporation
DHL Worldwide Express Phil. Corporation	Neet International Corporation
Eurotiles Industrial Corporation	Newey Industries Corporation
Filfram Enterprises	Optimus Indl. Development Inc.
FMC Marine Colloids Phils. Inc.	Premera Suertes Corporation
Formosa Ceramic Tiles Mfg. Corporation	Procter & Gamble Phils. Inc.
Grand Formosa Int'l Trdg.	QBQ Enterprises
Henkel Phils. Inc.	Spord Comm'l Int'l Trdg.
Himmel Industries Inc.	Tennessee Feedmill Inc.
Ilyon Ind'l Corporation	Turriss Phils Inc.
Islandwide Chemical Corporation	Uni-dravo Comm'l Corporation
JIT Bonded Trading Warehouse Inc.	Unilever Phils. Inc.
Lepanto Ceramics Inc.	Vi-Carlo Enterprises

4.3.3 Users

The principal users of STPP-TG are the following: Procter and Gamble Philippines, Inc.; Unilever Phils., Inc.; Mariwasa-Siam Ceramics, Inc.; and Lepanto Ceramics Inc.

5 DETERMINATION OF LIKE OR DIRECTLY COMPETITIVE PRODUCT

As provided under Rule 9.4.a of the IRR of R.A. 8800, the Commission shall determine *“if the domestic product is a like or directly competitive product to the imported product under consideration.”*

Section 4(h) of R.A. 8800 states that *“like product”* shall mean 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 R.A. 8800 defines *“directly competitive products”* as domestically-produced substitutable products.

5.1 Product Under Consideration

The product under consideration, as determined in the DTI preliminary investigation of the instant safeguards case, is sodium tripolyphosphates - technical grade. According to the Condensed Chemical Dictionary, STPP ($\text{Na}_5\text{P}_3\text{O}_{10}$) is also known as tripoly and pentasodium triphosphate.

5.2 Characteristics

5.2.1 Chemical Composition and Use

A. Locally Produced STPP-TG

- chemical formula $\text{Na}_5\text{P}_3\text{O}_{10}$ with a minimum purity of 90%;
- maximum arsenic content and total iron content of 100 ppm;
- maximum water insoluble matter of 0.1%; and
- volatiles are lost at a maximum rate of 1% at 150°C for 1 hour.

It is used as a principal builder for laundry detergents, in the formulation of boiler water treatment/conditioning chemicals and metal cleaners, dispersing and emulsifying agent, in deinking newsprint, textile dyeing, viscosity control of drilling muds, synthetic rubber manufacture, scouring of wool, and ceramics manufacture.

B. Imported STPP-TG

- chemical formula $\text{Na}_5\text{P}_3\text{O}_{10}$;
- purity of 95.2% with loss on ignition at 150°C of 0.4% (imported from Vietnam); and
- purity of 94% to 96% with iron content of 100 ppm and volatiles at 0.1% to 0.9% (imported from China).

Imported STPP-TG is used similarly as the locally produced product, i.e., it is used as a principal builder for laundry detergents, in the formulation of boiler water treatment/conditioning chemicals and metal cleaners, dispersing and emulsifying agent, in deinking newsprint, textile dyeing, viscosity control of drilling muds, synthetic rubber manufacture, scouring of wool, and ceramics manufacture.

The linkage chart of STPP-TG shows the flow of materials from the raw form to the end products (Figure 1). STPP is produced by the reaction of phosphoric acid with soda ash. Phosphoric acid is in turn manufactured from yellow phosphorus. STPP then is used in the formulation of laundry detergents, water and soil conditioners, and in the manufacture of ceramics and rubber products. Food grade STPP is used in meat processing to preserve the suppleness of the meat.

5.2.2 Physical and Chemical Properties

A. Locally Produced STPP-TG

Locally produced STPP-TG is a free-flowing fine white powder with pH of 9–10.5. A minimum of seventy-five percent (75%) of its particles passes thru a mesh of 150 μm or less and a maximum of two percent (2%) is retained at 425 μm .

B. Imported STPP-TG

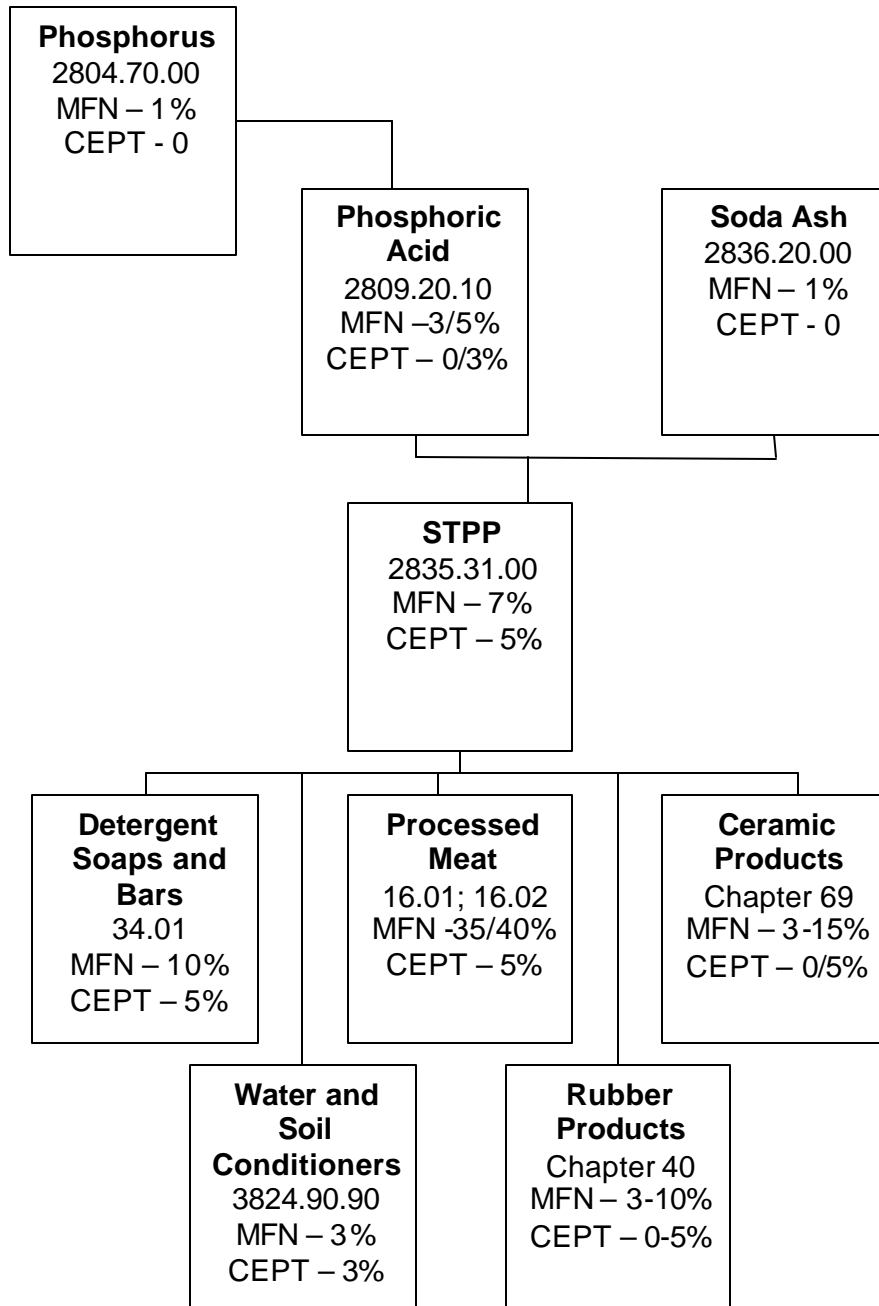
Imported STPP-TG is a white powder with pH of 9.2 – 10.3. More than sixty-two percent (62%) of its particles passes thru 150 μm mesh and five percent (5%) or less is retained at 425 μm .

Table 2 shows the comparative chemical and physical properties of local and imported STPP-TG.

Table 2. Comparison of Chemical and Physical Properties of Local and Imported STPP-TG

Chemical or Physical Property	Local STPP-TG	Imported STPP-TG
Total P_2O_5	58% min.	56.5 to 58.5%
Tripolyphosphate as $\text{Na}_5\text{P}_3\text{O}_{10}$	90% min.	94-96%
Volatiles	1% max.	0.1 – 0.9%
Rate of hydration	79-83.5 °C	81-87°C
Matter insoluble in water	0.1% max	0.1%
pH 1% solution @ 25°C	9-10.5	9.2-10.3
Total Iron as Fe	100 ppm. max.	100ppm
Arsenic, As	100 ppm max.	
Particle size distribution, Tyler		
+ 35 mesh (425 μm)	2% max.	5% max.
- 100 mesh (cumulative) (150 μm)	75% min.	62.8% min.
Appearance	White free-flowing, fine powder	White powder

Figure 1. Linkage Chart of STPP



5.3 Manufacturing Process

A. Locally Produced STPP-TG

Subject article is produced through slow crystallization from a heated mixture of monosodium and disodium phosphates made from proper amounts and concentrations of phosphoric acid and soda ash.

B. Imported STPP-TG

The manufacture of the imported STPP-TG undergoes the same process as that for the local STPP-TG, i.e, by the reaction of phosphoric acid with soda ash.

5.4 Tariff Classification

Both local and imported STPP-TG are specifically covered under AHTN subheading 2835.31.00.

5.5 Conclusion

In view of the foregoing, the Commission finds that, in accordance with Section 4(h) of RA 8800, the locally produced STPP-TG is a like product to the imported STPP-TG. The locally produced STPP-TG and the imported STPP-TG have the same chemical formula, name, and uses, have properties lying within a close range, and are both classified under the same subheading (AHTN 2835.31.00) of the Tariff and Customs Code of the Philippines.

6 DETERMINATION OF INCREASED VOLUME OF IMPORTS

Rule 9.4(b) of the IRRs of RA 8800 provides that the Commission shall determine *“if the product under consideration is being imported into the Philippines in increased quantities whether absolute or relative to domestic production.”*

Rule 7.2.a of the IRRs of RA 8800 provides that import data covering the last five (5) years preceding an application for safeguard measure should be evaluated for purposes of substantiating claims of a surge in imports.

6.1 Period of Investigation

CAWC having officially filed its application for safeguard measure with DTI in February 2006, the period of investigation (POI) was determined to be the five-year period 2001 - 2005 for purposes of the Commission’s formal investigation.

6.2 Increase in Volume of Imports in Absolute Terms

Import data on STPP-TG were sourced from the National Statistics Office (NSO), BIS/BOC, CAWC and import entries on file with the Commission.

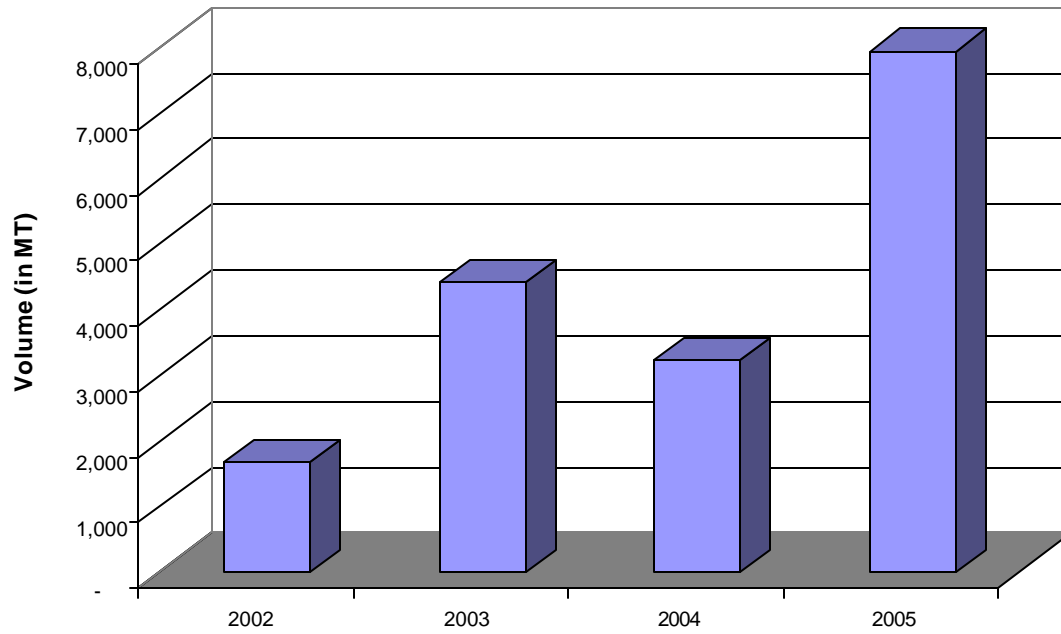
In 2001, imports of STPP-TG amounted to 2,964 MT (Table 3). Import volume rose to 4,629 MT or by 56% the following year and increased further to 9,060 MT or by 96% in 2003. Imports peaked in 2005 at 20,211 MT, an increase of 7,933 MT or 65% over the previous year’s level of 12,278 MT (Figure 2).

Table 3. Volume of Imports of STPP-TG: 2001-2005

Year	Volume (MT)	Growth Rate (%)
2001	2,964	---
2002	4,629	56.16
2003	9,060	95.73
2004	12,278	35.51
2005	20,211	64.62
TOTAL	49,142	

Sources of basic data : NSO, BIS/BOC , CAWC, import entries

Figure 2. Actual Increase/Decrease in the Volume of Imports of STPP-TG: 2002-2005



6.3 Increase in Volume of Imports Relative to Domestic Production

Imports of STPP-TG represented about 9% of total domestic STPP-TG production in 2001 (Table 4). The share of imports relative to local production increased to 15% in 2002 and then grew further to 34% in 2003.

Table 4. Share of Imports to Domestic Production of STPP-TG

Year	Imports (MT)	Domestic Production (MT) ¹	Share of Imports to Total Production (%)
2001	2,964	33,365	8.88
2002	4,629	30,635	15.11
2003	9,060	26,703	33.93
2004	12,278	21,582	56.89
2005	20,211	11,289	179.03
TOTAL	49,143	123,574	

¹Source: CAWC

In October 2005, CAWC declared a temporary shutdown and in November and December, plant operations went on definitive shutdown. Consequently, domestic production performance in 2005 was reduced by 48%. Thus in this year, imports represented a hefty 179% of production, i.e., imports exceeded CAWC's domestic production by 79% (from 57% in 2004).

6.4 Findings

Based on the annual levels of imports from 2001 to 2005, a significant increase in imports of STPP-TG occurred in 2005 when imports expanded by 65% compared to the previous year's volume, i.e., imports grew by nearly 8,000 MT, the greatest over the POI. The 2005 import level was also the highest over the period and was almost seven times more than the initial import volume.

The movements in the shares of imports relative to domestic production over the POI confirm a surge in imports of STPP-TG in 2005. While imports may have already represented some 57% of total domestic production in 2004, this figure shot up to 179% in 2005 with the shutdown in CAWC operations starting in October.

6.5 Conclusion

Based on the foregoing, the Commission finds that, in accordance with Rule 9.4(b) of the IRRs of RA 8800, STPP-TG was imported into the Philippines in increased quantities, both in absolute terms and relative to domestic production, during the POI (2001-2005). The increase in the volume of STPP-TG imports is recent (i.e., 5th year of the POI), sharp, and significant.

6.6 De Minimis Import Volumes from Developing Countries

6.6.1 Major Country Suppliers of Imported STPP-TG

During the latter part of the five-year POI, the People's Republic of China (China), Vietnam, Spain, and Russia were the major sources/exporters of STPP-TG to the Philippines (Table 5).

China

Imports from China garnered the biggest shares of annual Philippine imports in 2001 at 83.11%, 2004 - 33.38%, and 2005 - 51.61%.

In the intervening years, China's shares fell to 17.37% (in 2002) and 0.5% (in 2003), attributable to the imposition of anti-dumping duties on Chinese STPP-TG during these years.

However, imports recovered in 2004 and 2005, when the anti-dumping duties were extended but at reduced levels.

Vietnam

Imports from Vietnam accounted for only 1.35% of the total Philippine imports in 2001. In 2002, Vietnam's share increased to 4.97%. In 2003, imports from Vietnam obtained the second highest share at 38.2%. Dropping to 13.84% in

2004, imports from Vietnam in 2005 rebounded to 22.5%, the second biggest share of total Philippine imports.

Spain

Spain started exporting STPP-TG to the Philippines in 2003 at 15.34% of total Philippine imports. In 2004, Spain got the second highest share at 26.33%. Import volume declined in 2005 to 3,195MT, equivalent to a 15.81% import share.

Russia

Russia became a major source of STPP-TG in 2004 and 2005 when it contributed 15% and 10% of annual Philippine imports, respectively.

Table 5. Imports of STPP-TG by Country of Origin

Country of Origin	2001		2002		2003		2004		2005	
	Imports (MT)	% Share to Total	Imports (MT)	% Share to Total	Imports (MT)	% Share to Total	Imports (MT)	% Share to Total	Imports (MT)	% Share to Total
People's Republic of China	2,463.50	83.11	804.00	17.37	45.00	0.50	4,098.30	33.38	10,430.72	51.61
Vietnam	40.00	1.35	230.00	4.97	3,461.00	38.20	1,699.85	13.84	4,547.68	22.50
Thailand	230.66	7.78	3,425.17	73.99	4,037.04	44.56	652.00	5.31	2.98	0.01
Spain					1,390.00	15.34	3,233.00	26.33	3,195.00	15.81
Russian Federation (U.S.S.R.)	-	-	-	-	110.00	1.21	1,816.55	14.80	2,000.41	9.90
South Africa	-	-	-	-	-	-	455.00	3.71	-	-
United States of America	152.41	5.14	91.44	1.98	7.26	0.08	52.61	0.43	0.05	0.00
Netherlands	-	-	-	-	-	-	198.00	1.61	-	-
Taiwan	-	-	-	-	10.00	0.11	54.39	0.44	22.00	0.11
Australia	49.20	1.66	-	-	-	-	9.05	0.07	-	-
Belgium	18.00	0.61	34.26	0.74	-	-	-	-	-	-
Hongkong	-	-	44.00	0.95	-	-	-	-	-	-
France	8.40	0.28	-	-	-	-	9.00	0.07	-	-
Japan	-	-	-	-	-	-	-	-	11.66	0.06
Germany	0.60	0.02	0.20	0.00	-	-	-	-	0.72	0.00
Singapore	1.50	0.05	-	-	-	-	-	-	-	-
TOTAL	2,964	100	4,629	100	9,060	100	12,278	100	20,211	100

Sources of basic data : NSO, BIS/BOC, CAWC, import entries

6.6.2 De Minimis Import Volume

Rule 13.1(d) of the IRRs to R.A. 8800 provides that “a general safeguard measure shall not be applied to a product originating from a developing country if its share to total Philippine imports of the said product is less than three percent (3%): Provided, however, that developing countries with less than three percent (3%) share collectively account for not more than nine percent (9%) of the total Philippine imports of the product concerned.”

Based on 2005 import volume (the ending year of the POI), the volume of imports of two (2) developing countries, i.e., Thailand and Taiwan, was found to be *de minimis* (Table 6).

Table 6. Developing Countries with *De Minimis* Import Volume

Exporting Country	Year 2005 Import Volume (MT)	Share to Total Imports (%)
Thailand	2.98	0.01
Taiwan	22.00	0.11
Total	24.98	0.12

7 PRELIMINARY FINDINGS ON SERIOUS INJURY OR THREAT THEREOF

Rule 9.4(c) of the IRRs of RA 8800 states that the Commission shall determine *“the presence and extent of serious injury or the threat thereof to the domestic industry that produces like or directly competitive product.”* Rule 9.4 (d) provides that *“the existence of a causal relationship between the increased imports of the product under consideration and the serious injury or threat thereof to the affected domestic industry”* must be established.

“Serious injury” is defined in Section 4(o) of RA 8800 as a significant impairment in the position of a domestic industry after evaluation by competent authorities of all relevant factors of an objective and quantifiable nature having a bearing on the situation of the industry concerned, in particular, the rate and amount of the increase in imports of the product concerned in absolute and relative terms, the share of the domestic market taken by increased imports, changes in levels of sales, production, productivity, capacity utilization, profit and losses, and employment.

7.1 Domestic Industry Requirement

Section 4(f) of RA 8800, for purposes of determining injury and threat thereof, defines “domestic industry” as:

“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 domestic production of those products”

Rule 4.1 of the 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 producers 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 production.”

CAWC is the only manufacturer of STPP-TG in the Philippines.

7.2 Serious Injury Factors

7.2.1 Market Shares

Table 7: Apparent Domestic Consumption and Market Shares

Year	Domestic Sales (MT)	Imports (MT)	Apparent Domestic Consumption (MT)	Market Share (%)	
				Domestic Industry	Imports
2001	33,369	2,964	36,333	91.84	8.16
2002	29,449	4,629	34,078	86.42	13.58
2003	26,935	9,060	35,995	74.83	25.17
2004	20,961	12,278	33,239	63.06	36.94
2005	10,821	20,211	31,032	34.87	65.13

Source of basic data: CAWC

7.2.2 Production, Sales and Inventory Levels

Table 8: Production, Sales and Ending Inventory

Year	Production		Sales		Ending Inventory	
	Volume (MT)	% Change	Volume (MT)	% Change	Volume (MT)	% Change
2001	33,365	---	33,369	---	601	---
2002	30,635	(8.18)	29,449	(11.75)	1,036	72.24
2003	26,703	(12.84)	26,935	(8.54)	235	(77.33)
2004	21,582	(19.18)	20,961	(22.18)	411	75.00
2005	11,289 ^{1/}	(47.69)	10,821	(48.38)	541	31.68

Source of basic data: CAWC

^{1/} CAWC had no STPP production in October 2005 and plant operations were on definitive shutdown in November-December 2005.

7.2.3 Capacity Utilization

Table 9: Actual Production and Capacity Utilization

Year	Rated Capacity (MT)	Actual Production (MT)	Utilization Rate (%)
2001	49,500	33,365	67.40
2002	49,500	30,635	61.89
2003	49,500	26,703	53.94
2004	49,500	21,582	43.60
2005	49,500	11,289	22.81

Source of basic data: CAWC

7.2.4 Cost Components

Table 10: Relative Shares of Cost Components

Cost Components	Share to Cost of Goods Manufactured (%)				
	2001	2002	2003	2004	2005
Direct Raw materials	79.99	79.00	80.02	83.18	76.54
Indirect Raw Materials	8.20	8.02	7.55	7.72	11.85
Direct Labor	0.54	0.41	0.58	0.46	0.45
Manufacturing Overhead	11.27	12.57	11.85	8.64	11.16

Source of basic data: CAWC

7.2.5 Financial Performance/ Profitability

Table 11 Income Statement: STPP-TG Domestic Operation

Particulars	2001	2002	2003	2004	2005
Sales	882,397	759,759	745,382	879,821	477,857
Cost of sales	(816,803)	(734,622)	(753,062)	(889,577)	(549,420)
Gross Profit/(Loss)	65,594	25,137	(7,680)	(9,756)	(71,563)
Selling and administrative Expenses	(33,262)	(35,519)	(33,005)	(30,251)	(30,750)
Income (Loss) from Operation	32,332	(10,382)	(40,685)	(40,007)	(102,313)
Net Other Income/(Expense)	2,986	(104)	13,435	(1,369)	(13,937)
Income(Loss) Before Income Tax	29,346	(10,486)	(27,250)	(41,376)	(116,250)
Provision for Income Tax	(9,390)	-	-	-	-
Net Income (Loss)	19,956	(10,486)	(27,250)	(41,378)	(116,250)

Source of basic data: CAWC

7.2.6 Return on Sales

Table 12: Return on Sales

Year	Income from Operations	Sales Revenue	Return on Sales (%)
2001	32,332	882,397	3.66
2002	(10,382)	759,759	(1.37)
2003	(40,685)	745,382	(5.46)
2004	(40,007)	879,821	(4.55)
2005	(102,313)	477,857	(21.41)

Source of basic data: CAWC

7.2.7 Employment

Table 13: Total Labor Force

Year	Number of Employees	Actual Increase/ (Decrease)
2001	63	
2002	61	(2)
2003	59	(2)
2004	62	3
2005	58	(4)

Source of basic data: CAWC

7.2.8 Productivity

Table 14: Labor Productivity

Year	Production (MT)	Number of Employees	Labor Productivity	% Change
2001	33,365	63	530	
2002	30,635	61	502	(5.28)
2003	26,703	59	453	(9.76)
2004	21,582	62	348	(23.18)
2005	11,289	58	195	(43.97)

Source of basic data: CAWC

7.2.9 Price Trends

Table 15: STPP Domestic Selling Price vs. Landed Cost (P/MT)

Year	Weighted Average Domestic Selling Price ^{1/}	Weighted Average Landed Cost w/o VAT ^{2/}
2001	26,443.75	34,125.99
2002	25,799.42	27,012
2003	27,674	27,956.79
2004	41,975	33,561.21
2005	44,282	35,160.05

^{1/}CAWC

^{2/}Import Entries