



REPUBLIC OF THE PHILIPPINES
TARIFF COMMISSION

STAFF REPORT

**FORMAL INVESTIGATION ON THE IMPOSITION OF
SAFEGUARD MEASURE AGAINST IMPORTATIONS
OF LINEAR LOW-DENSITY POLYETHYLENE
PELLETS AND GRANULES:
UPDATED DETERMINATION OF INCREASED IMPORTS
(AHTN 2017 Codes 3901.10.12; 3901.10.92;
3901.40.00; 3901.90.90)**

Investigation No. SG-2021-OC-LLDPE

Non-Confidential Version

(FOR IMPORTERS/EXPORTERS/OTHER PARTIES)

21 April 2022

7. DETERMINATION OF INCREASED IMPORTS

Rule 9.4.b of the Implementing Rules and Regulations of Republic Act No. 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.”*

7.1. Period of Investigation

For the Commission’s formal investigation, the period of investigation (POI) is 2015 to June 2021. This is in accordance with the requirement by the World Trade Organization (WTO) Appellate Body in its Reports on “Argentina – Safeguard Measures on Imports of Footwear”¹ and “Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products”² that it is necessary for investigating authorities to examine recent imports and not simply trends in imports during the past five years.

In its Report on “United States – Measures Affecting Imports of Certain Passenger Vehicle and Light Truck Tyres from China”³, the Appellate Body emphasized the importance of examining recent imports and noted that:

“... the period of investigation selected by the investigating authority must be sufficiently recent to provide a reasonable indication of current trends in imports.”

Said Report likewise acknowledged the Appellate Body’s decision in “Argentina – Safeguard Measures on Imports of Footwear”, to wit:

“... the use of the present continuous tense in the phrase ‘is being imported’ requires investigating authorities to examine ‘recent’ import trends. For this reason, investigating authorities must select a period of investigation that is sufficiently recent to provide a reasonable indication of current trends in imports. Or, as the Appellate Body put it, ‘the investigation period should be the recent past.’ However, once the period of investigation is selected, and is sufficiently recent to provide a reasonable indication of current trends in imports, nothing in the use of the present continuous tense ‘are increasing’ in Paragraph 16.4 and ‘are being imported’ in Paragraph 16.1 implies that the analysis must be limited to import data relating to the very end of the period of investigation.” (emphasis supplied)

¹ WTO Document WT/DS121/9

² WTO Document WT/DS98/12

³ WTO Document WT/DS399/AB/R

The Appellate Body Report on “United States – Safeguard Measure on Imports of Fresh, Chilled, or Frozen Lamb from New Zealand”⁴ also stressed the importance of data from the most recent past: “... we note that the Agreement on Safeguards provides no particular methodology to be followed in making determinations of serious injury or threat thereof. However, whatever methodology is chosen, we believe that data relating to the most recent past will provide competent authorities with an essential, and, usually, the most reliable basis for a determination of a threat of serious injury. The likely state of the domestic industry from the very near future can best be gauged from the data from the most recent past...” (emphasis supplied)

7.2. WTO Requirement

In its Report on “Argentina – Safeguard Measures on Imports of Footwear”⁵, the WTO Appellate Body provided guidance in interpreting increase in imports, to wit:

“The determination of whether the requirement of imports ‘in such increased quantities’ is met is not merely a mathematical or technical determination. In other words, it is not enough for an investigation to show simply that imports of the product this year were more than last year – or five years ago. Again, it bears repeating, not just any increased quantities of imports will suffice. There must be ‘such increased quantities’ as to cause or threaten to cause serious injury to the domestic industry in order to fulfill this requirement for applying a safeguard measure. And this language in both Article 2.1 of the Agreement on Safeguards and Article XIX:1(a) of the GATT 1994, we believe, requires that the increase in imports must have been recent enough, sudden enough, sharp enough, and significant enough, both quantitatively and qualitatively, to cause or threaten to cause ‘serious injury’.” (emphasis supplied)

7.3. Source of Import Data

To determine the volume of imports of LLDPE pellets and granules over the POI, the Commission made use of the Electronic Import Entry Declarations (EIEDs) of the Bureau of Customs (BOC).

Based on its determination of “like products” and “directly competitive products”, the Commission excluded AHTN 2017 subheadings 3901.10.12 and 3901.90.90 from the investigation. Also excluded from the investigation were LLDPE pellets and granules used for rotational and injection molding applications and wires and cable applications which are classifiable under AHTN 2017 Codes 3901.10.92 and 3901.40.00.

Thus, imports of LLDPE pellets and granules were sourced from BOC-EIEDs that indicated AHTN 2017 Codes 3901.10.92 and 3901.40.00 and with product descriptions referring to goods that are classifiable as LLDPE (e.g., “LLDPE”, “Linear-Low Density Polyethylene”, “alpha olefin”, “LLD Polyethylene”, “MD Polyethylene”, and “LL”). LLDPE described in the BOC-EIEDs as being used for (i) rotational and

⁴ WTO Document: WT/DS177/AB/R; WT/DS178/AB/R

⁵ WTO Document WT/DS121/9

injection molding applications and (ii) wires and cable applications were excluded. To increase accuracy, imports with outlier landed costs were also excluded.

Following the submissions and issues raised by interested parties in their comments to the Staff Report and final position papers, the Commission examined BOC-EIEDs indicating imports for AHTN 2017 Heading 39.01 (except for subheading 3901.30.00 which refers to ethylene-vinyl acetate copolymers). Product descriptions referring to goods that are classifiable as LLDPE (e.g., “LLDPE”, “Linear-Low Density Polyethylene”, “alpha olefin”, “LLD Polyethylene”, “MD Polyethylene”, and “LL”) were extracted and added as imports of LLDPE. The same process of removing imports with outlier landed costs was also undertaken as a final step to increase accuracy.

7.4. Imports of Linear Low-Density Polyethylene

During the POI, LLDPE was imported by the domestic industry and other parties.

Total imports of subject article grew from ██████ MT in 2015 to ██████ MT in 2020, or an increase of 27% over the six-year POI (Table 7.1). In terms of annual volumes, imports were lowest in 2017 (██████ MT) and highest in pre-pandemic year 2019 (██████ MT).

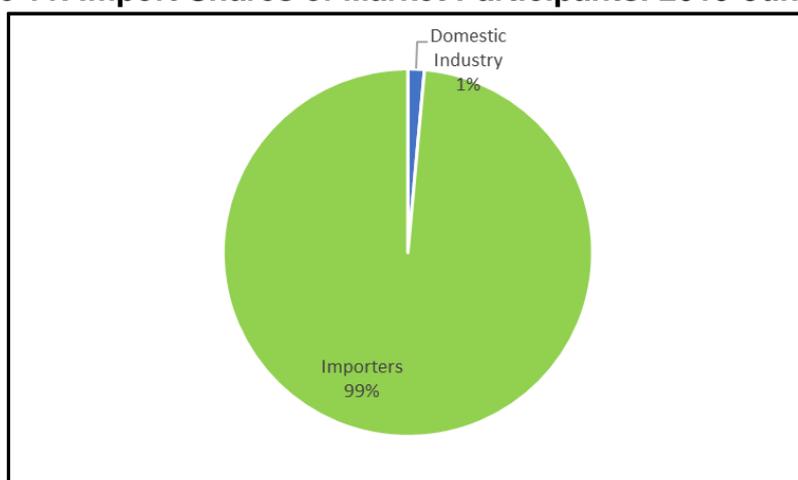
Table 7.1. Imports of LLDPE: 2015-June 2021

Year	Import Volume (in MT)						% Share	
	By Domestic Industry	Growth Rate (%)	By Other Importers/ Traders	Growth Rate (%)	TOTAL Imports	Growth Rate (%)	By Domestic Industry	By Other Importers/ Traders
2015	██████		80,386.71		██████		██████	██████
2016	██████	196	72,156.84	-10	██████	-10	██████	██████
2017	██████	27	70,022.72	-3	██████	-3	██████	██████
2018	██████	-8	111,317.95	59	██████	58	██████	██████
2019	██████	60	115,421.24	4	██████	4	██████	██████
2020	██████	8	101,202.96	-12	██████	-12	██████	██████
TOTAL	██████		550,508.41		██████	-	██████	██████
Average	██████	57	91751.40	7	██████	8	██████	██████
January-June								
2019	██████		56,451.66		██████		██████	██████
2020	██████	-57	49,856.50	-12	██████	-12	██████	██████
2021	██████	449	43,330.04	-13	██████	-11	██████	██████

Source of basic data: BOC EIEDs

Imports of the domestic industry accounted for only ███% of total imports of subject article during the POI (Figure 11). Its share of imports was highest in 2020 (at nearly ███%) as its imports peaked at ██████ MT (Table 7.1).

Figure 11. Import Shares of Market Participants: 2015-June 2021



Source of basic data: BOC-EIEDs

7.4.1. Sources of Imports

During the POI, the bulk of Philippine imports of LLDPE were sourced from the ASEAN region, specifically Singapore (29%) and Thailand (18%) (Table 7.2 and Figure 12). This is expected since LLDPE imports from the ASEAN Member States (AMSs) enjoy duty-free entry into the Philippines. Other top sources included Saudi Arabia (17%), Qatar (16%), and the United States of America (7%).

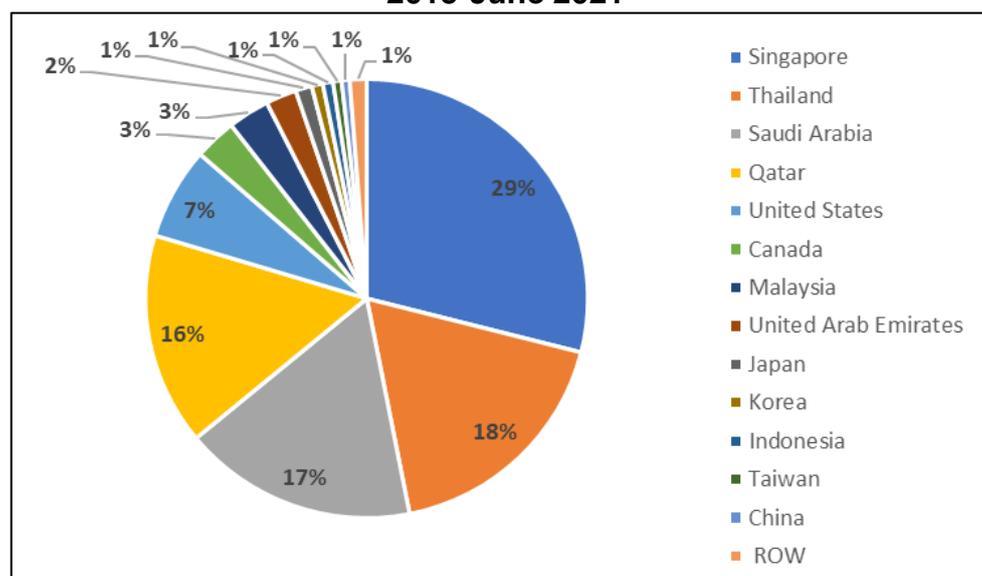
Table 7.2. Country Suppliers of Imported LLDPE (in MT): 2015-June 2021

Origin	2015	2016	2017	2018	2019	2020	January - June 2021	TOTAL	% Share
Singapore	17,271.44	19,749.32	25,555.11	39,281.57	38,787.03	23,447.53	7,811.85	171,903.85	29
Thailand	20,185.03	16,715.39	4,589.21	13,229.37	17,150.86	6,611.72	8,066.92	106,548.51	18
Saudi Arabia	15,543.05	10,766.59	9,552.74	21,932.76	18,413.57	15,323.80	10,180.25	101,712.76	17
Qatar	12,383.50	13,246.10	10,542.92	18,523.20	17,368.71	13,473.94	7,292.72	92,831.09	16
United States	137.66	279.26	74.35	4,379.31	12,006.12	18,853.48	4,521.13	40,251.30	7
Canada	3,286.63	2,954.25	1,595.46	1,071.75	3,490.88	4,042.75	1,792.60	18,234.32	3
Malaysia	1,574.25	1,183.00	1,204.70	5,555.05	3,629.22	4,107.18	822.25	18,075.65	3
United Arab Emirates	1,443.00	1,163.25	1,509.75	2,510.78	2,476.25	2,748.35	1,534.50	13,385.88	2
Japan	3,441.34	1,509.82	905.29	335.39	272.08	475.72	205.67	7,145.32	1
Korea	974.92	966.75	1,808.57	911.43	26.90	32.95	84.33	4,805.84	1
Indonesia	836.89	1,665.25	326.28	-	737.00	692.00	206.00	4,463.42	1
Taiwan	962.34	857.15	348.02	1,052.08	290.66	196.55	18.40	3,725.20	1
China	136.08	226.70	906.43	1,048.41	130.75	358.57	676.91	3,483.85	1
Rest of World	2,210.58	874.01	1,103.90	1,486.85	641.22	838.42	116.50	7,271.48	1
TOTAL	80,386.71	72,156.84	70,022.72	111,317.95	115,421.24	101,202.96	43,330.04	593,838.46	100

Source of basic data: BOC-EIEDs

Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)

Figure 12. Import Shares of Country Suppliers of LLDPE: 2015-June 2021



Source of basic data: BOC-EIEDs

7.4.2. Top Importers and Exporters

Aside from the domestic industry, the Commission identified 569 importers of LLDPE pellets and granules during the POI. The top ten LLDPE importers accounted for 37% of total imports of LLDPE during said period, equivalent to 222,102 MT (Table 7.3). Said importers sourced LLDPE mostly from AMSs (i.e., Singapore, Malaysia, and Thailand) with other non-AMS sources located within Asia and the Middle East. The top three importers were RPMC Plastics Phils. Inc. (5%), Cygnus Industries Inc. (5%), and Shrinkpack Philippines Corporation (4%).

Table 7.3. Top Ten Importers of LLDPE: 2015-June 2021

Importer	Top Source/s	Volume of Imports (in MT)								% Share
		2015	2016	2017	2018	2019	2020	2021 (January-June)	TOTAL	
RPMC Plastics Phils., Inc.	SA, SG, QA	5,360.50	5,406.93	3,637.43	5,692.50	5,061.00	2,735.00	2,611.13	30,504.49	5
Cygnus Industries Inc.	TH, SG, SA	2,896.40	4,256.38	5,083.23	6,998.83	4,961.35	3,956.05	1,163.25	29,315.48	5
Shrinkpack Philippines Corporation	SG, US, QA	1,602.25	1,821.65	1,607.88	4,521.90	4,930.08	6,937.75	2,643.23	24,064.73	4
Prima Plastic Manufacturing Corporation	SG, MY, US	1,343.25	1,538.00	2,045.20	4,130.40	5,985.00	6,464.90	2,517.25	24,024.00	4
Grand Majestic MFG. Corporation	QA, SA, TH	2,370.00	3,846.75	4,035.53	3,517.35	4,340.23	3,475.25	1,557.50	23,142.61	4
Ceed Forming Corporation	SG, QA, SA	1,404.04	2,952.55	4,598.00	6,543.15	1,302.48	3,018.16	377.88	20,196.26	3
Bonpack Corporation	SG, TH, SA	1,489.50	2,609.50	1,501.20	3,015.25	3,744.30	3,146.63	2,804.25	18,310.62	3
Flexible Packaging Products Corporation	SA, AE, TH	1,111.25	2,691.25	2,412.38	3,652.50	3,596.38	3,171.75	990.25	17,625.75	3

Importer	Top Source/s	Volume of Imports (in MT)								% Share
		2015	2016	2017	2018	2019	2020	2021 (January-June)	TOTAL	
DOLE Philippines Inc.	SG, QA, TH	1,430.58	3,201.48	3,284.21	2,743.97	3,823.86	1,671.35	1,447.50	17,602.94	3
Integrated Logistic Phils. Inc.	QA, SG, SA	4,542.00	3,644.73	3,039.46	2,357.25	2,969.75	660.00	102.00	17,315.19	3
Subtotal		23,549.77	31,969.22	31,244.52	43,173.10	40,714.43	35,236.84	16,214.24	222,102.07	37
Others		56,836.94	40,187.62	38,778.20	68,144.85	74,706.81	65,966.12	27,115.80	371,736.39	63
GRAND TOTAL		80,386.71	72,156.84	70,022.72	111,317.95	115,421.24	101,202.96	43,330.04	593,838.46	100

Legend: AE = United Arab Emirates, MY = Malaysia, QA = Qatar, SA = Saudi Arabia; SG = Singapore, TH = Thailand, US = United States of America

Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)

Source of basic data: BOC-EIEDs

For exporters of LLDPE to the Philippines during the POI, the Commission identified 465 parties. The top ten exporters accounted for 64%, or 379,629 MT, of total exports (Table 7.4). The top three exporters were Qatar Chemical & Petrochemical Marketing and Distribution Company (12%), Exxon Mobil Chemical Asia Pacific (11%), and Sabcic Asia Pacific PTE LTD. (10%).

Table 7.4. Top Ten Exporters of LLDPE to the Philippines (in MT): 2015-June 2021

Exporter	Origin	Volume of Exports (in MT)								% Share
		2015	2016	2017	2018	2019	2020	January – June 2021	TOTAL	
Qatar Chemical & Petrochemical Marketing and Distribution Company	QA, SA, SG	7,249.50	13,246.10	1,809.00	16,840.20	15,531.71	12,226.44	6,782.72	73,685.67	12
Exxon Mobil Chemical Asia Pacific	SG, US, MY	5,565.93	7,331.83	2,110.63	12,349.02	16,837.20	12,531.80	6,939.85	63,666.26	11
Sabcic Asia Pacific PTE. LTD.	SG, SA, MY	5,934.34	9,410.59	2,402.39	15,140.05	15,284.34	10,817.01	2,496.75	61,485.45	10
Siam Polyethylene Co. LTD.	TH, SG	9,719.55	13,806.96	49.50	8,385.55	10,461.85	6,435.80	3,800.70	52,659.91	9
Dow Chemical Pacific Singapore PTE LTD.	SG, SA, US	470.25	1,988.98	173.25	13,830.02	12,286.73	9,122.55	3,275.50	41,147.28	7
Eastern Petrochemical Co.	SA, AE	4,207.50	5,052.78	198.00	5,148.00	4,380.77	3,489.75	3,465.00	25,941.80	4
GC Marketing Solutions Company	TH, MY	0.00	0.00	0.00	0.00	6,075.85	9,684.44	4,266.23	20,026.52	3
The Dow Chemical Company	US, CA, CN	0.65	50.80	0.00	3,030.50	4,249.10	6,484.50	1,138.50	14,954.05	3
Dow Chemical Pacific PTE LTD.	SG, SA, US	594.00	867.88	24.75	3,176.45	3,342.71	3,836.05	1,856.25	13,698.09	2
Nova Chemicals (International) S.A.	CA, CH	1,725.00	2,439.01	0.00	900.00	2,725.00	3,475.00	1,100.00	12,364.01	2
Subtotal		35,466.72	54,194.93	6,767.52	78,799.79	91,175.26	78,103.34	35,121.50	379,629.04	64
Others		44,919.99	17,961.91	63,255.20	32,518.16	24,245.98	23,099.62	8,208.54	214,209.42	36
GRAND TOTAL		80,386.71	72,156.84	70,022.72	111,317.95	115,421.24	101,202.96	43,330.04	593,838.46	100

Legend: AE = United Arab Emirates, CA = Canada, CH = Switzerland, CN = China, MY = Malaysia, QA = Qatar, SA = Saudi Arabia, SG = Singapore, TH = Thailand, US = United States of America

Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)

Source of basic data: BOC-EIEDs

7.5. Findings on Increased Imports

In its determination, the Commission was guided by the relevant requirements of the Safeguard Measures Act and the WTO Agreement on Safeguards. The Commission considered all submissions received and undertook its own research.

For purposes of determining whether LLDPE is being imported into the Philippines in increased quantities, whether absolute or relative to domestic production, the importations of the domestic LLDPE industry were excluded.

7.5.1. Increased Volume of Imports: In Absolute Terms

In the first three years of the POI, import volumes were declining. From 80,387 MT in 2015, volumes decreased by 10% (to 72,157 MT) in 2016 and by another 3% (to 70,023 MT) in 2017 (Table 7.5 and Figure 13).

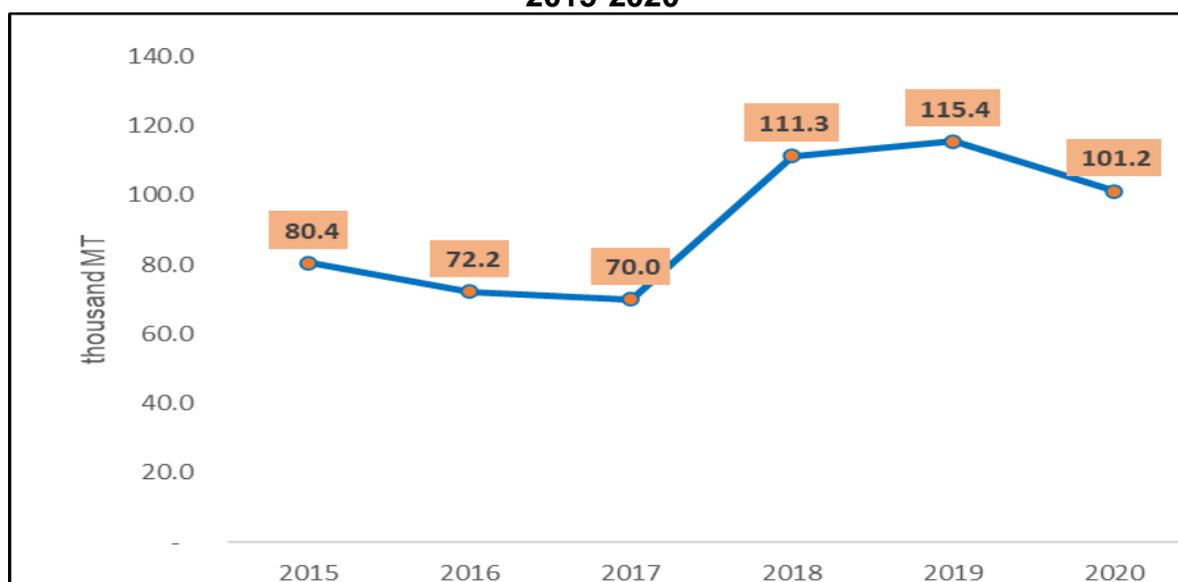
Table 7.5. Imports of LLDPE by Importer-Traders, In Absolute Terms: 2015-2020

Year	Import Volume (in MT)	Growth Rate (%)
2015	80,386.71	
2016	72,156.84	-10%
2017	70,022.72	-3%
2018	111,317.95	59%
2019	115,421.24	4%
2020	101,202.96	-12%
TOTAL	550,508.41	

Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)

Source of basic data: BOC-EIEDs

Figure 13. Imports of LLDPE by Importer-Traders, In Absolute Terms: 2015-2020



Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)

Source of basic data: BOC-EIEDs

In 2018, imports increased sharply by 59% to 111,318 MT. During this year, domestic production of LLDPE pellets and granules was more than halved to ██████ MT, from ██████ MT in 2017.

While growth continued in 2019 so that imports reached their peak level of 115,421 MT, the rate of increase fell to only 4%. Domestic production remained historically low at ██████ MT, attributable to a complex-wide shutdown implemented in the last quarter and which extended until the first quarter of 2020.

In 2020, imports declined by 12% to 101,203 MT, even lower than the 2018 level. This decline in imports can be attributed to the adverse economic consequences (e.g., mobility restrictions) of the global COVID-19 pandemic.

Since the POI is until June 2021, the Commission examined first semester imports. The 2021 figure of 43,330 MT is the third lowest over the POI and is nearly 13% less than the volume of 49,746 MT recorded for initial year 2015 (Table 7.6 and Figure 14). While there were significant upturns of 39% and 16% in 2018 and 2019, respectively, volumes progressively declined thereafter, specifically by 12% in 2020 (which may be attributed to the pandemic) and by another 13% in 2021.

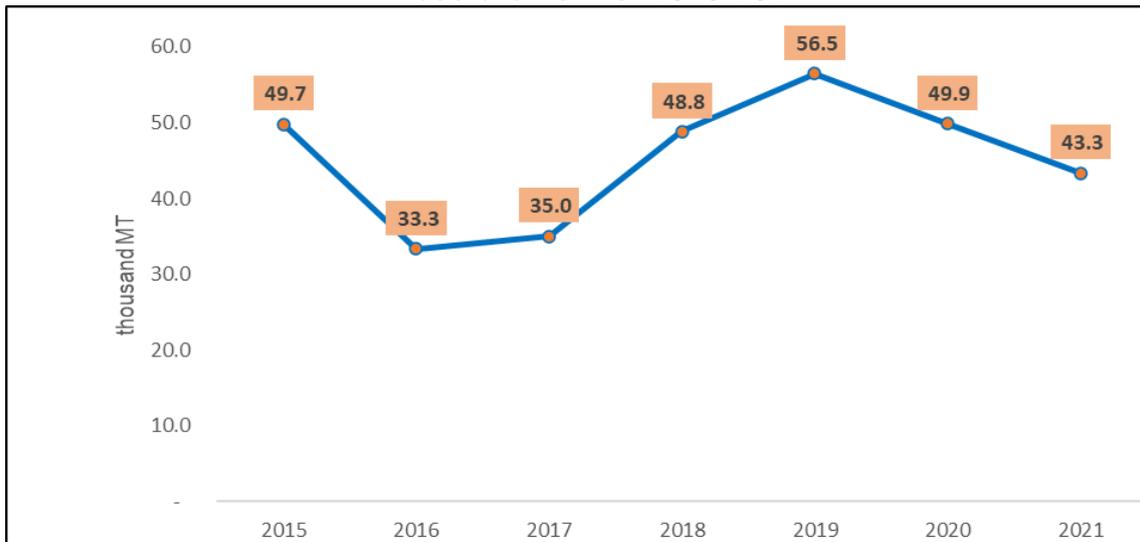
Table 7.6. First Semester Imports of LLDPE by Importers/Traders, In Absolute Terms: 2015-2021

Year	First Semester Import Volume (in MT)	Growth Rate (%)
2015	49,745.61	
2016	33,324.33	-33%
2017	35,014.10	5%
2018	48,793.82	39%
2019	56,451.66	16%
2020	49,856.50	-12%
2021	43,330.04	-13%
TOTAL	316,516.06	

Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)

Source of basic data: BOC-EIEDs

Figure 14. First Semester Imports of LLDPE by Importers/Traders, In Absolute Terms: 2015-2021



Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)
Source of basic data: BOC-EIEDs

7.5.2. Increased Volume of Imports: Relative to Domestic Production

In general, the changes in import volumes of LLDPE pellets and granules were negatively correlated to the changes in production volumes of the domestic industry. Imports responded to adjustments in production such that when local production grew, imports decreased, and vice versa. Any shortfall in supply as a result of reduced local production were filled by imports.

During the first three years of the POI, domestic production of subject article rose from ██████ MT (2015) to ██████ MT (2017) (Table 7.7). On the other hand, imports declined from 80,387 MT to 70,023 MT. The share of imports to domestic LLDPE production thus decreased from ██████% in 2015 to ██████% in 2017.

Table 7.7. Imports of LLDPE by Importers/Traders Relative to Domestic Production: 2015-June 2021

Year	Imports (MT)*	Growth Rate (%)	Domestic Production (MT)**	Growth Rate (%)	Share of Imports to Production (%)
2015	80,386.71		██████		██████
2016	72,156.84	-10	██████	2	██████
2017	70,022.72	-3	██████	35	██████
2018	111,317.95	59	██████	-51	██████
2019	115,421.24	4	██████	6	██████
2020	101,202.96	-12	██████	66	██████
TOTAL	43,330.04				

Note: Excludes imports of JG Summit Olefins Corporation (JGSOC)
Source of basic data: Imports - BOC-EIEDs; Production - JGSOC

In 2018, domestic production slumped by 51% to █████ MT. With this domestic circumstance, imports rose to 111,318 MT. The share of imports to production consequently spiked to █████%.

From October 2019 to March 2020, JGSOC ceased its operations to give way to a complex-wide expansion. Thus, its production level in 2019 barely recovered to █████ MT. With the minimal improvement in local production (by 6%), imports rose by another 4% and its share to domestic production remained high at █████%.

Despite the first quarter shutdown and the economic impact of the global pandemic, production rebounded by 66% to █████ MT in 2020. Importations receded by 12%. The share of imports to production fell to █████%, which is a mere six percentage points higher than the 2015 share.

7.6 Conclusions

Based on import data from 2015 until June 2021, the Commission finds the following:

- a. In the first three years of the POI, import volumes fell from 80,387 MT (2015) to 70,023 MT (2017). In 2018 however, imports grew sharply (by 59%) and surpassed the 100,000 MT-mark for the first time (111,318 MT). Imports in 2019 further increased to 115,421 MT but at a much slower year-on-year rate of 4%. In 2020, imports retreated to 101,203 MT, 9% and 12% lower than the 2018 and 2019 levels, respectively.

While the decline in imports in 2020 can be attributed to the pandemic, the increases in imports in 2018 and 2019 can be ascribed to the low domestic production of LLDPE pellets and granules in said years. The temporary shutdown of JGSOC for six months (starting from the last quarter of 2019 until the first quarter of 2020) explained the need for additional imports to meet the shortfall of LLDPE pellets and granules in the local market.

An evaluation of first semester imports over the POI shows that the 2021 volume (43,330 MT) was approximately 13% less than the 2015 level (49,746 MT). While there were significant increases of 39% and 16% in 2018 and 2019, respectively, levels declined in 2020 (by 12%) and 2021 (by another 13%).

- b. The share of imports to domestic production contracted from █████% in 2015 to █████% in 2017 as the domestic industry's output rose while import levels fell. In 2018 and 2019, decreases in local production were accompanied by greater imports; hence, shares rose to more than █████%. In the final year of the POI, domestic production bounced back while imports significantly contracted. The share of imports to production fell to █████%, largely equivalent to the 2015 figure.

Imports were negatively correlated to domestic production during the POI. The substantial production slumps in 2018 and 2019 meant declines in locally available supply which constrained users to purchase imported LLDPE pellets

and granules. Simply put, the increased imports were a natural consequence of inadequate volumes of local LLDPE available in the market relative to demand.

In view of the foregoing and in accordance with RA No. 8800, the Commission finds that LLDPE pellets and granules were not being imported into the Philippines in increased quantities, both in absolute terms and relative to domestic production, during the POI.