

**NOTICE 25 OF 2007****INTERNATIONAL TRADE ADMINISTRATION COMMISSION****NOTICE OF INITIATION OF AN INVESTIGATION INTO THE ALLEGED DUMPING OF CITRIC ACID ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC).**

The International Trade Administration Commission (ITAC) accepted an application alleging that citric acid originating in or imported from the People's Republic of China is being dumped on the Southern African Customs Union (SACU) market, causing material injury to the SACU industry concerned.

**THE APPLICANT**

The application was lodged by Isegen South Africa (Pty) Ltd, being the only manufacturer of malic acid in the SACU, which the Commission concluded was a "like product" to the imported citric acid. The Applicant alleges that the allegedly dumped products are causing it material injury. The Applicant submitted sufficient evidence and established a *prima facie* case to enable the Commission to arrive at a reasonable conclusion that an investigation should be initiated on the basis of dumping, material injury and causality.

**THE PRODUCT**

The product allegedly being dumped is "citric acid" (subject product) classifiable under tariff subheading 2918.14. The SACU product is malic acid classifiable under tariff subheading 2918.19.10.

### LIKE PRODUCT DETERMINATION

On 22 February 2006, the Commission, after considering submission by the Applicant, decided that there **is** sufficient evidence to indicate that the imported and the SACU products are “like products”.

The Commission used the following criteria to determine the likeness of the two products:

Criteria	Imported product: CITRIC ACID	SACU product: MALIC ACID
Raw materials	Starch or sugar. Other sugar containing material such as molasses can also be used.	Maleic anhydride and water. Steam and electricity are secondary inputs.
Physical appearance	Colourless and odourless powder with a strong acidic taste. It is commonly available in either the hydrated form, citric acid monohydrate (CAM) or the anhydrous form, citric acid anhydrous (CAA).	It is a colorless granular powder with a sour taste
Tariff classification	2918.14	<b>2918.19.10</b>
Production process	Fermentation of carbohydrates is the preferred process for citric acid production. Starches are first hydrolyzed to sugars and then fermented to citric acid using propriety strains of the <i>Aspergillus niger</i> mould. Extensive purification of the fermentation broth is then undertaken to yield CAM, which can be recrystallised and dehydrated to produce CAA.	Butane is catalytically oxidized to maleic anhydride in process reactors, with the generation of excess steam. The maleic anhydride is then hydrolysed to maleic acid, which is converted to malic acid by heating with steam under pressure. The final step entails the granulation, purification, drying, and packing of the malic acid.
Application or end use	Used as an acidulant in the food and beverage market. Non-food use includes pharmaceuticals and cosmetics, household detergents and cleaners,, metal finishing and cleaning, and as a starting material for citrate ester plasticizers	Used as an acidulant in the food and beverages to provide the lingering tart taste. Used for masking the <b>bitter/sweet</b> after-taste of artificial sweeteners used in low calorie foods and drinks. It also finds industrial use in textile finishing, metal treatment and plating, and in detergent formulations. It is <b>also</b> used by the pharmaceutical industry.
Substitutability	Citric acid is only chemically distinct from the SACU malic acid but the uses and characteristics of the products are similar in the exporting country and in the SACU. Therefore, the two products are fully substitutable.	The local product is chemically distinct from the imported citric acid but <b>is</b> regarded as a substitute product for citric acid in all the main applications of the <b>two</b> products.

Correspondence of Commission's predecessor with and reports by the CSIR on the interchangeability of citric acid and malic acid indicated that in at least 75% of the applications for food and beverages the two acids are interchangeable.

#### **THE ALLEGATION OF DUMPING**

The allegation of dumping is based on the comparison between the normal values and the export prices from the subject country. The normal values for the subject country was calculated based on the published citric acid weekly prices from India. The export price was determined based on the official import statistics obtained from the South African Revenue Service. On this basis, the Commission found that there was *prima facie* proof of dumping.

#### **THE ALLEGATION OF MATERIAL INJURY AND CAUSAL LINK**

The Applicant alleges and submitted sufficient evidence to show that there is price undercutting and that the imports in question are suppressing its selling prices. The Applicant's information indicated a decline in sales, profit margins, output and market share. It **was** also evident that the decrease in market share has been at the expense of a corresponding increase in the market share of the allegedly dumped citric acid imports. On this basis the Commission found that there was *prima facie* proof of material injury and causal link.

#### **PERIOD OF INVESTIGATION**

The period of investigation for purposes of determining the dumping margins in the respective exporting country or country of origin will be from 1 July 2005 to 31 August 2006.

The period of investigation for purposes of determining injury will be from 1 July 2003 to 31 August 2006. If there are subsequent events that are relevant to injury the Commission may later request and consider further, more recent information.

## PROCEDURAL FRAMEWORK

Having decided that there is sufficient evidence and a *prima facie* case to justify the initiation of an investigation, the Commission is initiating an investigation in terms of section 16 of the International Trade Administration Act, 2002 (the ITA Act). The Commission will conduct its investigation in accordance with the relevant sections of the ITA Act, the World Trade Organisation Agreement on Implementation of Article VI of the GATT 1994 (the Anti-Dumping Agreement) and the Anti-Dumping Regulations of the International Trade Administration Commission of South Africa (ADR). Both the ITA Act and the ADR are available on the Commission's website ([www.itac.org.za](http://www.itac.org.za)) or from the Trade Remedies section, on request.

In order to obtain the information it deems necessary for its investigation, the Commission will send non-confidential versions of the application and questionnaires to all known importers and exporters, and known representative associations. The trade representatives of the exporting countries have also been notified. Importers and other interested parties are invited to contact the Commission as soon as possible in order to determine whether they have been listed and were furnished with the relevant documentation. If not, they should immediately ensure that they are sent copies. The questionnaire has to be completed and any other representations must be made within the time limit set out below.

## VERIFICATION OF INFORMATION

The information submitted by any party may need to be verified by the investigating officers in order for the Commission to take such information into consideration. The Commission may verify the information at the premises of the party submitting the information, within a short period after the submission of the information to the Commission. Parties should therefore ensure that the information submitted would subsequently be available for verification.

It is planned to do the verification of the information submitted by the exporters within three to five weeks subsequent to submission of the information. This period will only be

extended if it is not feasible for the Commission to do it within this time period or upon good cause shown, and with the prior written consent of the Commission, which should be requested at the time of the submission.

It should be noted that unavailability of, or inconvenience to consultants will not be considered to be good cause. Parties should also ensure when they engage consultants that they will be available at the requisite times, to ensure compliance with the time frames.

### **ORAL HEARINGS**

Any interested party may request an oral hearing at any stage of the investigation in accordance with Section 5 of the ADR, provided that the party indicates reasons for not relying on written submission only. The Commission may refuse an oral hearing if granting such hearing will unduly delay the finalisation of a determination. Parties requesting an oral hearing shall provide the Commission with a detailed agenda for, and a detailed version, including a non-confidential version, of the information to be discussed at the oral hearing at the time of the request.

If the required information and arguments are not received in a satisfactory form within the time limit specified above, or if verification of the information cannot take place, the Commission may disregard the information submitted and make a finding on the basis of the facts available to it.

### **SUBMISSION FORMAT**

Parties should ensure that all the information requested in the applicable questionnaire is provided in the specified detail and format. The questionnaires are designed to ensure that the Commission is provided with all the information required to make a determination in accordance with the rules of the Anti-Dumping Agreement.

The Commission may therefore disregard information that is incomplete or does not comply with the format in the questionnaire, unless the Commission has agreed in writing to a deviation from the required format.

Parties, who experience difficulty in furnishing the information required, or submitting in the format required, are therefore urged to make written applications to the Commission at an early stage for permission to deviate from the questionnaire or provide the information in an alternative format that can satisfy the Commission's requirements. The Commission will give due consideration to such a request on good cause shown.

### **CONFIDENTIAL INFORMATION**

Please note that if any information is considered to be confidential then a non-confidential version of the information must be submitted for the public file, simultaneously with the confidential version. In submitting a non-confidential version the following rules are strictly applicable and parties must indicate:

- where confidential information has been omitted and the nature of such information;
- reasons for such confidentiality;
- a summary of the confidential information which permits a reasonable understanding of the substance of the confidential information; and
- in exceptional cases, where information is not susceptible to summary, reasons must be submitted to this effect.

This rule applies to all parties and to all correspondence with and submissions to the Commission, which unless indicated to be confidential and filed together with a non-confidential version, will be placed on the public file and be made available to other interested parties.

If a party considers that any document of another party, on which that party is submitting representations, does not comply with the above rules and that such deficiency affects that party's ability to make meaningful representations, the details of the deficiency and the reasons why that party's rights are so affected must be submitted to the Commission in

writing forthwith (and at the latest **14** days prior to the date on which that party's submission is due). Failure to do so timeously, will seriously hamper the proper administration of the investigation, and such party will not be able to subsequently claim an inability to make meaningful representations on the basis of the failure of such other party to meet the requirements.

Subsection 33(1) of the ITA Act provides that any person claiming confidentiality of information should identify whether such information is *confidential by nature* or is *otherwise confidential* and, any such claims must be supported by a written statement, in each case, setting out how the information satisfies the requirements of the claim to confidentiality. In the alternative, a sworn statement should be made setting out reasons why it is impossible to comply with these requirements.

Section 2.3 of the ADR provides as follows:

*"The following list indicates "information that is by nature confidential" as per section 33(1)(a) of the Main Act, read with section 36 of the Promotion of Access to Information Act (Act 2 of 2000):*

- (a) management accounts;*
  - (b) financial accounts of a private company;*
  - (c) actual and individual sales prices;*
  - (d) actual costs, including cost of production and importation cost;*
  - (e) actual sales volumes;*
  - (f) individual sales prices;*
  - (g) information, the release of which could have serious consequences for the person that provided such information; and*
  - (h) information that would be of significant competitive advantage to a competitor;*
- Provided that a party submitting such information indicates it to be confidential."*

A failure to submit an adequate non-confidential version of the response that complies with the rules set out above under the heading *Confidential Information* will be regarded as an incomplete submission.

### **TIME LIMITS**

All responses, including non-confidential copies of the responses, should be received by the Senior Manager: Trade Remedies II not later than 30 days from the date hereof, or from

the date on which the letter accompanying the abovementioned questionnaire was received. The said letter shall be deemed to have been received seven days after the day of its dispatch.

Late submissions will not be accepted except with the prior written consent of the Commission. The Commission will give due consideration to written requests for an extension of not more than 14 days on good cause shown (properly motivated and substantiated), if received prior to the expiry of the original 30-day period. Merely citing insufficient time is not an acceptable reason for extension. Please note that the Commission will not consider requests for extension by Embassy on behalf of exporters.

### **ADDRESS**

The response to the questionnaire and any information regarding this matter and any arguments concerning the allegation of dumping and the resulting material injury must be submitted in writing to the following address:

**Physical address**

**The Senior Manager: Trade Remedies II  
International Trade Administration Commission  
Block E – The DTI Campus  
77 Meintjies Street  
SUNNYSIDE, PRETORIA  
SOUTH AFRICA**

**Postal address**

**The Senior Manager: Trade Remedies II  
Private Bag X753  
PRETORIA, 0001  
SOUTH AFRICA**

**Enquiries may be directed to the investigating officers, Mr Ephraim Mogashoa at +27 12 394- 3595, or Ms Busi Gumede at +27 12 394-3631, or Ms Sibongile Hlatwayo at +27 12 394 3615 or at fax number +27 12 394 0518.**